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**BACKGROUND DOCUMENT TO THE 2008 ANNUAL REPORT ON PHARE,
TURKEY PRE-ACCESSION INSTRUMENT, CARDS AND TRANSITION
FACILITY**

COUNTRY SECTIONS & ADDITIONAL INFORMATION

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LIST OF ACRONYMS

ACDEI	Agency for the Coordination of Development and European Integration
ARDP	Agricultural Rural Development Plan
ASATC	Aviation safety and Air Traffic Control
BAS	Business Advisory Services
BCIA	Coordination of International Aid
BSP	Business Support Programme
CAP	Common Agricultural Policy
CBC	Cross Border Cooperation
CC	Candidate Country
CCI	Cross-Cutting Issue
CEB	European Development Bank
CEFTA	Central European Free Trade Agreement
CFCA	Central Financing and Contracting Agency
CFCDD	Central Financing and Contracting Department
CFCU	Central Finance and Contracts Unit
CFP	Common Forestry Policy
CI	CzechInvest
CMO	Common Market Organisations
CMS	Case Management System
CP	Consumer Protection
CPER	Country Phare Evaluation Review
CPMA	Central Programme Management Agency
CRD	Center for Regional Development
CSO	Civil Society Organisation
DABLAS	Danube-Black Sea Task Force for co-operation on water protection in the wider Black Sea Region
DFID	United Kingdom's Department for International Development
DIS	Decentralised Implementation System
EAG	Evaluation Advisory Group
EAGGF	European Agricultural Guidance and Guarantee Fund
EAR	European Agency for Reconstruction
EBRD	European bank for reconstruction and development
EC	European Communities
ECAA	European Common Aviation Area
ECLO	European Commission's Liaison Office
EDIS	Extended Decentralised Implementation System
EEFF	Energy Efficiency Finance Facility
EFTA	European Free Trade Association
EFSE	European Fund for Southeast Europe
EIB	European Investment Bank
ENPI	European Neighbourhood and Partnerships Instrument
ERDF	European Regional Development Fund
EPAP	European Partnership Action Plan
ESC	Economic and Social Cohesion
ESF	European Social Fund
ESCB	European System of Central Banks
EU	European Union

EUAP	EU Awareness Programme
FDI	Foreign Direct Investment
FIFG	Financial Instrument for Fisheries Guidance
GDP	Gross Domestic Product
GMO	Genetically Modified Organisms
GOEA	Government Office for European Affairs
HJPC	High Judicial and Prosecutorial Council
IA	Implementing Agency
IACS	Integrated Administration and Control System
IB	Institution Building
IBM	Integrated Border Management
ICTY	International Criminal Tribunal for the former Yugoslavia
IDPs	Internally Displaced Persons
IFI	International Financial Institutions
IMF	International Monetary Fund
IPA	Instrument for Pre-accession Assistance
IPF	Infrastructure Projects Facility
IPS	Integrated Planning System
IT	Information and Telecommunication
JHA	Justice and Home Affairs
JMC	Joint Monitoring Committee
KJI	Kosovo Judicial Institute
LAG	Local Action Group
MCR	Ministry of Communities and Returns
MED	Mediterranean
MFF	Municipal Infrastructure Facility
MIS	Management Information System
NAO	National Authorising Officer
NAC	National Aid Coordinator
NDP	National Development Plan
NGO	Non-Governmental Organisation
NIPAC	National IPA Coordinator
NPA	National Programme for the Adoption of the <i>Acquis</i>
NP	National Programme
NPP	Nuclear Power Plant
NROS	Civil Society Development Foundation
NSI	National Statistical Institute
NTF	National Training Fund
ODIHR	Office for Democratic Institutions and Human Rights
OECD	Organisation for Economic Co-operation and Development
OHR	Office of High Representative
OLAF	European Antifraud Office
OP	Operational Programmes
OSCE	Organisation for Security and Cooperation in Europe
OVI	Objectively Verifiable Indicators
PAO	Programme Authorising Officer
PAP	Pre-Accession Programme
PAR	Public Administration Reform
PBS	Public Broadcasting Service
PCM	Project Cycle Management

PIFCA	Public Internal Financial Control Agency
PMC	Programme Monitoring Committee
PPP	Public-Private Partnership
PSK	Probation service of Kosovo
QSG	Quality Support Group
RCC	Regional Cooperation Council
RDA	Regional Development Agency
RDSA	Regional Development Support Agency
REACH	Registration, Evaluation and Authorisation of Chemicals
ROM	Results-Oriented Monitoring
RTA	Resident Twinning Advisor
SAA	Stabilisation and Association Agreements
SALW	Small Arms and Light Weapons
SEE	South East Europe
SEETO	South East Europe Transport Observatory
SF	Structural Funds
SIGMA	Support for Improvement in Governance and Management
SME	Small and Medium Sized Enterprises
SMEFF	SME Finance Facility
SMSC	Sector Monitoring Sub-Committee
TA	Technical Assistance
TAIEX	Technical Assistance Information Exchange Unit
TSE	Transmissible Spongiform Encephalopathy
TSMO	Transmission System and Market Operator
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNMIK	United Nations Mission in Kosovo
VAT	Value Added Tax
VET	Vocational Education and Training
WFD	Water Framework Directive
WQM	Water Quality Management
WTO	World Trade Organisation
WWTP	Waste Water Treatment Plant

PART I: COUNTRY SECTION

1. Albania

1.1. The year in review

1.1.1. Political developments

In 2008, Albania made some progress on democracy and the rule of law and continued to play a constructive role in terms of stability and good regional cooperation. The Albanian parliament adopted major constitutional amendments and important legislative acts on the organisation of the judiciary. However, much remains to be done to ensure the independence, transparency and efficiency of the judiciary. Improvements are needed to establish an independent, efficient and merit-based civil service.

There was some progress in the fight against corruption and the perception of corruption changed. But further efforts are required as corruption still remains widespread. Fighting corruption in the judiciary remains a key issue. There was progress on consolidating property rights and the legislative and institutional framework improved in the area of human rights and the protection of minorities, but overall progress remained limited as regards protection of women and minorities, and anti-discrimination policy for children. New prisons and pre-trial detention centres were built but very poor detention standards remained an issue of serious concern.

Civil society organisations remained weak and their participation in policy-making required further strengthening.

1.1.2. Macroeconomic developments and structural reforms

In 2008, the economy of Albania continued growing at a relatively fast pace. Inflationary pressures were contained and the country progressed towards establishing a functioning market economy. While macroeconomic stability was broadly maintained, risks increased as the current account deficit widened. The administration of public finances improved and State-induced distortions of competition remained limited. The government intensified its fight against corruption and tax evasion but the large informal sector remained an important challenge. Privatisation of large-scale state-owned companies progressed and the business environment improved, but unreliable energy supply, poor infrastructure, as well as weak rule of law and contract enforcement continued to hinder economic development.

1.1.3. Progress in meeting the *acquis communautaire*

Overall, Albania made progress, albeit unevenly, in aligning its legislation, policies and capacity with European standards and in implementing its Interim Agreement commitments.

In some areas, such as customs and competition, progress made in previous years was sustained. There were also positive developments on SME policy and in the field of electronic communications. In other areas, such as energy, transport and intellectual property rights, progress remained limited. The legal framework on food safety, veterinary and phytosanitary policy improved, but compliance with EU standards remained poor hindering Albania's capacity to export. Overall, administrative capacity and implementation of legislation remained weak.

In the field of justice, freedom and security, some progress was made in most areas, but further improvements are needed overall. Regarding visas, a reliable civil registry and address system was set up to improve document security. The law on foreigners was adopted. The EC-Albania visa facilitation agreement entered into force and the visa liberalisation dialogue was launched. But distribution of biometric passports needs to be stepped up. The visa regime is not yet in line with EU standards.

Border control improved as a result of a new law on border management, better infrastructure and inter-agency co-operation. The legal framework and co-operation between banks and financial institutions on money laundering improved. However, organised crime remained a serious problem despite improvements in the legal framework and better co-operation with Interpol. A strategy to combat trafficking in human beings has been adopted, but much remains to be done, as Albania remained a significant country of origin for trafficking of human beings.

1.2. Financial assistance in 2008

Programmes launched

As from 2007, the CARDS instrument has been replaced by the new Instrument for Pre-accession Assistance (IPA).

Overview of programmes implemented

In 2008, particular emphasis was given to progress in the implementation of the CARDS 2005 programme in order to finalise contracting before the contracting deadline in September 2008. By its expiry date in September 2008, 95% of CARDS 2005 funds had been contracted.

At the end of 2008, contracting rates for the CARDS 2006 had reached 40%. CARDS 2006 contracting will be completed in 2009.

The area of **Justice, Freedom and Security** remained an important area of focus. Programmes supported the sustainability of the School of Magistrates, support to the General Prosecutor Office, the provision of additional assistance for the modernisation of the data telecommunication system of the Albanian Police and the provision of specialised software for financial intelligence unit of the Albanian Ministry of Finance. Support was also provided for the design of pre-detention facilities as well as the construction of ten Border Control Points and Special Operative Groups at the borders. Works continued to finalise the construction of a serious crime court building and a reintegration centre for juveniles, as well as the renovation of the State Publication Centre and the Saranda and Dibra Courts. Substantial technical assistance in the field of justice and police continued to be provided through EURALIUS, PAMECA and Twinning of assistance to the police in investigations techniques and organised crime, as well as support to the training of prison staff, juvenile justice reform and to the implementation of the national strategy on migration.

Assistance in the area of **democratic stabilisation** concentrated its efforts on the creation of a modern Civil Registry and address system in close cooperation with the Organisation for Security and Co-operation in Europe, the Council of Europe, Norway and the US. Further programmes were implemented to support the development of civil society and the integration of marginalised persons, as well as the promotion of education programmes in rural areas and gender equality. Support was as well provided to foster media development and capacities.

As regards **administrative-capacity building**, the programme continued to support the implementation of public administration reform. Substantive support has been provided to the Ministry of European Integration in capacity-building for the management of EU assistance, in legal approximation and in inter-institutional coordination for the execution of the National Plan for the Implementation of the Stabilisation and Association Agreement. Support has also been provided to strengthen the capacity to deliver public service of public administration at local governments' level. Additional assistance concerning European integration capacity building has been provided by contributing to the Integrated Planning System Trust Fund of the World Bank. Support has also been provided to the establishment of the National Agency for Information Society.

Support was also provided in the area of **public internal financial control** and to the National Agency for Information Society. In the field of financial control technical assistance is provided to the Ministry of Finance through Twinning implemented by the British National Audit Office and Polish Ministry of Finance. Financed under CARDS 2005 project entitled 'Development of Public Internal Financial Control' started in November 2008.

As regards **economic and social development**, the support to the registration of immovable property in cadastral zones, reinforcement of the capacity of trade unions, assistance was provided to support technical regulations, market surveillance and consumer protection, accreditation, standards and certification. Assistance was provided also to strengthen the labour market and employment.

Support was also provided for **vocational education and training (VET) and higher education** in order to improve the quality of training opportunities available. CARDS assisted the preparation of VET strategy, curriculum and legislative amendments in order to improve the quality of VET.

In the area of **environment and natural resources**, support to the approximation of environmental legislation has been provided, as well as assistance to environmental clean-up and disposal of hazardous waste in major hot-spots.

Assistance has been provided in **food safety**, to the rehabilitation and the furnishing of the national food authority building.

Support to the **development of cultural and historical heritage** has also been provided.

Also, in the area of the **transports** support to the design and supervision for the construction of roads was provided as well as technical assistance to the Ministry of Transport in the area of civil aviation, rails, roads and ports. During 2008, the master plan of Durresi Port, main port of Albania, was prepared.

Furthermore, support to the government for the participation in **community programmes** and integrated support for decentralisation has been provided.

CARDS management performance

In 2008, a total of €34.2 million was contracted and a total of €37.7 million was paid.

The performance in implementing the 2005 CARDS programme was overall satisfactory in 2008, as a very significant part of the programme was contracted in 2008. However, this effort led to rather limited contracting for the 2006 CARDS programmes with contracting rates for CARDS 2006 of 40 %. As mentioned above the CARDS 2006 contracting will be completed in 2009.

*Table 1: Albania: Status of financial assistance at the end of December 2008 (in million €)
– CARDS annual national programmes*

	Allocated	Contracted	RAC ¹	% contracted	Paid	RAL ²	% paid
CARDS 2001	33.5	30.16	3.3	92%	29.16	4.34	87%
CARDS 2002	42.90	42.15	0.75	98%	40.90	1.25	95%
CARDS 2003	38.50	38.26	0.24	99%	35.48	2.78	92%
CARDS 2004	62.00	61.34	0.66	99%	38.66	22.68	62%
CARDS 2005	40.20	38.07	2.13	95%	21.87	16.20	54%
CARDS 2006	42.50	16.91	25.59	40%	3.38	13.53	8%
Total	259.6	226.89	32.67	87%	169.45	60.78	36%

The implementation of CARDS Information and Communication Programmes, Neighbourhood Programmes and Evaluation and Audit Programmes proceeded smoothly.

Further to the €9.2 million of 2007, in 2008 an additional €0.374 million were recovered from expired Phare programmes. A prepared action plan for 2008 regarding recovery orders was used in order to continue this exercise.

Institution Building highlights

Support provided to the justice sector through the Justice Assistance Mission of the EU to Albania (**EURALIUS**) brought the Albanian Justice System closer to EU standards. The mission was composed of technical assistance drawn from EU Member States and led to improvements in particular as regards: 1) Justice organisation, 2) Penitentiary reform, 3) Enforcement of rulings, 4) Law drafting and legal approximation, 5) Criminal Justice and 6) Immoveable property.

Support provided to the Ministry of Justice through the Twinning project “**Enhancing the Judicial System in Commercial Matters**” has contributed substantively to the alignment of Albania's commercial law with EU standards. Action plans for the improvement and harmonisation of the current legal and institutional framework for commercial law and shortening of commercial proceedings at courts have been prepared and adopted.

The Project “**Market Surveillance system at the Ministry of Economy in Albania**” aimed at the support to the establishment of an adequate market surveillance (MS) and consumer protection (CP) systems able to integrate policies adopted from different trade partners and

¹ Reste à contracter

² Reste à liquider

assure effective protection of consumer interests. The Project established consolidated foundations for effective MS&CP system in Albania according to EU standards. A number of laws Harmonised with EU directives were drafted and approved. Substantial knowledge and skills were transferred to the Beneficiary that is actually able to undertake transposition of laws, implement and address the enforcement issues.

During 2008, CARDS assisted the Ministry of Transports in four sub-sectors: **roads, railways, ports and civil aviation**. The assistance was given to establish the new Institute of Transport structure setting up transport planning and information departments, establishing the best practices on EU transport law, establishing links with the executive agencies (GRD, PDA, and Railways) and setting up Management Information System (MIS).

1.3. Results and impact

Monitoring & Evaluation Reports in 2008 - Lessons Learned

During the course of 2008 monitoring of CARDS projects continued to take place. In addition to this, an evaluation of selected projects/programmes was launched with the aim of identifying strengths and weaknesses in their design, performance and management. These projects/programmes were selected as a representation of key actions managed by the European Commission (EC) Delegation in various sectors. Overall assessment is rated as moderately satisfactory. In terms of "lessons learnt", the following conclusions were reached:

Lessons learnt in relation to **projects' relevance**:

- CARDS assistance has been relevant in relation to the EC strategic documents, but their strategic planning value has been limited.
- The degree of beneficiaries' participation and ownership in the programming process has varied over the period as well as from sector to sector.
- Varied quality of project design, due to lack of real needs assessment, has made assistance less relevant at the time of implementation, and some projects have experienced large changes during implementation due to inadequate or untimely project design.

Lessons learnt regarding **effectiveness**:

- The effectiveness of training is very mixed between horizontal and vertical *acquis*. On the horizontal level, training projects have been of limited effect in the absence of clear civil service reform.

Lessons learnt regarding **efficiency**:

- Administrative capacity has been rather limited and has often hampered implementation of projects.
- The overall assessment is however that the project outputs were delivered, in general in a satisfactory manner taken into consideration the difficult environment with lack of staff and delays in Government's adoption of procedures.

Lessons learnt related to **impact**:

- Immediate or short-term impacts have been observed in the majority of projects.
- The support to *acquis*-related areas may in some cases have been premature or not adequately prepared and this will create problems for the impact of this assistance.
- Reforms are introduced bottom-up and not necessarily met with a top-down approach.

Lessons learnt in the domain of **sustainability**:

- The sustainability of CARDS assistance primarily depends on administrative resources and capacities of individual institutions having the administrative capacity to sustain the results and outputs delivered through the past assistance.
- An important step in the right direction in the Government of Albania's (GoA's) effort to improve strategic planning is the Integrated Planning System (IPS) adopted in November 2005.
- Overall strategies are in place in the Government's reform agenda and reflected in the government strategies (National Development Strategy for Integration (NDSI)) and planning tools (IPS).

Lessons learnt in the domain of **management**:

- Programme implementation has suffered significant delays and part of the programme has still not been implemented.
- It has in some cases been difficult to properly assess the effectiveness of assistance due to consistent non-compliance of project design with the project cycle management format (PCM) and in particular the lack either of objectively verifiable indicators (OVI) or their sources of verification.

Sectors with positive results

Justice, Liberty and Security

Some progress was achieved as regards justice reform, with the approval of the judicial power law, the introduction of a probation service, the liberalisation of the enforcement service and the opening of new penitentiary institutions. Assistance includes actions aimed to strengthen the performance and independence of key judicial institutions by strengthening the capacities of executive bodies responsible for implementation of the judicial reform. Furthermore, support of the enhancement of the judicial system in commercial matters, which will contribute to overall improvement of the investment climate.

A very positive assessment can be made as to the impact of the Twinning project 'Strengthening the Capacity of the Albanian State Police in Covert Evidence Gathering and the use of Technical Aids to Investigations', by which the Albanian State Police has been initiated to modern techniques to enhance the efficiency of undercover policing operations in accordance with international and European best practices.

European standards

Albania has continued to make progress in European standards fields such as customs, market surveillance and consumer protection. Sustained institution building efforts under CARDS have contributed to this progress.

Support to the Institute of Statistics of Albania for data collection and adoption of the *acquis*

Progress was made in improving methodologies and practices in compliance with EU standards, and in increasing statistical co-operation and the quality of data in the official statistics. The project produced a number of substantial results in the areas of national accounts, agriculture and inter-agency co-operation. In these areas, the project had a positive impact on the improvement of the National Statistics System.

Success story

Renovation of Courts in Albania - Large institution building impact of small investments projects.

The renovation works of district court of Dibra is not only an architectural success, but it provided a great improvement in the working conditions of judges and court administrators.

The Dibra District Court was renovated and furnished according to European standards through CARDS 2004 project of €320,800. The renovation and furnishing of the Dibra and Saranda District Court, as well as the previously completed Appeal Courts in Korça and Vlora follows from the “Masterplan for Judicial Infrastructure”, which identified these courts as priority investments.

Strengthening the independence of Albania’s judiciary and improving its efficiency is one of the key aims of EC’s cooperation with the Government of Albania in the Stabilisation and Association process. The justice system should be independent, impartial, efficient, professional, open for the public and transparent. Development of this sector toward achieving the European standards is necessary linked with the development of a modern court infrastructure. Availability of adequate working space is an important pre-condition for judges, prosecutors, lawyers and judicial administrators to work effectively and allow the court proceedings to take place in an environment that is in favour of protecting the rights of all parties in a trial.

During the year 2005 a careful assessment of the courts infrastructure funded by Phare Programme was undertaken. This assessment resulted in a “Masterplan for Judicial Infrastructure”. The Masterplan provides a complete overview of the situation of the courts in Albania and made recommendations for investments in the sector over the following 15 years. The renovation of Dibra and Saranda District Courts building financed by the European Commission are consistent with the Masterplan recommendations.

The main problems of the building which the project has successfully addressed were a lack of isolation rooms for defendants, a security system, fire prevention measures, computer networks as well as humidity, cracked walls etc.

The newly renovated building includes one penal court room, four civil court rooms, and necessary facilities for the judges, prosecutors, defendants and the public.

Office furniture and information and telecommunication (IT) equipment were also an important part of this renovation works contract.

The renovation of the Court premises should positively influence the execution of the judiciary, not only the number of cases judged should increase but also the transparency of the rule of law. The proper court rooms in, Dibra, Saranda, Korca and Vlora should improve the

"reality of justice" which includes the publicity of proceedings. These projects should ultimately contribute also to strengthening the citizens' trust in judiciary.

2. Bosnia and Herzegovina

2.1. The year in review

2.1.1 Political developments.

Progress over 2008 was exceptionally slow. Consequently, there was little advancement in addressing the key European Partnership priority, requesting Bosnia and Herzegovina to establish more functional and sustainable institutional structures. Bosnia and Herzegovina's system of governance continued to involve a significant international presence in 2008. Due to the concerns over political stability in the country and in the region as a whole, the closure of the Office of High Representative (OHR) was further postponed. The Peace Implementation Council decided to make the closure conditional on Bosnia and Herzegovina's progress on addressing five objectives and two conditions. One of the conditions was met in June when the Stabilisation and Association Agreement was signed.

2008 saw Bosnia and Herzegovina remain in the early phases of public administration reform, even if some progress was made. Regarding the judicial system, the adoption of the Strategy for Development of the Justice Sector for 2008-2012 was a positive development. Nevertheless, the disjointed character of the judicial system and disparities in the legal framework constituted barriers to the effective operation of the judiciary. In the fight against corruption limited progress was achieved. The National Anti-Corruption Strategy was again not properly implemented.

Little additional progress has been achieved in improving the implementation of international human rights conventions. Some progress was made regarding the support provided by the authorities to civil society development. Progress in the area of minority rights, cultural rights and protection of minorities was limited.

2.1.2 Macroeconomic developments and structural reforms

In 2008 economic growth remained high and the external balance improved. The currency board arrangement continued to function smoothly, despite a relative acceleration in the growth of domestic lending, and the annual average inflation of the first eight months of 2008 stood at 8.0% in Bosnia and Herzegovina, after 1.5% in 2007. The increased fiscal revenue from the introduction of VAT in 2006 continued in 2008. In the first six months of 2008 net Foreign Direct Investment (FDI) declined strongly compared to the same period in the previous year and covered only 24% of the current account deficit. Despite robust economic growth, unemployment remained very high. Public spending, and in particular social spending, rose further, weakening the quality of fiscal adjustment and leading to liquidity problems in May. Slow expansion of productive capacities and structural rigidities hampered labour market participation. Progress in the restructuring and liquidation of State owned enterprises was slow and uneven across the country. The small and medium-sized enterprises (SME) sector grew, and enjoyed increased access to financing from private, public or EU funds. However, the informal sector remained large.

2.1.3 Progress in meeting the *acquis communautaire*

Bosnia and Herzegovina's progress is approximating to the *acquis* was limited overall. As regards free movement of goods, there remained a lack of proper conformity assessment infrastructure (testing and calibration laboratories, certification and inspection bodies) and the country's market surveillance system continued to be largely based on mandatory standards and pre-market control. Good progress was made in the field of customs and taxation. The

implementation of customs-related provisions was adequate and Value Added Tax (VAT) collection improved in 2008.

Progress in the field of anti-trust control continued, whereas no progress was made regarding State aid. There were some improvements on public procurement however not in terms of legislative alignment. Little progress was made with regards to intellectual, industrial and commercial property rights. In the area of employment and social policies, the absence of State level competences remained an obstacle to the development of a countrywide strategy for employment. No progress was made with respect to social policies. Some progress was made in the area of education. Limited progress was made in the area of SMEs. The sector enjoyed increased access to financing, but no countrywide SME strategy was adopted. Important State-level Laws on wine, agriculture, food and rural development were adopted, but there was no progress on the adoption of a State-level agriculture strategy. Some progress was made on food safety as implementing legislation was adopted, but in the field of veterinary and phytosanitary policies progress was limited. As for environment, no progress was made. Bosnia and Herzegovina's preparations in the transport sector were positive. Energy sector reform stalled in 2008. Bosnia and Herzegovina made some progress in the area of information society and media. In the field of statistics, limited progress was made. Cooperation between the country's statistics institutions was still insufficient.

In the area of justice, freedom and security, the Visa Facilitation Agreement entered into force in January 2008. Some progress was made in the areas of asylum and migration. Further efforts remain necessary to tackle money laundering. Some progress was made as regards police reform through the adoption of two state-level laws. However, the fragmentation of the police was not addressed. Action in fighting against organised crime activities was limited.

2.2. Financial assistance in 2008

Programmes launched

As of 2007, the CARDS programmes were replaced by the new Instrument for Pre-accession Assistance (IPA). No new CARDS programmes were launched after 2006.

Overview of programmes implemented

In 2008 contracts were awarded by the EC Delegation in Bosnia and Herzegovina with a combined value of €28 million, of which €10.8 million was delivered through CARDS regional and national programmes, €5.8 million through the European Initiative for Democracy and Human Rights as well as the Instrument for Stability. The largest share (€5.1million) was spent supporting the good governance and institution building initiative, whereas the second largest share was for the economic and social development area (€4.4 million). The EC was involved in several other sectors as well – infrastructure, trade, education, health, environment, media, cross-cutting sectors, and to a lesser extent in agriculture and forestry, and local governance.

The EC continued to support the *civil society* sector in Bosnia and Herzegovina by providing €1 million for a grant scheme targeting Civil Society Organisations involved in the reconciliation process. This assistance contributed to the development of local participation mechanisms in municipal administrations, in particular for returnees and constituent peoples' minorities. Some sensitive issues that had been treated as taboos before started to be openly discussed, such as school names and symbols, the issue of health care and pensions for

returnees, job creation of returnees, and the organising of returnees so that they are able to speak out and identify their needs. 9 projects have been funded and many of them were completed in 2008. Furthermore, new Non-Governmental Organisations (NGOs) were established as results of CARDS assistance projects. It should be noted that interest from NGOs for the CARDS programme was several times higher than the available budget.

The long-term EC support for *legal and judicial reform* continued during 2008. A variety of support was provided in the form of ICT equipment, legal books, furniture, and specialised detention vehicles for the judicial police. Furthermore, a Twinning light in support of the High Judicial and Prosecutorial Council (HJPC) and implemented by the Swedish National Courts Administration was completed during the reporting period. In addition to the various foci of technical advice, analysis and recommendations for the improvement of judicial cooperation between executive and judiciary bodies, a Memorandum of Understanding was signed by both parties.

The EC continued its essential support to the registry for war crimes and organised crime through a grant agreement of €2.3 million. The EC is the principal donor to this beneficiary and without such support its operational costs, which include criminal investigations, witness protection, interpretation, translations, and the presence of some international judges and prosecutors, would have been at risk. Total support contracted in 2008 was €3 million and such assistance has covered a wide variety of actors from within the executives of Bosnia and Herzegovina such as the State Ministry of Justice, HJPC, as well as judicial bodies across the country such as state, district, cantonal and regular courts and prosecutors' offices.

The EC supported the Bosnia and Herzegovina *police* forces with the implementation of police restructuring. The restructuring aimed at strengthening the capability of the end-users in order to make full use of the telecommunications and information systems donated by the EC in previous years. Emphasis shifted from straight provision of equipment towards assisting the police institutions in building up their capacity to properly sustain the donated equipment.

In the *Visa, Asylum and Migration* sector the EC continued to support the development of Visa, Asylum and Migration management capacities. Two projects financed under CARDS were completed during reporting period, namely Support to the Migration Management Capacities, implemented by International Organization for Migration (IOM), and Support to the Asylum Management Capacities, implemented by United Nations High Commissioner for Refugees (UNHCR). Both projects have focused on institution building by: 1) helping create administrative structures; 2) providing assistance for the adoption of the *acquis* and the implementation of standards (Visa, asylum and migration); and 3) creation of a sound and coordinated migration management policy consistent with EU standards.

EC support for the *trade* sector focused on institution building. The Ministry of Foreign Trade and Economic Relations (MoFTER) was helped to develop its institutional capacity and in its bilateral and multilateral negotiations in the context of the World Trade Organization (WTO), the Stabilisation and Association Agreement (SAA) and Central European Free Trade Agreement (CEFTA). MoFTER awareness-raising among economic operators, the public and the media regarding the implications of the various agreements being negotiated was also supported. Elsewhere, the EC provided technical assistance to help the Intellectual Property Institute develop its capacity and strengthen the legal framework in this area. In addition, the EC funded projects that develop the Bosnia and Herzegovina governmental system's capacity to regulate competition, and projects that facilitate the establishment of a State Aid System.

Under the *regional development and SME* portfolio and through the provision of the 5th call for the EU Regional Development fund, the EC supported the development of local initiatives

that encourage private sector growth and tourism. Grants awarded at the end of 2007 to support SME development began activities in 2008 with a focus on providing business infrastructure and business intermediary services. Of the seven grants under implementation, four focus on construction of business incubators, whereas the remaining grants focus on improving energy efficiency in the private sector, increasing skills of women entrepreneurs and the establishment of a buyer-seller matchmaking centre. The EC continued to directly support the five regional development agencies (RDAs) in Bosnia and Herzegovina in the form of operational grants. Finally, a smaller activity was implemented to support the State Ministry for Foreign Trade and Economic Relations finalise the draft of the first State SME Strategy. The strategy is pending adoption. Capacity building support for the Ministry was provided to improve their ability to complete annual reports on the implementation of the EU Charter for SMEs.

Regarding the *tourism* sector, under the provision of the 5th call for EU Regional Development fund, 19 tourism development projects were included (costing upwards of €3 million in total), aiming at developing and improving the sector's product offer, competitiveness, human resources, and at creating employment. These projects were largely implemented via local civil society organisations and/or tourism associations. Grants with a combined value of around €2 million were awarded at the end of 2007 to support tourism development and they began their activities in 2008. They are a response to the challenge faced by the Bosnia and Herzegovina tourist industry to attract international visitors whilst also developing a significant domestic demand.

In the *agricultural* sector, the EC continued its support for institution building at state level by focusing on the development of a framework for further harmonisation of agricultural strategies and policies coordinated by MoFTER. Also, assistance was provided for the State Veterinary Office through the exchange of best practice with Member State administrations in the fields of capacity building, *acquis* approximation, laboratories and reinforced inspection services.

In the *environment* sector the EC focused on water management. Under institution building, the EC provided additional support for Water Quality Management (WQM II) in Bosnia and Herzegovina. The aim was for the institutions in Bosnia and Herzegovina managing the water sector to reach a "good water status", as defined in the Water Framework Directive, via the introduction of a water management principle in accordance with EC practice. Among other areas, the EC assisted the government with its national waste water strategy, with improving coordination between water authorities, with monitoring strategies and methods, and with data and information management.

In regard to the *environment infrastructure* development in water and solid waste sector EC assistance focused on strengthening cooperation with International Financing Institutions (IFIs). EC support is designed to complement the IFI financial assistance and, for example, has taken the form of a feasibility study for Waste Water Treatment Plant (WWTP) and/or rehabilitation and closure of the wild landfills.

In the *transport* sector, the EC has continued to support high-scale infrastructure projects financed by the European Investment Bank by subsidising the interest rate. Cooperation with International Financial Institutions (IFIs) has been further strengthened by providing beneficiary countries with studies and designs central to their applications for IFI loan assistance. For example, assistance has been focussed on the road sector (a design for approximately 100 km road reconstruction), railway sector (designs for approximately 100 km of track overhaul and rehabilitation of telecommunication facilities, structures and electric traction on approximately 450 km of the rail network). The beneficiary country has

been assisted with the implementation of its Air Traffic Management Strategy. The river navigation sector, railway sector and the intermodal transport sector have all been assisted through the provision of relevant studies.

In the field of *education*, the EC has supported the development of a legislative framework and the adoption of laws. In 2008 a Framework law on vocational education and training was adopted. The draft law was prepared within the EC funded Vocational Education and Training project. Coordination between the fourteen Ministries of Education has improved as a result of the establishment of the Conference of Ministers chaired by the Minister of Civil Affairs. A strategy paper on the reform of the education sector, entitled "Directions for Education Development in Bosnia and Herzegovina 2008-2015", drafted within the EC funded project was also adopted. As regards higher education, a set of documents relevant for the implementation of the Bologna process prepared under Council of Europe/European Commission joint project have been adopted. The EC also assisted the government in developing the institutions and agencies foreseen in the aforementioned laws.

In 2008, decision-making and coordination in the public *health sector* have improved. A "Conference of Health Ministers of Bosnia and Herzegovina" established within the EC funded project and meets regularly. There has been some progress on statistical reporting. With the EC assistance, relevant stakeholders have been trained and reports on the national health accounts were produced for 2005, 2006 and 2007.

In the area of *employment*, the EC began the implementation of an employment and labour market programme by: (i) providing technical assistance through twinning light aimed at strengthening the State Agency for Labour; (ii) by executing the project on employment policy reform; and (iii) by establishing a labour information system. The employment policy reform project delivered the provision of IT and Intelligence infrastructure with the aim of improving the operations of the Entity, State and Brcko District employment institutes, recommendations for regulatory improvements in the country and strategies for employment.

The EC continued to support Bosnia and Herzegovina authorities develop and execute effective *fiscal policies* and to improve the management of public finances at State, Entity, and District levels. For that purpose, a supplementary quarterly macroeconomic model has been developed and delivered and an inter-institutional fiscal policy working group established. Recommendations for the improvement of Government Financial Statistics (GFS) have also been presented. The primary beneficiaries of the project have been the Macroeconomic Analysis Unit of the Governing Board of the Indirect Taxation Authority of Bosnia and Herzegovina, the Bosnia and Herzegovina Ministry of Finance and Treasury, and the two entity Ministries of Finance. The Directorate for Economic Planning and the Central Bank of Bosnia and Herzegovina were also involved.

The project strengthened the ability of the sub-entity government levels to comply with fiscal reporting requirements and organised a conference on "Public finances and Fiscal Management" thereby providing a forum for discussion and sharing of experiences in the areas of statistics, macroeconomic and fiscal forecasting, budgetary coordination and fiscal rules, taxation and expenditure and assessment of fiscal policy and fiscal sustainability.

With respect to *media and communication*, the EC supported the formal adoption of Public Broadcasting Service (PBS) reform. The EC also provided technical assistance (equipment and training) to the value of €1 million for both PBS and the Communications Regulatory Agency in order to facilitate the adoption of European standards in the regulatory framework

Social inclusion assistance focused primarily on the return process, which included the reconstruction of housing, the economic regeneration of return areas, support for de-mining

activities that enable return, and providing support to mine victims through job creation activities. A project entitled "kids festival" aimed to create better conditions for children in Bosnia and Herzegovina and improve the quality of their life thorough programs interactively joining education and entertainment.

The EC Delegation continued to support *cross border cooperation*. Implementation of the 31 local projects under the Interreg IIIb Cades programme and Adriatic New Neighbourhood Programme (ANNP) continued successfully in 2008. These projects aimed at increasing cooperation between the partners in the Adriatic region and South East Europe in different fields (research, entrepreneurship, environment etc.).

Support to building operating structures of Bosnia and Herzegovina for IPA component II – Cross-Border Cooperation - was provided through grants and technical assistance, in order to prepare Bosnia and Herzegovina for successful cooperation in bilateral cross-border programmes (with Serbia, Croatia and Montenegro), transnational programmes (South East Europe and Mediterranean), as well as in the multilateral IPA Adriatic Cross-Border Cooperation programme.

Cards management performance

The performance in managing CARDS programmes was overall satisfactory. 2001-2005 CARDS national programmes can be considered to be fully contracted. Contracting and payments for CARDS 2006 are on track.

Table 1: Bosnia and Herzegovina: Status of financial assistance at the end of December 2008 (in million €) – CARDS annual national programmes

	Allocated	Contracted	RAC ³	% contracted	Paid	RAL ⁴	% paid
CARDS 2001	105.2	98.56	6.64	94%	92.50	12.70	88%
CARDS 2002	60.5	59.30	1.20	98%	56.53	3.97	93%
CARDS 2003	50.6	49.38	1.22	98%	45.03	4.57	91%
CARDS 2004	62.1	60.49	1.61	97%	54.62	7.48	88%
CARDS 2005	44.0	43.21	0.79	98%	39.33	4.67	89%
CARDS 2006	43.8	38.38	5.42	88%	27.85	15.95	64%
Total	366.2	349.32	16.88	95%	316.862	49.34	87%

The implementation of CARDS Information and Communication Programmes, Neighbourhood Programmes and Evaluation and Audit Programmes proceeded smoothly.

Institution Building highlights

For the *preparation of decentralised implementation* of IPA in Bosnia and Herzegovina, the EC Delegation embarked on a coaching and training programme in order to prepare the country's authorities to take over responsibility for planning, programming and implementing financial assistance. Up until recently the EC was covering the project cycle alone, with little involvement of the Bosnia and Herzegovina government. To alter this, the EC Delegation has employed a strategy aimed at transferring 'ownership' of the programmes to the Bosnia and

³ Reste à contracter

⁴ Reste à liquider

Herzegovina authorities. This process prepares the decentralisation of the management of assistance, and included:

- Coaching and training the Directorate of European Integration (DEI) on strategic planning, project preparation and assessment;
- Setting up a structured network of counterparts for project planning, design and implementation in all line ministries and state agencies, the Senior Programme Officers (SPO's);
- Providing on-the-job training to the growing staff of the Central Finance and Contracting Unit (CFCU) by including them in tender/call for proposals evaluations organised by the Delegation. The training plan for the CFCU and the National Fund will continue to be implemented throughout 2009.

Public Administration Reform (PAR) was one of the sixteen priorities in the feasibility study and is one of the six key European Partnership priorities. The EC assists the Bosnia and Herzegovina governments in PAR through strengthening the systems of public administration and through administrative capacity building of selected key sectors. It is also supporting the PAR Coordinator's Office (PARCO) with the implementation of a national PAR Strategy and Action Plan. Even though there was no CARDS PAR project being implemented in 2008, the well-established coordination mechanism for the deployment of the PAR Fund continued to work, involving government representatives from all administrative levels and several PAR donors. It resulted in the approval of PAR-related projects with combined value of nearly €4 million.

The **public procurement institutions** (the public procurement agency and the review body) both received assistance in the form of separate twinning light projects that introduced them to EU practices, relevant *acquis* and practical implementation issues. The projects also recommended directions for further development of the PP system and its institutions.

Donor coordination has been ensured throughout the entire project management cycle from project design to implementation. Recently, the role of the EC Delegation has changed. The Delegation is seen more and more as the lead donor in the country in light of the European integration process, which is recognised as an utmost priority. At the same time, steps forward in the enhancement of local ownership of donor coordination could be observed.

The Government of Bosnia and Herzegovina transferred the responsibility for aid coordination at the state level from MoFTER to the Ministry of Finance and Treasury (MoFT) at the end of 2007. This development resulted in establishment of the Board for the Coordination of International Aid (BCIA) consisting of representatives of the MoFT, Directorate for European Integration, Directorate for Economic Planning, as well as the Bosnia and Herzegovina Federation, Republika Srpska and Brčko District Ministries of Finance. The Board is an advisory body which develops proposals, offers opinions and provides guidance for improving efficiency in the allocation of donor aid in line with Bosnia and Herzegovina's priorities.

In September 2008, the Sector for Coordination of International Economic Aid (SCIA) was established in the MoFT. The Sector's scope of work includes coordination of international economic aid to Bosnia and Herzegovina, except for EU aid which is responsibility of the Directorate for European Integration.

The Sector together with other institutions at State and Entity level (BCIA, Bosnia and Herzegovina's Federation Ministry of Finance, Ministry of Finance and Ministry for Economic Relations and Coordination of Republika Srpska) will be assisted through the aid

coordination and effectiveness project funded by DFID. The project continues a process of supporting the establishment of an aid coordination mechanism assisted by several donors, including the EC, the United Kingdom's Department for International Development (DFID), the Dutch Government and the United Nations Development Programme (UNDP). It will support the development of the capacity to co-ordinate international assistance to the country in line with principles of the Paris Declaration.

2.3. Results and impact

Monitoring & Evaluation Reports in 2008 - Lessons Learned

The ad-hoc evaluation on CARDS programmes carried out in Bosnia and Herzegovina during 2008 has shown in particular that:

- Political support from all levels of Government is essential for a successful project implementation.
- During the project design phase it is highly important to take into consideration the absorption capacity of local institutions. Beneficiary institutions need to have sufficient resources and staffing to fully benefit from the project activities.
- Sometimes projects have too many components or objectives. Consequently the expected results are beyond the local institutions.

Other lessons learnt deriving from monitoring of projects in 2008 can be summarised as follows:

- The political environment sometimes does not follow the same strategic direction, i.e. state and entity strategies are often not compatible with each other.
- There has sometimes been a lack of cooperation between regional and national projects. Information to local beneficiaries should be improved in order to avoid possible overlaps.
- In order to have successful national projects the continued involvement of beneficiaries, as soon as possible, from the design phase, is essential. The higher the involvement of the beneficiaries, the higher the level of 'ownership' in country.
- European integration projects are instruments of change aimed at developing the country. Political consensus is required concerning which level of authority is best placed to implement the required changes. Entities should contribute more actively and positively when there is a comparative advantage to work at State level for coordination purposes.
- Preconditions for project implementation are of utmost importance. If they are not met by the time the project should start, this may jeopardise the expected results. Bosnia and Herzegovina should take on such issues with more determination.
- Most projects designed for harmonisation and approximation of the *acquis* face difficulties due to different approaches on different levels of authority.
- Donor coordination does exist in Bosnia and Herzegovina and it is more and more effective, as it is carried out by the government itself. Bosnia and Herzegovina's authorities have taken the lead in aid co-ordination in the last quarter 2008 and further efforts will continue in this direction.
- Twinning projects have done very well. Absorption capacity is increasing, however, twinning light projects or technical assistance may still be a preferred tool when Bosnia and Herzegovina's counterpart administration is not yet fully equipped and up and running.

- Financial sustainability is very important. Sustainability is better achieved when political support is matched with Bosnia and Herzegovina's financial contributions.

Sectors with positive results

The EC has provided and continues to provide substantial political and financial support to the **High Judicial and Prosecutorial Council** whose central role as a state institution is to strengthen and maintain an independent, impartial and professional judiciary. Under its charge is the Case Management System (CMS) which benefited from further EC support during the reporting period. The assistance aimed to widen access to all courts, prosecutor's offices and cadastre offices in the country and to establish a judicial portal for the general public's easy access to information. EC support has also contributed to the establishment of a telecommunications system that connects different law enforcement agencies, prosecutors' offices, courts and the state agency that manages and issues various types of identification documents. Furthermore, nationwide information systems for police bodies have been established and the Forensics Departments are better equipped, more functional and efficient.

The EC continued to provide support for the implementation of the **Integrated Border Management** (IBM) strategy in Bosnia and Herzegovina. As a result of this support, a revised IBM Strategy and Action Plan have been adopted by Bosnia and Herzegovina's Council of Ministers. Two new commissions for dealing with border related issues have been established and a memorandum of understanding on the establishment of the joint analysis centre was signed between the institutions involved in the IBM process in Bosnia and Herzegovina. Additionally, the EC has procured Information and telecommunication (IT) equipment for operation of the Joint Analysis Centre.

The **regional development** agencies have continued to see remarkable results in each of their regions in terms of job creation and the creation of new small and medium enterprises. This is due to a number of schemes being implemented by the RDAs, including loan guarantee funds, consultant voucher schemes and rural development centres among others.

A variety of **tourism** products have been created and developed in the form of “baskets” of goods and services across Bosnia and Herzegovina. Some of them tangibles (travel, accommodation, etc) other intangibles (culture, rest, etc) with different specificities because of the “basket” content (eco and adventure sport tourism products, wine route products, cultural tourism products etc.) In addition, protection of cultural, historical and natural heritage linked to tourism development is considered as a major development source for the region.

In the sectors of **health and education** the functioning of public administrations has been improved by the standing conferences of ministers from both sectors who are meeting on regular basis now. The process of coordination and decision making has been considerably improved. In education, a legislative framework for institutional development and the reform of all levels of education (except adult education) has been completed. Three agencies responsible for the development of standards in education, assessment of outcomes of learning, accreditation and diploma recognition have been established. The strategic directions for the reform of all levels of education until 2015 have been adopted.

Thanks to EC assistance, major progress was made in the **agriculture sector** in 2008 through the creation of the state-level sector for coordination within MoFTER and adoption of the State Law on Agriculture, Food and Rural Development. In addition, EC assistance supported Bosnia and Herzegovina to initiate harmonised farm registration.

EC approval of *fishery* exports could largely be taken as a result of increased administrative capacities for Bosnia and Herzegovina due to EC assistance.

Successful implementation of the *cross border cooperation* grants during 2008 contributed to increased cooperation between the partner organisations from Italy and South East Europe, as well as increasing the profile, capacities and competitiveness of the local partners in fields of research, environment, entrepreneurship, local infrastructure etc.

Building capacities of the operating structure (Directorate for European Integrations) for the IPA component II ensured a successful start-up of the bilateral programmes between Bosnia and Herzegovina and neighbouring countries. Additionally, Bosnia and Herzegovina continued its involvement in European Regional Development Fund (ERDF) transnational programmes (South East Europe (SEE) and Mediterranean (MED)) and in IPA Adriatic multilateral programme.

In the area of *visa, asylum and migration*, the law on Movement and Stay of Aliens and Asylum was adopted in April 2008. Seven out of eight by-laws that define the area of immigration were also adopted. In 2008 Bosnia and Herzegovina's Ministry of Security adopted its strategic action plan for 2009-2012 as well as its first Migration and Asylum Strategy and Action Plan for 2008-2011. The Ministry of Security purchased land in order to build an Asylum centre that will be built with EC assistance and in June 2008 it opened a Centre for Illegal Migrants. All of the above positive developments are benchmarks for the fulfilment of a visa liberalisation roadmap.

Success story

EU Awareness Programme in Bosnia and Herzegovina

The objective of the EU Awareness Programme (EUAP) was to support Bosnia and Herzegovina's public, civil society and governmental actors to become sufficiently familiar with the EU and aware of the reforms required by the Stabilisation and Association process (Sap) and that a better informed public/government dialogue and debate will facilitate Bosnia and Herzegovina's progress in the Sap. Also the EUAP was designed to increase the general understanding of the EU, its policies and its programmes among the general population. In addition, the EUAP was designed to enable Bosnia and Herzegovina's Directorate for European Integration (DEI) to strengthen its capacity in the field of public relations and carry out its role in the dissemination of information on Sap, EU Membership and other EU related issues. The project took place over 24 months (2007 and 2008) and its overall cost was €1.425,630.

The EUAP included the organisation and production of:

- 9 Quiz shows " Kako u Evropu/ How to Europe", and targeted the participation of young people (high school students) from all parts of Bosnia and Herzegovina in order to increase awareness and interest in the EU and in the EU integration process (it was aired on national broadcaster - BHTV);
- "Street Ball Challenge" competitions across the country;
- Europe Day Celebrations on 9th May at the BH Parliament building with gala concert performed by the Youth Symphony Orchestra of South Eastern Europe;
- 21 Round Tables in 21 cities in Bosnia and Herzegovina where officials from DEI, EU Member States Ambassadors, EC Delegation officials and NGOs active in the European integration process presented issues relevant to the process of EU integration;

- 8 Debates broadcasted on BHTV;
- 28 programmes “S nama u Evropi/With us in Europe” produced by the entity's broadcaster - FTV;
- 13 TV programmes “Evropska unija i mi/ European Union and us” and 20 “I ja BiH u Evropu/I would also go to Europe” produced by the entity's broadcaster - RTRS;
- 69 programmes of "Euroimpuls" were aired weekly on BHTV. The program presented different topics relevant to the EU integration process, such as: Intercultural dialogue, higher education, science and research, intellectual property, minorities protection, EU promotional projects, the fight against corruption, waste control, migration and Asylum, Mines, and much more besides;
- Over a hundred hours of TV and radio programmes were produced and aired on national and entity broadcasters. Several radio bridges and competitions for students took place. Thousands of pieces of material were printed, such as products developed by EUAP together with the DEI.

Over the period, the growing attendance at the events and activities organised by the EUAP suggest an increase in awareness and interest in the EU and related issues. Furthermore, such an increase in attendance has helped to stimulate further interest and awareness. Europe Day 2008 provides a good example of this trend. The participation in such activities as the "*Kako u Evropu/how to Europe*" quiz show and the competition "*Street Ball Challenge*" and the coverage in the media – including free spots beforehand – meant that EU awareness and visibility was significantly raised in 2008. This process was then extended and enhanced by coverage of the winners “study trip” to Ljubljana, Brussels and Munich, which was filmed by the BHT crew that accompanied them. That resulted in a movie “Brankina priča/Branko's story” that is going to be screened at regional documentary festivals.

The Quiz show was evaluated as the best EU related programme that has produced and aired by public broadcasters in the region of SEE. Such recognition was delivered at the regional meeting of public broadcasters in 2008. The bulletin "Europuls" was commended by the Directorate of European Integration as being one of the strongest journalistic products about EU integration. The programme in general received highly positive evaluations by local media, governments and NGOs.

3. Bulgaria

3.1. Summary

In 2008, Bulgaria implemented both pre-accession and post-accession assistance to address the remaining needs related to Institution Building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since July 2007 implementation is carried out under the entire responsibility of the Bulgarian authorities applying national procurement rules. Four implementing agencies are fully responsible for daily implementation of projects.

In February 2008 the financing for the Pre-accession and Transition Facility programmes managed by two of the accredited Agencies - the Central Finance and Contracts Unit (CFCU) and the Implementing Agencies at the Minister of Regional Development and Public Works (MRDPW) was suspended and subsequently in July the Commission withdrew the right of those agencies to manage Phare and Transition Facility programme on a decentralized basis.

The National Aid Coordinator (NAC) continues to exercise the programming function for the Transition Facility programme and monitoring of both Pre-accession and Transition Facility Programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

Since the closure of the Phare Transition Team in the Representation in Sofia as of July 2008, DG Enlargement continues to exercise the residual functions related to Commission responsibilities (monitoring, payments, closure, etc.) in line with the Financial Regulation.

3.2. Phare/pre-accession, financial and Transition assistance in 2008

i) Implementation

- Phare 2005 – finalisation of payments

At the end of the period for execution of contracts for the 2005 Phare programme 56.26 % of the funding has been disbursed. There are several projects whose period of execution of contracts has not expired yet according to the corresponding Financing Agreements. Furthermore the Bulgarian authorities have requested extensions of the execution period for some projects under the 2005 Phare programme that have been approved by the Commission.

- Phare 2006 – rate of contracting (EDIS extensions)

At the end of the contracting period for the 2006 National programme on 30 November 2008, 17.38% of the programmes had been contracted. The low percentage of contracting is due partly to the suspension of funding as well as to the cancellation of significant number of contracts by the Bulgarian authorities for which no time and resources were available.

- TF 2007

The deadline for contracting 2007 Transition Facility will expire on 15 December 2009. Up to the cut-off date of this report, 30.06% of the programme had been contracted. However, the accreditation of the CFCU has not been restored and only twinning projects are eligible under TF.

- Institution Building highlights

As of 1 July 2007, the responsibility for the implementation of the twinning projects was taken over by the Administrative Office, while the overall coordination for twinning is carried out by the National Contact Point of the Ministry of Finance.

In 2008, a number of projects continued to be implemented through the twinning instrument. The projects funded under the Phare 2005 programme in the justice sector are focused on strengthening the sustainability and the role of the probation service, establishment and strengthening of the national system for support of crime victims, strengthening the uniform application of the new procedural legislation in Bulgaria.

Assistance is also provided to the Ministry of Interior in relation to border control, to the State Agency for National Security for further strengthening of its capacity for counteracting the organized crime, to the Bulgarian Maritime Administration for tackling the pollution issues, to the National Statistical Institute (NSI) for integration of the work of the NSI with the requirements of Eurostat and improvement of its regional structure.

Furthermore, twinning contracts under Phare 2006 support the capacity building of the National Revenue Agency; the institutional and administrative structures in charge of management, monitoring and control of Structural Funds for effective participation of Bulgaria in EU Cohesion Policy, the Agency for Economic Analysis and Forecasting and others.

As to the 2007 Transition Facility Programme for Bulgaria, twinning remains an important instrument for implementation. Altogether the Programme includes a total of 22 standard twinning projects and 5 twinning light projects in areas such as Agriculture, Environment, Justice and Home Affairs with the majority of projects in the field of reform of the judiciary, police, organised crime, but also in the area of border matters and migration issues, and social policy.

In 2008, Twinning continued to remain a successful instrument in Bulgaria in many areas and has helped the Bulgarian administration to further strengthen its capacities to implement and enforce EC legislation.

3.3. Results and Impact

i) - State of play for JMC / SMSC development

The Joint Monitoring Committee (JMC) continues to supervise progress of EU-funded assistance in 2008 and to provide recommendations on the management of Phare and Transition Facility programmes. In 2008, two JMC meetings took place in February and July 2008 respectively. At the meetings issues such as further improvement of project management and reporting were discussed and proposals for remedial actions were made.

Each monitoring sector is covered by the relevant Sectoral Monitoring Sub-Committee (SMSC). Each SMSC session normally meets twice a year in accordance with the annual schedule agreed within the JMC. Two rounds of SMSC meetings took place in 2008 and the ten monitoring sectors cover: Public Sector/Development of administrative capacity, Public Finance, Justice and Home Affairs, Economic Development, Agriculture, Environment,

Transport, Social Development, Regional Development/Cross-border Co-operation and Energy and Telecommunications.

ii) - Monitoring & Evaluation Reports in 2008 (lessons learned)

Overall responsibility for monitoring the Phare and Transition Facility programmes in Bulgaria lies with the NAC services within the Ministry of Finance. Activities in this area were carried out on the basis of the Action Plan on decentralisation of monitoring and evaluation, which was endorsed by the EC in May 2007.

Interim Evaluation of all the 10 SMSC monitored sectors has been launched during 2008. Three final reports have been completed - for Economic Development, Social Development and Public Administration Reform sectors and several draft reports have been circulated for discussion.

In 2008, one Country Summary Report was issued for the JMC meeting in July 2008. The report provided very useful information, based on the findings of the sectoral evaluation reports launched in 2008. Some issues in the sectoral parts give rise to concerns, as for example the rating of the anti-corruption projects is “unsatisfactory” and the same goes for projects in transport, regional and economic development.

4. CROATIA

4.1. The year in review

4.1.1 Political developments

EU accession negotiations began with Croatia on 3 October 2005 and continued to progress well. By the end of December 2008, 22 out of 35 negotiation chapters had been opened. Out of these chapters, seven had been provisionally closed.

Based on the overall progress being made by Croatia the Commission proposed in the enlargement package adopted on 5 November 2008, an indicative road map for reaching the final stage of accession negotiations by the end of 2009, provided Croatia fulfils all the necessary conditions.

Croatia continued to meet the Copenhagen political criteria. New strategies and action plans as well as legislation for reforming the judiciary, the public administration and in fighting corruption were adopted. The anti-corruption body USKOK continued to intensify its activities. Croatia took some steps to address problems of minorities, including refugee return. Croatia continued to participate actively in regional cooperation.

However, considerable challenges remain in key areas, such as reform of the still inefficient judicial system and public administration and in fighting organised crime and corruption, which remained widespread. Sustained efforts are needed across the board, leading to concrete results. Further attention needs to be paid to minority rights, especially refugee return. The prosecution of war crimes requires continued attention. There have been problems of access by International Criminal Tribunal for the former Yugoslavia (ICTY) to certain documents in Croatia.

Regional cooperation needs to continue, as do efforts to solve outstanding bilateral problems with neighbours, especially on border delimitation.

4.1.2 Macroeconomic developments and structural reforms

Overall in 2008 the economy of Croatia continued to show a solid performance, with macroeconomic stability being preserved.

However, inflation has risen considerably, largely due to higher energy and food prices. The current account deficit has been growing. The implementation of structural reforms has been slow. Significant subsidies to enterprise have not been used effectively for restructuring.

Furthermore in the last months of the year global financial crisis has started to affect the Croatian economy. Growth slowed down, external imbalances widened and economic prospects have become much bleaker. This entails the risks of an expansion of spending, revenue shortfalls and higher budget deficits.

4.1.3 Progress in meeting the *acquis communautaire*

Croatia improved its ability to take on the obligations of membership. Preparations for meeting EU requirements moved forward at a steady pace. Significant progress was made in economic and monetary policy and information society and media. Good progress was made in many chapters, such as public procurement, intellectual property law, customs union, food

safety and financial services. However, significant efforts lie ahead, in particular in areas such as judiciary and fundamental rights, environment, competition policy and agriculture and rural development.

4.2. Pre-accession assistance in 2008

Programmes launched

As of 2007 the Phare pre-accession programmes were replaced by the new Instrument for Pre-accession Assistance (IPA). No new Phare programmes were launched after 2006.

Overview of programmes implemented

The Commission decided to confer the management under decentralised implementation (DIS) of Phare and CARDS programmes to the Croatian institutions under the authority of the National Authorising Officer on 7 February 2006 while maintaining the ex-ante control requirement for tendering and contracting. This decision also allowed for the further decentralisation of elements of CARDS 2003 and 2004.

Throughout 2008, further contracting of Phare 2006 (Nuclear Safety, National and CBC programmes), and further disbursement of CARDS 2003 and CARDS 2004, and Phare 2005 and Phare 2006 (Nuclear Safety, National and CBC programmes) took place.

The CARDS 2003 programme amounts to a total of €62 million consisting of €3 million of centralised funds for the Tempus programme, €29,633,585 of deconcentrated funds managed by the EC Delegation and €29,366,415 of funds under DIS. Under deconcentrated management, the contracting rate was 99.2% with a disbursement rate of 93% at the end of 2008. Under DIS, these rates were respectively 97.7% and 86.7%.

The CARDS 2004 programme amounts to a total of €81 million consisting of €4 million of centralised funds for the Tempus programme, €30,426,370 of deconcentrated funds managed by the EC Delegation and €46,573,630 of funds under DIS. Under deconcentrated management, the contracting rate was 99.96% with a disbursement rate of 88.7% at the end of 2008. Under DIS, these rates were respectively 94.6% and 69.2%.

The Phare 2005 national programme amounts to a total of €71,500,000 and is fully decentralised except for the TEMPUS and Community programmes funds. Out of €62,882,000 of decentralised funds, 88.3% had been contracted, and 49.3% had been paid by the end of 2008.

In addition to the Phare 2005 national programme, the Phare 2005 Nuclear Safety programme amounts to €641,000 and is fully decentralised. By the end of 2008, 66.5% of funds had been contracted, and 42.5% disbursed.

Also under Phare 2005, the Cross-border programmes (CBC) Croatia-Italy and Croatia-Slovenia-Hungary amount to €3 million each and are implemented under DIS. By the end of 2008, 60.4% had been contracted and 48.3% paid for CBC Croatia-Italy, and 90.7% had been contracted and 69.9% paid for CBC Croatia-Slovenia-Hungary.

Under Phare 2006, the national programme, the Nuclear Safety programme and the Cross-border programme (CBC) Croatia-Italy and Croatia-Slovenia-Hungary amount respectively to

€61,062,000, €1,649,000, €3 million for each CBC programme, are implemented under DIS (except for the TEMPUS and Community programmes within the national programme envelope).

By the end of 2008, 84.8% had been contracted and 1% paid for the Phare 2006 the national programme, 74.9 % contracted with no payments for the Phare 2006 Nuclear Safety programme, 100 % contracted and 70.7 % paid for the CBC Croatia-Italy, 72.7% contracted and 52.3% paid for the CBC Croatia-Slovenia-Hungary.

CARDS and Phare management performance

In addition to the preparations for IPA, the theme which dominated 2008 was the temporary suspension by the Delegation (as from 21 December 2007) of endorsement of contracts under Phare 2006. This measure was aimed to last until the Commission was satisfied with performance improvements by Croatia under decentralised implementation.

During the first semester 2008, Croatia demonstrated such improvements through a set of measures tackling mainly the reinforcement of the Central Finance and Contracting Agency and the deeper supervision by key stakeholders (Minister of Finance, National Authorising Officer, and Head of the CFCA) on line Ministries.

These measures in turn led the Commission to restore in July 2008 its endorsement of contracts under Phare 2006. However, because much of the Croatian authorities' attention was devoted to the reinforcement of the structures (including the preparation for IPA accreditations), it was only in November 2008 that the main bulk of Phare 2006 national programme was contracted. While the contracting rate was at 1.5 % of the allocation at the beginning of November, it ended up at 84,8% by the contracting deadline of 30 November 2008 which constitutes a good performance considering the prevailing situation.

Table 1: Status of financial assistance at the end of December 2008 (in million €) – CARDS/Phare annual programmes

	Allocated	Contracted	RAC⁵	% contracted	Paid	RAL⁶	% paid
CARDS 2001	54	52.06	1.94	96.4%	48.69	5.31	90.2%
CARDS 2002	56	53.81	2.19	96.1%	51.46	4.54	91.9%
CARDS 2003	59	58.08	0.92	98.4%	53.60	5.40	90.8%
CARDS 2004	77	74.48	2.52	96.7%	59.20	17.80	76.9%
Phare 2005*	69.52	60.51	9.01	87.0%	34.82	34.70	50.1%
Phare 2006*	60.47	51.21	9.26	84.7%	4.26	56.21	7.1%
Total	375.99	350.15	25.84	93.1%	252.03	123.96	67.0%

* National, Cross-Border, and Nuclear Safety programmes.

⁵ Reste à contracter

⁶ Reste à liquider

NDPs – State of Play

The Croatian Government adopted a national development strategy entitled Strategic Development Framework 2006-2013 in August 2006, which identifies a series of priorities that should promote Croatia's social and economic development. The Strategic Development Framework remained valid in 2008.

In addition, the Croatian Government adopted in 2008 the National Programme for the Accession of the Republic of Croatia into the EU (NPIEU 2008) which is the sixth annual programme which contains activities to be undertaken on the way towards EU integration, as well as short and mid term priorities in the harmonisation of Croatian legislation with the *acquis*.

Institution Building highlights

One of the main challenges facing the candidate countries is the need to strengthen their administrative and judicial capacity to implement and enforce the *acquis*. The European Commission mobilises significant human and financial resources to help them with this process, using the mechanism of *twinning* administrations and agencies with the ones from the Member States.

During 2008, 12 new twinning contracts (of which 5 twinning light) under Phare 2006 national programme, for a total amount of approximately €6.4 million were signed.

In addition to these newly started projects, there were, by the end of 2008, 19 running twinning and twinning light projects, for a total amount of approximately €20 million: 7 projects under CARDS 2004 programme and 12 projects under Phare 2005 national programme.

Moreover, 12 twinning and twinning light projects for a total amount of approximately €4 million were finished during 2008: 5 under CARDS 2004 and 7 under Phare 2005.

4.3. Results and impact

State of play for JMC/SMSC development

Two series of six Sectoral Monitoring Sub-Committee (SMSCs) meetings each were held in May and October 2008. Each series of meetings considered the state of play for a total of 120 projects. The six sectors covered by the SMSCs were: Energy & Environment; Economic & Social Cohesion; Internal Market, Competition & Agriculture; Justice and Home Affairs; Public Administration Reform, Public Finance & Statistics; Social Sector, Civil Society & Minority Rights.

This process culminated in the Joint Monitoring Committee (JMC) which took place on 16 December 2008. The JMC reviewed the financial status of programmes as of 1 December 2008 (contracting, payments, end of implementation, closure). It discussed a JMC Synopsis Report containing conclusions, recommendations and follow-up actions, as well as a Country Summary Evaluation report providing a general overview of the key issues that have influenced the overall impact and sustainability of the Phare assistance to Croatia. The JMC also discussed the findings of the Ministry of Finance's internal audit performed on the 17 institutions benefiting from CARDS, Phare and IPA assistance.

Monitoring & Evaluation Reports in 2008- Lessons Learned

An ad-hoc independent Country Summary Evaluation report covering decentralised CARDS and Phare 2005 national programmes was released in December 2008.

This report is based on the eight sectoral interim evaluations carried out during the period November 2007 to December 2008 covering the six monitoring sectors.

The report provided the following lessons that can be drawn as regards the deployment of the CARDS and Phare assistance in Croatia:

Conclusion 1: Overall Phare has been largely effective as an instrument in supporting the accession process in Croatia particularly in those sectors where the emphasis is on harmonisation of legislation or application of European Union Directives. In others, progress has been made through capacity building, know-how transfer and increased political awareness. Institutional reform and uncertainty about future divisions of responsibility continue to hamper success in some subsectors, however.

Conclusion 2: Further investment is needed to continue the improvement of the Central Finance and Contracting Agency performance. Despite becoming an independent state agency and being better resourced, the performance of the Central Finance and Contracting Agency continues to struggle. Contracting processes are still too long and cooperation with other institutions and beneficiaries has improved but is still not close enough. Substantial training is needed to provide necessary professional know how and co-operation to the new inexperienced staff.

Conclusion 3: Despite recent improvements, professional and effective permanent training and education for existing and incoming civil service staff dealing with European Union interventions is still underdeveloped. Training in Project Cycle Management for all parties involved in project design and implementation is still needed to ensure that realistic programme objectives are set with correspondingly realistic resources and timescales in place to ensure their achievement. Ways must be found to institutionalise such training within the relevant Croatian administrative structures.

Conclusion 4: Monitoring and interim evaluation require further strengthening.

Sectors with positive results

Based on the aforementioned evaluation of Phare assistance, positive results were achieved in 2007, notably in the following sectors:

- In the "Energy and environment" sector, in general, programme design has been good or even very good and reflects highly relevant pre-accession needs. Strong stakeholder commitment provided positive prospects for efficient realisation. Prospects for effective delivery throughout the sector are positive, planned impacts are expected to be mostly achieved. Interventions appear sustainable.

- In the "social" sector, Phare interventions followed accession-related objectives but future Roma support should engage more with the EU strategy of social inclusion. Interventions reviewed can be regarded as largely efficient and are likely to have a positive immediate and

intermediate impact. However withdrawal of donors' funding poses a threat to smaller Non-governmental Organisations.

- In the "internal market" sector, as regards the interventions in the field of Competition, Free Movement of Goods, and Telecommunications and Broadcasting sub-sectors display satisfactory design of programmes with adequate objectives. Good progress towards effective delivery of outputs is being made across the sector, but inter-institutional co-operation particularly in Intellectual Property Rights still needs improvements.

Success story

Twinning Project- Implementing the Water Framework Directive (WFD) in the Republic of Croatia

The first Croatian Twinning Project in the environmental sector builds close partnerships and provides technical and administrative knowledge to implement European water protection policies.

<u>Official title of the project</u>	<u>Building and Development of Guidelines for the Implementation of the Water Framework Directive</u>
<u>Country</u>	<u>Croatia</u>
<u>Total Budget</u>	<u>€ 1.200.000,00</u>
<u>Implementation period</u>	<u>24 months (from 03/09/2007 to 02/09/2009)</u>
<u>Beneficiary</u>	<u>Ministry of Regional development, Forestry and Water management of the Republic of Croatia</u> <u>Hrvatske vode (Croatian water authority)</u>
<u>Partners</u>	<u>Ministry of Regional development, Forestry and Water management of the Republic of Croatia</u> <u>Hrvatske vode</u> <u>Federal Ministry for the Environment, Nature Conservation and Nuclear safety of Germany</u> <u>Governmental Service of Land and Water Management, The Netherlands</u>
<u>Overall Objective</u>	<u>Improving water quality standards and water management in Croatia in line with EU requirements</u>

With the accession into the EU, Croatia is obliged to implement the new requirements of the EU water acquis. Hereby the Water Framework Directive (WFD) which was adopted in 2000 plays a central role. The WFD demands a good status for all water bodies implying good water quality and good ecological functionality. This challenging objective can only be achieved by close cooperation between all stakeholders and by adopting the new ideas, set out by the Directive.

Apart from training in all aspects of the WFD, the Twinning Project already supported Croatia's water administration in establishing a monitoring working group which is now implementing the first WFD compliant monitoring programme in the country. Furthermore a WFD board comprising all relevant governmental bodies was initiated in 2008.

With these multidisciplinary working groups the implementation process will be highly facilitated in Croatia. In addition the project team strongly promotes participation and consultation of NGOs and the general public. In October 2008 the project organized together with the main beneficiaries and the University of Zagreb a Water Info event in the city centre of Zagreb with the central theme: What is water management all about?

All results, upcoming events and valuable background information can be found on the project's website www.wfd-croatia.eu.

5 Cyprus

5.1. Summary

In 2008, Cyprus continued to implement successfully the post-accession assistance to address the remaining needs related to IB for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since July 2004 implementation is carried out under the entire responsibility of the Cyprus authorities applying national procurement rules. A number of implementing agencies are fully responsible for daily implementation of projects.

The National Aid Coordinator (NAC) continues to exercise the monitoring of both Phare and Transition Facility Programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

5.2. Pre-accession, financial and Transition assistance in 2008

i) Implementation

- TF 2005 – finalisation of payments

At the end of the period for execution of contracts for the 2005 TF programme 92.12 % of the funding had been disbursed. The Cypriot authorities did not request any extension for the 2005 programme. The payments can still be executed within 6 months after the expiry of the contracts execution period.

- TF 2006 – rate of contracting

At the end of the contracting period for the 2006 Transition Facility programme on 15 December 2008, 89.78% of the programme had been contracted. A higher level of contracting was not reached due mainly to big savings in the procurement process. As there are only 4 projects implemented under TF2006, there were no possibilities of re-allocation of saved funds.

- Institution Building highlights

A total of around €19 million of post-accession assistance from national allocation (not including horizontal and multi-country programmes) has been allocated to Cyprus from Transition Facility programmes (2004-2006).

During the period, there was substantial overall progress towards the achievement of objectives and results of the EU assistance. The projects under TF 2005 projects were successfully completed and achieved its results, which further contributed to the enhancement of Cypriot public administration.

5.3. Results and Impact

- i) - State of play for JMC / SMSC development

In 2008, one Joint Monitoring Committee (JMC) meeting took place in April 2008, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which established an integrated monitoring and evaluation system over the programmes under implementation. During this JMC meeting it was agreed that it is the last physical JMC and the next ones will be concluded via the written procedure. The ISRs are of good quality and there is enough insurance that all remaining projects will be implemented according to the project fiches and the agreed schedule.

In the year 2007, the monitoring system was reorganised in Cyprus. It was affected due to simplified procedures introduced by the European Commission and due to the rather small number of projects under TF 2005 and 2006 programmes.

Within this reorganisation, a Programme Monitoring Committee (PMC) was established as a main coordinating body that meets twice a year and is chaired by the NAC. The PMC assesses progress towards the objectives and targets of the projects by reviewing actual output, the rate of implementation, financial flows, etc. and makes relevant recommendations. The PMC's discussion is based on the Quarterly Progress Reports of the projects as well as the Monthly Financial Reports.

ii) - Monitoring & Evaluation Reports in 2008 (lessons learned)

Overall responsibility for monitoring and evaluation of the Pre-accession and the Transition Facility programmes in Cyprus lies with the Planning Bureau, as the executive body of the NAC.

In 2008, two interim evaluation reports were released, both prepared by the external contractor. The first Interim Evaluation Report was issued in April 2008 and the second one in December 2008.

The overall rating of the last Interim Evaluation Report was satisfactory, with 1 exception of project from TF2005 which was rated as barely satisfactory. In general all projects suffered from delays in contracting which caused delays in implementation. Some projects are under tight implementation schedule and require close monitoring. The sustainability of the projects results continues to be a problem as some beneficiaries suffers from insufficient number of staff.

6. Czech Republic

6.1. Summary

In 2008, the Czech Republic continued to implement successfully the post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since December 2004 implementation is carried out under the entire responsibility of Czech authorities applying national procurement rules. The Central Finance and Contract Unit (CFCU), the Civil Society Development Foundation (NROS), CzechInvest (CI), the National Training Fund (NTF) and the Centre for Regional Development (CRD) are fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) continues to exercise the monitoring of both Phare and Transition Facility Programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

6.2. Pre-accession, financial and Transition assistance in 2008

i) Implementation

- TF 2005 – finalisation of payments

At the end of the period for execution of contracts for the 2005 Transition Facility programme 82.06 % of the funding has been disbursed. The Czech authorities requested no extension for the TF 2005 programme. The payments can still be executed within 6 months after the expiry of the contracts execution period.

- TF 2006 – rate of contracting

At the end of the contracting period for the 2006 Transition Facility programme on 15 December 2008, 100.00% of the programmes had been contracted.

- Institution Building highlights

A total of around €32 million of post-accession assistance from national allocation (not including horizontal and multi-country programmes) has been allocated to the Czech Republic from Transition Facility programmes (2004-2006).

Implementation of Transition Facility in the Czech Republic is considered generally successful in areas such as nuclear safety, justice & home affairs, social protection & health, environment, agriculture and finance & banking & internal market.

As regards twinning, in 2008 the Czech Republic successfully contracted almost all the Twinning Light projects allocated under the unallocated envelope package.

6.3. Results and Impact

i) - State of play for JMC / SMSC development

In 2008, one working level group meeting and one Joint Monitoring Committee (JMC) meeting took place in June 2008 in line with the revised JMC Mandate introduced in the new Member States in May 2004, which established an integrated monitoring and evaluation system over the programmes under implementation.

The meetings were fruitful and helped to address the problems concerning implementation of the ongoing programmes, to discuss horizontal/systemic issues and to identify possible solutions. Several immediate actions were agreed upon and deadlines set for their implementation.

In the year 2008, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings took place (in April and October). There are six sectors to be monitored in the Czech Republic: Social protection and Health, Agriculture/Environment, Civil Society Development, Nuclear Safety, Justice and Home Affairs and Internal Market, Finance and Banking.

ii) - Monitoring & Evaluation Reports in 2008 (lessons learned)

Overall responsibility for monitoring and evaluation of the Pre-accession and the Transition Facility programmes in Czech Republic lies with the Ministry of Finance (MoF). Activities in this area were carried out on the basis of the Action Plan on decentralisation of Monitoring and Evaluation, which was endorsed by the EC in May 2005.

In 2008, five Interim Evaluation (IE) reports and one Country Evaluation Summary Report on Transition Facility programmes in the Czech Republic were issued.

The Country Evaluation Summary report provides a consolidated country review of the findings of the Interim Evaluation Reports that were prepared between April and May 2008 related to Social Protection and Health, Nuclear Safety, Finance and Banking and Internal Market sectors and September and October 2008 related to Agriculture/Environment and Justice and Home Affairs sectors. It concludes that the efficiency of the use of Transition Facility assistance varies greatly from project to project. In the health area there were significant improvements over the last year with a higher level of commitment and ownership of the projects from the side of the beneficiaries. In the area of strengthening on anti-corruption some projects also progressed well, based on the high quality of design and commitment of all project partners. However, 4 projects related to the Transition Facility 2006 were cancelled mainly due to reasons caused by external factors.

7. Estonia

7.1. Summary

In 2008, Estonia continued to implement successfully the post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since November 2004 implementation is carried out under the entire responsibility of Estonian authorities applying national procurement rules. The Ministry of Finance, Central Financing and Contracting Department (CFCD) is fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) continues to exercise the monitoring of both Phare and Transition Facility Programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

7.2. Pre-accession, financial and Transition assistance in 2008

ii) Implementation

- TF 2005 – finalisation of payments

At the end of the period for execution of contracts for the 2005 Transition Facility programme 77.35 % of the funding has been disbursed. The Estonian authorities requested no extension for the 2005 programme. The payments can still be executed within 6 months after the expiry of the contracts execution period.

- TF 2006 – rate of contracting

At the end of the contracting period for the 2006 Transition Facility programme on 15 December 2008, 95.58% of the programmes had been contracted.

- Institution Building highlights

A total of around €18 million of post-accession assistance from national allocation (not including horizontal and multi-country programmes) has been allocated to Estonia from Transition Facility programmes (2004-2006).

In 2008, Estonia made very good progress in implementing the Transition Facility 2005 and 2006 projects. TF 2005 projects were all completed by the execution deadline and the results have been very positive. It can be concluded that all projects contributed to meeting the remaining needs of *acquis* and enhanced the Estonian administrative system. The projects under TF 2006 are also progressing well and no major problems have been encountered.

7.3. Results and Impact

i) - State of play for JMC / SMSC development

In 2008, one Joint Monitoring Committee (JMC) meeting took place in January 2008, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which established an integrated monitoring and evaluation system over the programmes under implementation. The second one was carried out by written procedure in June 2008.

In 2008, no Sector Monitoring Sub-Committee (SMSC) meetings have taken place. Monitoring reports have been prepared during the year and approved via written procedure by the SMSC members. There are seven sectors to be monitored in Estonia: agriculture/fisheries, education, environment, finance, home affairs, internal market/transport and social affairs.

ii) - Monitoring & Evaluation Reports in 2008 (lessons learned)

Overall responsibility for monitoring and evaluation of the Pre-accession and the Transition Facility programmes in Estonia lies with the Ministry of Finance (MoF). There have been structural changes in the MoF during the reporting period. The Monitoring Unit is now in the State Budget Coordination and Monitoring Department not in the Foreign Financing Department. Activities in this area were carried out on the basis of the Action Plan on decentralisation of monitoring and evaluation, which was endorsed by EC in February 2005.

The following evaluation reports were prepared and released during 2008:

- 1) Transition Facility Interim Evaluation Country Summary Report VII
- 2) Interim Evaluation Report of 2005 Transition Facility Programme
- 3) Interim Evaluation Report of 2006 Transition Facility Programme

The outcome of the evaluations is rather positive and despite of some challenges the implementation of the projects is going smoothly. The projects' results are expected to be achieved as foreseen in the project fiches.

8. THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

8.1 The year in review

Political developments

The former Yugoslav Republic of Macedonia made some progress in the course of 2008 but does not yet meet the political criteria. The parliamentary elections of 2008 did not meet key international standards and the recommendations of the Organisation for Security and Cooperation in Europe (OSCE) and of the Office for Democratic Institutions and Human Rights (ODIHR) need to be fully addressed. The lack of constructive political dialogue between major political parties and actors adversely affected the functioning of the political institutions; increasing efforts to foster political dialogue are now being made. Steps have been taken to address key Accession Partnership priorities and further efforts are required.

The implementation of the Ohrid Framework Agreement is contributing to the consolidation of democracy and the rule of law. The adoption of a law on languages marked an important step forward in relations among the ethnic communities of the country. Further efforts in a constructive spirit are needed to fulfil the objectives of the Ohrid Agreement.

As regards public administration reform there has been some progress with the introduction of salary incentives and the adoption of a continuous training system, as required by the law on the civil service. However, little progress has been made to ensure that senior recruitments are based on professional qualifications. Priority needs to be given to creating a stable, professional and merit-based civil service. The role of the Civil Servants Agency needs to be strengthened and the capacity of the human resources units in line ministries needs to be increased.

Good progress has been made on judicial reform. The new Court of Appeal and the new Administrative Court and the Judicial Council are functioning and the new Council of Public Prosecutors has started to meet. However, further strengthening of the judiciary is required as regards its independence, efficiency, human resources and budgetary framework.

Further progress has been made in implementing anti-corruption policy. The government's Action Plan has been allocated a specific budget. Special investigation measures may now be used in corruption cases. An Action Plan against conflict of interest has been adopted. There have been convictions in some high-profile cases. However, corruption remains widespread and constitutes a particularly serious problem. Further steps are necessary, in particular to strengthen operational coordination amongst law enforcement agencies and to implement provisions on financing of political parties and campaign financing

Macroeconomic developments and structural reforms

There has been further progress towards establishing a functioning market economy. The country should be able to cope with competitive pressures and market forces within the Union in the medium term, provided that it vigorously implements its comprehensive reform programme in order to reduce significant structural weaknesses. Despite the relative insulation of the Country from the international financial markets, Skopje will not be immune to the global economic crisis. Following the positive economic trends until 2008, the second semester of the year showed the first negative signals and the forecast for 2009 is negative especially concerning growth, unemployment rate as well as fiscal and current account deficit. Despite this situation the Government plans a policy of further fiscal expansion, which risks worsening the external vulnerabilities.

Progress in the alignment with the *acquis communautaire*

The former Yugoslav Republic of Macedonia has made further efforts to improve its ability to assume the obligations of membership. There was some progress in the fulfilment of the priorities of the Accession Partnership. However, the country still faces major shortcomings in implementing and effectively enforcing legislation. Adequate human and financial resources for the full implementation the *acquis* are lacking.

8.2 Financial assistance in 2008

Programmes launched

As of 2007 the CARDS programme has been replaced by the new Instrument for Pre-accession Assistance. No new CARDS programmes were launched after 2006.

Overview of programmes implemented

The former Yugoslav Republic of Macedonia received a total allocation of €231 million under CARDS programmes between 2002–2006. These allocations concentrated on several sectoral objectives referring to the priorities identified in the Progress Report and the Accession Partnership for the former Yugoslav Republic of Macedonia. These priorities translated into the following financial allocations by priority in the framework of CARDS programme:

- Democracy and the rule of law: €56.6 million
- Economic & social development: €59.2 million
- Justice and home affairs: €62.6 million
- Environment and natural resources: €6.3 million
- Other: €35.3 million

The key programming documents for CARDS 2002-2006 were the CARDS Country Strategy Paper 2002-2006, Multi-annual Indicative Programmes of 2002-2004 and of 2005-2006 and annual action programmes for each annual programming cycle. The programming documents were prepared with reference to the Stabilisation and Association Agreement, annual progress reports, European and Accession Partnership, and the National Plan for the Adoption of the *acquis*.

The CARDS Programme was mainly managed by the European Agency for Reconstruction. The Agency closed its doors at the end of 2008. Responsibility for the remaining CARDS projects was transferred to the Delegation of the European Commission in Skopje. The Delegation has taken over 159 assistance contracts worth €26 million under CARDS programme.

In the year 2008 procurement processes were underway for contracting remaining projects of CARDS assistance.

Strengthening the public administration

Analysis and assessment has been made on all decentralisation-related aspects and on the functioning of the fiscal decentralisation. These activities were part of the three separate technical assistance programmes funded by EU providing support to central government and municipalities to enhance their capacities to deal with policy developments on fiscal decentralisation. They provided recommendations on how to improve the transfer systems and

formulas used by the central government to assign resources to municipalities. Legislative assistance is also provided to ZELS – Association of Municipalities in drafting and amending decentralisation-related laws and sub-laws. An EU assistance programme aims to improve the information, communication and service delivery to the citizens through refurbishment of Municipal Service Centres in 36 municipalities targeting the regions of Tetovo, Kumanovo, Ohrid, Bitola, Strumica, Kochani and Veles.

Aligning environment rules with EU best practices

The EU helped the Ministry of Environment and Physical Planning to approximate the national legislation on air quality. The EU funded twinning project, in cooperation with Finland and Austria, undertook activities for the development of much needed legislation regarding air quality, including gap analysis, table of concordance, drafting of sub-legislation and of manual on air quality. Two air quality models were supplied to the Macedonian Environmental Information Centre, focusing on traffic and on stationary sources. In the field of environment, the EU recently also drafted detailed design and tender dossier for the pilot investment in building a wastewater treatment plant in Prilep.

Supporting police reform

As a tangible demonstration of EU's commitment to the police reform process, the EU provided a donation of 34 terrain vehicles to the Ministry of Interior. The vehicles, type Land rover Defender 110', have been specially modified for use by the Rapid Deployment Unit and are suitable for rural operations, public order duties as well as for general policing duties. The EU began assisting the Rapid Deployment Unit in 2002 and has been providing continuous support ever since. This latest EU assistance to the Rapid Deployment Unit has been provided in close co-operation with the British RDU Advisory Project that is an example of co-operation between the EU and its Member States to maximise the effectiveness of support to the country on its path towards EU membership.

Towards a more independent judiciary

The country's criminal justice system has been in review by the EU funded twinning project, in cooperation with Italy's Ministry of Justice, focusing on the legislative framework review and making sure that the criminal justice system of the country is harmonised with the *acquis*. The EU assistance programme supporting the Training Academy for Judges and Prosecutors has provided pilot training programme to candidates for judges and prosecutors from ethnic communities and advanced training course in case management to court staff in seven pilot courts. Under penitentiary investment programme, renovation works of Prilep prison have been completed with EU funds. The EU has also financed the renovation of two other prisons located in Stip and Idrizovo (Skopje). The assistance has encouraged the government to provide budgetary funds for improving the conditions at the country's penitentiary institutions.

Increasing investment opportunities

The EU has funded major projects supporting the business environment in the country by providing capacity building to the national agencies in charge of attracting foreign direct investment. Assistance in the area has focused on mentoring of the national FDI Agency staff in execution of day to day assignments and for improved capacities in terms of knowledge in attracting FDI practices and techniques and negotiating skills. In separate programmes, the EU funded activities in establishing a market surveillance system, in implementing the national Strategy for improvement of competitiveness through fostering development and performance of Small and Medium sized Enterprises (SMEs) and training has been provided

to companies attending the Turn Around Management and human resources development fund programmes.

Implementation of integrated border and visa management system

The EU funded project provided with the National Visa Information System functionality linking the Ministry of Foreign Affairs with diplomatic missions and consular posts allowing the embassies to issue visas through the N-VIS system. Through the internet-based National Visa Management System, the Visa Centre is connected with the remaining 34 diplomatic missions and consular posts, as well as with 8 border crossing points and the Department for Foreigners of the Ministry of Interior. With this, N-VIS significantly enhances the border control and contributes towards its aligning with the EU requirements.

Transport sector management

The Ministry of Transport and Communication was assisted implementing the restructuring of the management of the road sector. The EU funded project drafted a new law on the roads sector and the two key players in the road sector the Fund for National and Regional Roads and the public enterprise Makedonija Pat, undergo serial of on-job trainings and workshops. Establishing safe, sustainable and efficient civil air traffic in line with European standards was the objective of a separate an EU-funded project. The project team worked with the newly established Air Transport Sector in the Ministry to review and amend the Aviation Law, devise a National Strategy for Air Transport Development, and review the safety and security procedures for the airports. Establishing the National Strategy for Air Transport Development for the period of 2007-2012 was a significant achievement of the project team. A comprehensive training programme was also provided to the Air Transport Sector staff and to the employees of Public Enterprise for Airports Services and of the Civil Aviation Agency.

Reforming the labour legislation

The EU provided support to the Ministry of Labour and Social Policy in revising and enforcing the country's labour legislation, in line with EU legislation and with the EU best practices. A twinning project has been launched in cooperation with the Slovak Republic analysing and planning the transposition of more than 30 EU Directives into the national legal system and putting forward specific recommendations for additional changes in the country's legislation and assisting in setting up appropriate institutional models. The EU also has supported the life long learning system in the country through a technical assistance project aiming to further improve the quality and effectiveness of the education and training system through a modern system of adult learning in line with the new labour market.

CARDS management performance

Table 1: Status of financial assistance at the end of December 2008 (in million €) – CARDS annual national programmes

	Allocated	Contracted	RAC⁷	% contracted	Paid	RAL⁸	% paid
CARDS 2001	56.640	56.640	0	100 %	56.640	0	100 %

⁷ Reste à contracter

⁸ Reste à liquider

CARDS 2002	33.033	33.033	0	100 %	33.033	0	100 %
CARDS 2003	36.005	36.005	0	100 %	36.005	0	100 %
CARDS 2004	53.175	53.175	0	100 %	48.083	5.092	90 %
CARDS 2005	34.044	33.498	0	98 %	30.546	2.952	90 %
CARDS 2006	33.399	27.888	5.511	83 %	19.921	13.478	60 %
Total	246.296	240.239	5.511	98 %	224.228	21.522	91 %

The financial assistance implementation during 2008 concerned the CARDS programmes 2002 till 2006. The objectives for assistance delivery for 2008 were completion of implementation and payments for the CARDS 2002, 2003 and 2004 programmes, completion of the contracting for the CARDS 2005 programmes, and contracting allocations for the CARDS 2006.

The Agency portfolio in the former Yugoslav Republic of Macedonia amounted to some €326 million. It covered projects financed under CARDS (2002-2006), projects financed under Phare (1997-2000) and the Emergency Response Programme (2001).

Institution Building highlights

The twinning mechanism was extensively used during 2008 in many priority areas and helped the country prepare for the implementation of EU policies and laws. In 2008 one new twinning project was launched: harmonisation of labour legislation with the Slovak Republic. In 2008, we completed twinning project conducted by Germany on statistics. The twinning project with the Netherlands was also completed during 2008 focusing on police education. In addition, the twinning project with Finland and Austria on air quality was completed during 2008. The twinings on money laundering with Spain and on Prosecutor's office with Italy continued with their operations. To date, a total of 11 fully-fledged twinning projects for a total amount of €13.2 million have been financed out of the CARDS Programme.

Grants awarded to eligible EU member state institutions have been used as an additional instrument for institution building specifically targeting the policing reforms in the country. Under CARDS programme, a total of 3 grant projects for a total amount of €10 million have been financed.

Other institutions building instruments have included technical assistance (service contracts), direct award grants to specialised international organisations and grants to civil society organisations.

8.3 Results and impact

State of play for JMC/SMSC development

Seven Sectoral Monitoring Sub-Committees (SMSCs) meetings were held from May to November 2008. The sectors covered by the SMSCs were: energy, environment, economic and social cohesion, internal market, competition, agriculture, justice and home affairs, public administration reform, public finance and statistics, social sector, civil society and minority rights.

The process culminated in the Joint Monitoring Committee (JMC) that took place on 21 November 2008. The JMC reviewed the financial status of programmes as of 1 December 2008 (contracting, payments, end of implementation, closure). It discussed an Annual Implementation Report containing conclusions, recommendations and follow-up actions.

Monitoring & Evaluation Reports in 2008 - Lessons Learned

The step-by-step establishment of the administrative structure for decentralised management of EU funds and the requirements for the management of IPA are leading elements in the evolving organisational set-up for the programming and subsequent management of EU funded projects. While it remains a challenge to allocate both sufficient resources to the management structures and to develop and implement the appropriate regulations, improvements can be noted in the involvement of different government agencies in the development of the projects.

Despite a general improvement, significant disparities between different government bodies persist. Where the Ministry of Interior for instance is taking a more leading role in both project development and project management, other ministries continue to face serious difficulties in assuming their (contractual) responsibilities. Continued support to build capacities in project development and management will remain necessary.

Further structural improvements in public administration remain a priority. Three core functions stand out. Firstly the budget planning process needs to ensure that sufficient resources are allocated to the ministries and departments to maintain the investments and – in some cases – appropriately implement core work processes. Secondly, human resource management does not only need to guarantee sufficient staff to implement the relevant mandate, but also sufficiently qualified staff and a stable staff establishment. And thirdly, the activities of an individual ministry or department do not only need to refer to a sector strategy, but also be well coordinated with other stakeholders in the process, which include other departments in the same ministry, other governmental bodies as well as the support activities of the international community.

Although addressing these structural public administration issues through capacity building projects will remain necessary, highlighting these issues in the sub-committees proves to be an excellent tool to focus attention.

Sectors with positive results

Justice and home affairs

The country's criminal justice system has been reviewed, examining some aspects of the existing laws in the field of organised crime and corruption (such as Law on interception of communications). The review was handed over to the Ministry of Justice to the Department for Prosecuting Organised Crime and Corruption at the Public Prosecutor's Office. The EU assistance programme supporting the Training Academy for Judges and Prosecutors has provided extensive training programmes to candidates from all ethnic communities. As regard Penitentiary Reform, renovation works of the prisons of Prilep, Stip and Idrizovo have been completed. The assistance has encouraged the government to provide additional budgetary funds for improving the conditions at the country's penitentiary institutions. The new Law on combating money laundering and terrorism financing entered into force in January 2008. A twinning initiative with Spain working to strengthen the country's administrative and

technical capacities for Money Laundering Prevention, has fostered capacity building activities.

Public administration reform and public finance

There has been substantial progress in the years 2007 and 2008. A technical assistance programme provided support to the Ministry of Finance in 2008 aiming to enhance its capacities to deal with policy developments on fiscal decentralisation. Under the programme, all decentralisation-related legislation, sub-laws on methodology for the transfer of grants, and indicators used to assess municipalities' fiscal capacity were examined and analysed. A public finance management project was completed in 2008 helping to enhance the competencies and capacities of municipalities to effectively manage the fiscal decentralisation process. The project assisted municipalities to increase their human resources capacities in the area of tax administration, to improve their competence in budget cycle management, and to perform the internal audit function efficiently.

Environment

Environment remains as one of the priorities for EU assistance in the years to come. However, there has been substantial improvement of the environmental situation of the country over the last years. EU assistance helped to prepare a tender to build an important wastewater treatment plant in Prilep. The project offered assistance in preparing documents and reports that are currently supporting funding applications in the field of wastewater. Furthermore, an EU project finalized in May 2008 helped the Ministry of Environment and Physical Planning to adopt the national legislation on air quality. The project provided support for the development of regulations in air quality such as gap analysis, and drafting of sub-legislation.

Success story

Visa management system gets a boost: EU committed €1.2 million to establish a National Visa Management System

The EU funded a project provided with the National Visa Information System functionality linking the Ministry of Foreign Affairs with diplomatic missions and consular posts allowing the embassies to issue visas through the N-VIS system. The Training of Trainers programme delivered for 16 staff from Ministries of Foreign Affairs and of Interior offered valuable insight into the testing processes, the validation of N-VIS functionalities and the proposals for immediate and future N-VIS improvements and additional functionalities. The future trainers will be able to transfer their knowledge to N-VIS end-users. The N-VIS software introduces significant changes in visa issuing processes across the country as it implements clearly defined and standardized visa issuing procedures. The N-VIS was modelled upon the Slovenian experience and best EU practices, in line with international standards and the National Integrated Border Management Strategy and it fulfils conditions for complete compatibility with the Schengen Information System. Through the internet-based National Visa Management System, the Visa Centre is connected with the remaining 34 diplomatic missions and consular posts, as well as with 8 border crossing points and the Department for Foreigners of the Ministry of Interior. The system offers easy and rapid verification of applicant data in the relevant databases, simple data acquisition for later analyses and efficient monitoring of procedures for issuing visas. In addition, it supports the verification of passport data at border crossings. With this, N-VIS significantly enhances the border control and contributes towards its aligning with the EU requirements.

9. Hungary

9.1. Summary

In 2008, Hungary continued to implement successfully the post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the EDIS.

Since June 2004 implementation is carried out under the entire responsibility of Hungarian authorities applying national procurement rules. The CFCU-Central Finance and Contract Unit, the ESF-European Social Fund Agency and the VATI-Hungarian Public Company for Regional Town Planning are fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) continues to exercise the monitoring of both Phare and Transition Facility Programmes. The National Authorizing Officer (NAO) carries out the **financial supervision**.

9.2. Pre-accession, financial and Transition assistance in 2008

i) Implementation

- TF 2005 – finalisation of payments

At the end of the period for execution of contracts for the 2005 Transition Facility programme 93.19 % of the funding has been disbursed. The Hungarian authorities requested no extension for the 2005 programme. The payments can still be executed within 6 months after the expiry of the contracts execution period.

- TF 2006 – rate of contracting

At the end of the contracting period for the 2006 Transition Facility programme on 15 December 2008, 81.16% of the programmes had been contracted.

- Institution Building highlights

A total of around €36 million of post-accession assistance from national allocation (not including horizontal and multi-country programmes) has been allocated to Hungary from Transition Facility programmes (2004-2006).

Implementation of Transition Facility in Hungary is considered successful in most areas, where most projects are reaching foreseen objectives and the assistance provides real value added to scarce public funds.

As regards twinning, Hungary has taken advantage of the Twinning instrument, since ten Twinning Light projects related to the 2005 Transition Facility Programme were successfully contracted and completed. The Hungarian authorities consider the Unallocated IB Envelope as a very useful programme which helped the public institutions in strengthening their institutional and operational capacity, developing human resources relevant for the adoption and implementation of EU *acquis* in particular areas.

The projects under TF 2006 are also progressing well and no major problems have been encountered.

9.3. Results and Impact

i) - State of play for JMC / SMSC development

In 2008, one Joint Monitoring Committee (JMC) meeting took place in February 2008, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which established an integrated monitoring and evaluation system over the programmes under implementation. The second one was by written procedure in winter 2008.

In the year 2008, Hungary continued to apply the simplified rules regarding the JMC functioning and therefore the Sector Monitoring Sub-Committee (SMSC) meetings and reports were abandoned. The monthly implementation review meetings (IRM) were the central tool of the monitoring system. The monitoring sectors were reduced to the following: agriculture, social and health, political criteria, environment, internal market/transport, public finance and customs, justice and home affairs.

ii) - Monitoring & Evaluation Reports in 2008 (lessons learned)

Overall responsibility for monitoring of the Pre-accession and the Transition Facility programmes lies with the National Aid Coordinator (NAC) in the National Development Agency. Activities in this area were carried out on the basis of the Evaluation Plan on decentralisation of Monitoring and Evaluation contracted by the NDA on the ground of the requirements of the European Commission.

The independent evaluator prepared Interim Evaluation reports in order to evaluate all sectors in 2008. The evaluator prepared also the Country Summary Evaluation Review (CSER) for the JMC of February and October which was carried out by written procedure.

The conclusions available from the Interim Evaluation reports are that, on the whole, the EU assistance has been well implemented, and this assistance has satisfactory supported the institution building related to the accession process.

Depending on the sector, the effectiveness was considered good and management efficiency to overcome delays adequate.

10. Kosovo (under UNSCR 1244/99)⁹

10.1. The year in review

Political developments

On 17 February 2008, the assembly of Kosovo¹⁰ declared Kosovo an independent and sovereign state. To date, Kosovo's independence has been recognized by 56 countries, including 22 EU Member States. The Constitution of the Republic of Kosovo entered into force on 15 June 2008. On 8 October, the United Nations General Assembly requested the advisory opinion of the International Court of Justice on the legality of Kosovo's declaration of independence. The rule of law mission, known as "EULEX" began on 9 December 2008. It supports Kosovo by mentoring, monitoring and advising police, customs and justice. Its executive functions are related to investigation and prosecution of war crimes and to fight against various forms of serious crime.

Macroeconomic developments and structural reforms

Shortcomings in statistics continue to hamper comprehensive assessment of the economic situation in Kosovo. Real Gross Domestic Product (GDP) grew by an estimated 5% in 2008. Economic activity is increasingly determined by domestic factors and private sector dynamism. GDP per capita in 2008 stood at roughly €1,80 or around 5.5% of the EU-27 average¹¹. The unreliable energy supply, with several and lengthy power cuts a day, remains the single most serious restraint on growth. 45% of the population live below the poverty threshold. Balance of payments remains heavily deficitary with exports covering 1/10th of imports, causing a trade deficit of over 40% of GDP, partly financed by financial inflows (remittances, and FDI). Unemployment is estimated above 40% of the active population, hitting in particular women and the young. However, in part due to the significant size of the informal economy, changes in registered unemployment may not correctly reflect the actual dynamics of the economy.

Average yearly consumer price inflation rose to 14% mid 2008 but became negative early 2009.

Progress in meeting the *acquis communautaire*

In June 2008, the European Council recalled its willingness to assist the economic and political development of Kosovo through a clear European perspective, in line with the European perspective of the region. Plenary meetings of the SAP Tracking Mechanism (STM) were held in May and December 2008, as well as a number of Sectoral STM meetings. The EU sets out reform priorities for the authorities through the European Partnership, and a revised European Partnership for Kosovo was adopted in February 2008. The government approved its European Partnership Action Plan (EPAP) in July 2008. Kosovo continues to benefit from the Instrument for Pre-accession Assistance (IPA), macro-financial assistance (MFA), CARDS, the Instrument for Stability and others. The European Commission's Liaison Office (ECLO) in Kosovo took over responsibility for projects financed under the CARDS programme from the European Agency for Reconstruction (EAR) in July in anticipation of

⁹ United Nations Security Council Resolution 1244 of 10 June 1999.

¹⁰ Under UNSCR 1244/99.

¹¹ Based on market exchange rates, because data for a PPP-based comparison are not available.

the phase-out of the EAR by the end of 2008. The ECLO implements IPA programmes in Kosovo under deconcentrated centralised management. Some projects are implemented under joint management with international organisations (such as the Council of Europe). Kosovo still has to establish a roadmap for the decentralisation of the management of EU funds without *ex ante* controls by the Commission. It also has yet to appoint its National IPA Coordinator (NIPAC). On 11 July, the European Commission organised a Donors' Conference for Kosovo in Brussels. Participants pledged a total of around € 1.2 billion. The combined pledge made by the Commission and the EU Member States amounted to nearly € 800 million. Following the Donors' Conference, Kosovo merged its European Integration and Donor Co-ordination structures and agendas into a new 'Agency for the Coordination of Development and European Integration' (ACDEI) established in October 2008.

10.2. Financial assistance in 2008

Programmes launched*

As of 2007 the CARDS programme was replaced by the new Instrument for Pre-accession Assistance (IPA). No new CARDS programmes were launched after 2006.

Overview of programmes implemented

2008 is the first year of the EC Liaison Office being responsible for the management of the financial assistance programmes. On July 2008, ECLO took over from the EAR the management of the entire CARDS programme, amounting to some €57 million and involving around 134 contracts.

The main developments of the CARDS programme managed by the EC Liaison Office to Kosovo in 2008 include the following:

Enhancing economic and social sustainability of minority communities

The CARDS funds supported employment generation and community development in disadvantaged minority communities through facilitating the implementation of some 370 projects (86% individual projects and 14% community projects) securing or creating some 800 jobs. Examples include: cheese and milk production, textile production, carpenter, sweet and pastry production, auto mechanical workshops, dry herbs and mushroom production, furniture production, cow farm, greenhouse, black smith, barber and hairdresser shops etc. Furthermore through specific project targeting RAE communities specific activities and trainings were offered to: (i) improve Roma, Ashkali and Egyptian (RAE) kids education and reduce school drop-outs, (ii) improve health and family planning by providing: health sessions on hygiene, reproductive health, waste management, TBC, infectious diseases and basic knowledge on cardiovascular diseases.

In addition, CARDS funds supported direct assistance to the returns process in coordination with the Kosovo Government. Specific projects facilitated the return and reintegration of 57 IDP families in Peja/Pec and Klina municipalities. This required a direct involvement at the field level, providing direct support for the resettlement and stabilisation of returnees in their communities. At the same time, it was also necessary to provide assistance at the central level, building the institutional capacity of the Ministry of Communities and Returns to effectively coordinate the process. Throughout 2008 the project, assisted the MCR, in a number of areas such as: upgrading the MCR financial management and systems, MCR's organisational structure with emphasise to administration and other departments, management systems and training to different ministry staff, external cooperation and communication

between MCR and other stakeholders. In addition the project is assisted the MCR with its strategy and action plan development.

A special emphasis was put on assisting the reconstruction of Kosovo's religious sites damaged in March 2004.

Building democracy through media and civil society

The CARDS Programme contributed to strengthen skills and professional standards of journalists and media operators in Kosovo through an *ad hoc* programme aimed at developing the media sector to operate as an independent, responsible and efficient service for all Kosovo's communities. The civil society programme aimed to build the capacity of civil society organisations (including local Non-Governmental Organisations (NGOs), the social partners, and community and professional associations) to play a key role in the development of the economic and democratic governance.

Guiding Kosovo on the path towards Europe

CARDS Programme continued to build the institutional capacity of the newly established Kosovo Government (ministries, and municipalities) to more effectively perform their governance roles and to strengthen the rule of law, in line with European Partnership priorities and EU best practice approaches, while also taking into account the issues which arose from the transfer of competencies from United Nations Mission in Kosovo (UNMIK). Priority interventions focused on: providing further support to the Agency for Coordination of Development and European Integration; building the professionalism of the civil service; improving public finance management; providing sector support to build up institutional capacity in the justice sector; reforming the juvenile justice system; and further strengthening border and boundary management

Fighting poverty through sustainable industrial and rural development

The CARDS economic and social development through programmes for job creations which included assistance to the municipalities and SOEs promoted sustainable development as a key step in combating poverty. Assistance is provided to increase domestic and foreign direct investment; develop a quality standards infrastructure to improve industrial competitiveness and exports; support enterprise development in disadvantaged areas and among marginalized groups; strengthen corporate finance; proceed on the privatisation process and incorporate public owned utilities. The development of rural economy is targeted through further institution building support to the Ministry of Agriculture, Forestry and Rural Development, and the support to improve natural resource management. Further support is provided to rural communities in the establishment of Local Action Groups and development of local development strategies, thus supporting them in defining and articulating their rural community needs which involves highly individual projects designed and executed by local partnerships to address specific local problems. The EU's commitment towards economic sustainability is tackling two more key sectors: as concerns Kosovo's transport policy, CARDS programme supported the preparation of a strategy based on the multimodal transport approach; the establishment of a demand-driven system, based on closer ties with the business sector, is instead driving the EC assistance effort to assist the Vocational Education and Training sector.

Shaping Kosovo's participation in the Energy Community of South East Europe

The rehabilitation of the energy sector remains a key pre-condition for the economic development of Kosovo. The CARDS Programme in this field tackled different aspects at the same time: assisted the Ministry of Energy and Mining and the Energy Regulatory Office to formulate and implement energy policies; strengthened the capacities of the independent Transmission System and Market Operator (TSMO) to be a reliable partner of the south-east Europe energy community; provided support to initiatives aimed at expanding production

capacities (like the World Bank's Power Lignite Initiative). At the same time the CARDS programme provided both capacities building assistance to strengthen the human resources' quality and skills, as much as concrete technical support to complete the physical rehabilitation of the infrastructural and mechanical resources of the energy company KEK.

Strengthening local government to support democratic governance

The CARDS support to local governance follows a cross-sector approach. Projects providing assistance to local government institutions can be found in different operation sectors, reflecting the multi-faceted responsibilities increasingly assumed by local authorities. Support to the implementation of environmental laws and regulations at local level has also been targeted in order to strengthen the capacity of municipalities in the enforcement of legislation relating inter alia with land management (construction), nature protection, environment protection, water and waste management. Reconstruction of physical infrastructures is the main objective of several municipal development projects under implementation in all municipalities. At the central level, the CARDS Programme built the institutional capacity of the Ministry of Local Government to effectively perform its mandate and provided hands-on advice directly to the municipalities to improve service delivery to citizens. The development of an integrated Public Investment Programme also provided support to local government reforms in order to improve the delivery of public services at the local level.

Cards management performance

Table 1: Kosovo: Status of financial assistance at the end of December 2008 (in million €)- CARDS annual national programme

	Allocated	Contracted	RAC¹²	% contracted	Paid	RAL¹³	% paid
CARDS 2001	143.208	142.529	0.679	100%	142.529	0.679	100%
CARDS 2002	162.535	162.084	0.451	100%	161.795	0.740	100%
CARDS 2003	62.280	58.237	4.043	94%	56.107	6.173	90%
CARDS 2004	72.600	72.600	0	100%	66.385	6.215	91%
CARDS 2005	76.500	75.533	0.967	99%	64.153	12.347	84%
CARDS 2006	46.500	45.444	1.056	98%	29.179	17.321	63%
Total	563.623	556.427	7.196	99%	520.148	43.475	92%

The assistance provided by the European Union - including the CARDS programme is aimed at facilitating Kosovo's progress towards the creation of a democratic and multi-ethnic society. During 2008 the ECLO has managed to contribute to the achievement of this overarching objective through the projects mentioned above.

With the takeover of the CARDS programme from EAR, the ECLO during the second part of 2008 has contracted an additional € 1 million from the RAC related to CARDS 2006, and disbursed €21 million under the CARDS Programme.

¹² Reste à contracter

¹³ Reste à liquider

Challenges & other issues:

The Agency for Coordination of Development and European Integration as a co-ordination body for EU integration matters remains one of the areas which need special attention and support, especially to develop its newly established structure and sectoral focuses.

Efficiency of Public Administration in Kosovo is gradually increasing; however, the overall performance still remains weak in relation to policy-making, and foregoing strategic planning, and legislation implementation and enforcement.

There are several gaps identified limiting *Access to Justice* for vulnerable groups.

Institution Building highlights

The CARDS programme during 2008 has continued supporting the institutions of Kosovo by building their capacity to effectively perform their mandates. Some of the highlights covering the reporting period include:

- In close coordination with the *EULEX*, the CARDS Programme provided **support to the Justice Institutions** in Kosovo, with a view to develop and strengthen the justice structure in order to guarantee an area of freedom, security and justice for all Kosovo citizens, in accordance with EU standards and best practices;
- Supported the **Ministry of Internal Affairs (MoIA)** to facilitate a smooth transfer of powers from UNMIK to the Ministry. In cooperation with UNICEF the activities of the joint project to **reform of the juvenile justice system** continued very successfully. The project is aimed at establishing a juvenile justice system based on children's rights and to promote a juvenile crime prevention programme;
- The **Modernisation of Kosovo Courts** which rolled out a Case Management Information System to all minor offence, district and municipal courts, the Supreme Court and the Public Prosecutors Offices;
- Support to **local government institutions** can be found in different operation sectors, reflecting the multi-faceted responsibilities increasingly assumed by local authorities. Complementary to this is the € 15 million programme to upgrade the social and economic infrastructure of a number of municipalities throughout Kosovo;
- Support to the public finance management sector including the second phase of the project to **support the Office of the Auditor General (OAG)** of Kosovo;
- Support to Kosovo's institutions to implement a coherent **public investment programme** to further strengthen the capabilities of the Ministry of Economy and Finance and the budget organisations in all ministries and municipalities to better manage and control public spending;
- Supporting the **Public Internal Financial Control and Internal Audit** with a view to increase the capacity of the internal audit function of Kosovo Government and to improve the effectiveness and efficiency of public spending;
- Supporting Kosovo on the path towards Europe by building the capacities of the government to more effectively perform their governance in line with the EU partnership. This included continuation of Young Cell Scheme project which provides **scholarships for Kosovo graduate students** to attend Master's degrees in European Studies at some of Europe's most prominent universities.

10.3. Results and impact

Monitoring & Evaluation Reports in 2008 - Lessons Learned

Kosovo is included in the target area of the Results-Oriented Monitoring (ROM) project managed by DG Enlargement's Regional and horizontal programmes unit, but during 2008 no monitoring missions took place.

Upon the closure of the activities of the European Agency for Reconstruction, the Agency issues a report "Lessons Learned to Lessons Applied" for CARDS programmes during 200-2008. The report's aim was to identify some of the key lessons that have been learned from the many evaluations that the Agency had conducted over the past eight years, also to broaden the dissemination of those lessons both through the report and through discussion.

A key lesson drawn from the CARDS programme concerns the sustainability of assistance programmes. The more beneficiaries can take ownership of this process, the better the prospects for project and/or programme sustainability. Good governance rests on focusing capacity building efforts on facilitating the policy learning process, enhancing strategy formulation and providing technical implementation know-how. Successful projects rely on determination of the government ministers and civil servants that change is needed and can be effectively implemented. Another lesson learned is that any project design must incorporate a realistic analysis of existing political and economic conditions as well as prevailing cultural norms that influence an effective implementation of project activities. Lastly, donor coordination is crucial for effective support to beneficiary countries. The findings from the report were taken on board by the ECLC Operations Team.

It is worth to emphasise the very good progress done in some of the projects in the treatment of cross-cutting issues (CCIs). Besides the CCIs treatment, other issues which have been substantially improved in the past months are: the quality of contractor's reporting and visibility.

Sectors with positive results

Sectors with positive results can be considered:

Rural economy – Local Development Strategies Project

At present, there are 15 Local Action Groups (LAGs) established in 15 municipalities of Kosovo. They all have well discussed local development strategies and structured LAGs in the form of public-private partnerships (PPP). Currently the project is carrying out activities to establish additional 12 Local Action Groups thus having by 15 May 2009, 27 LAGs in Kosovo. With an average of 30 members per LAG, this represents approximately 800 people directly involved in the promotion of the rural areas all over Kosovo. All LAGs will be implementing sustainable market linkage activities, encouraging young farmers in identifying projects within the local development strategies, implementing multi-sectoral global approach based on interaction between actors and projects of different sectors of the local economy, implementing innovative approaches. The main areas or measure of the ARDP (Agriculture Rural Development Plan) where all LAGs have identified project ideas to address their rural needs are the following: agricultural production, infrastructure, environment and social issues. The project also contributes to the Agriculture Rural Development Plan (ARDP) 2007-2013 of Kosovo, namely Measure 8 – Support for local community development strategies and the introduction of the EU Leader + approach.

Energy Sector in General

At the end of the 1999 conflict, which followed over a decade of negligence towards infrastructure, the energy situation in Kosovo was close to a state of collapse. The Kosovo A and B power stations were essentially out of operation. The coal mines were seriously

neglected and severely overexploited. Transmission and distribution networks were hampered by bottlenecks, as installations had not kept pace with industrial and population growth. District heating systems, while operating, were in a poor state of repair and working at a low capacity. Therefore the major part of EC CARDS support in Kosovo was assigned to the power sector.

Starting in 1999, the EC intervention was initially responding to the urgent humanitarian needs, by funding over €48 million for winter season imports of electricity, emergency repairs and consumables to maintain the system operations and for paying employee salaries in the short term. In parallel, initial plans were being made for a phased rehabilitation to bring the energy system to a more productive and reliable state. From a crisis management the focus of EC investments moved to rehabilitation in 2002 and 2003 and to reform implementation and regional market integration in 2004 through 2006.

Power Generation

In particular, it is worth noting the accomplishments prior to fire damage in Kosovo B. The generated output of Kosovo B over the first six months of 2002 was more than double what it was for the same period in 2000. Comparing the same periods, Kosovo B power availability (running hours) increased from 40% to 90%. The total energy production in Jan 2002 was the second highest monthly production since the first commissioning of the units in 1983/1984. During period January-June 2002 (following the completion of the EU funded overhaul works), no electricity imports were required, while exports increased within six months to approx €10 million. In addition a considerable amount of energy was delivered to the neighbouring power systems (mainly to Serbia) on exchange basis and was 'returned' to Kosovo during the implementation of Kosovo B Fire Damage Repair Project when the units were shut down.

Since the completion of the fire damage repair in 2004 both units of Kosovo B thermal Power Plant have operated at over 92% time availability with net generation capacity over 550 MW in total. If KEK had funds to implement regular maintenance these units could efficiently operate for another approx 15 – 20 years.

Coal production

A unique challenge was presented by the coal mines, which together with Kosovo B have been the principal focus of EU support in the energy sector. On one hand the production level of coal needed to be substantially increased, while on the other hand the neglected excess in the overburden layer needed to be removed. This is a long-term process and till 2004 approximately €90million has been invested to upgrade the large excavators, conveyors, mobile equipment and associated electrical and control systems, and for upgrade of maintenance workshop.

Comparing the same 2000 and 2002 periods (as for the Kosovo B works), the upgraded equipment at the coalmines had facilitated the achievement of major increases in coal extraction and supply rates (i.e. before the setback of the November 2002 collapse at the coal mines). EU support had enabled the level of coal production to be more than doubled, from a daily rate of 9,000 metric tons (MT) to an average of over 18,000 MT, approaching 22,000 MT per day when weather conditions were favourable. Furthermore, it was possible to build up and maintain a stockpile of 300,000 MT.

Technical Assistance for Further modernization of Kosovo Vocational Education and training system (VET III)

KOSVET III project was successful in developing the legal framework for qualifications in Kosovo - the National Qualification Framework law - and drafting the criteria, guidance and procedures for quality assurance and certification for VET and in developing a 5 year

operational plan for the Kosovo Qualifications Agency. KOSVET III also was successful developing exemplar post secondary qualifications programmes in business and electronics. KOSVET III was successful in developing the national curriculum framework for career education and developing standards and qualifications to support professional training programmes for Career Education Guidance practitioners and training of teacher trainers in schools and in producing the VET framework for school based VET and the three year implementation plan for VET.

KOSVET III was successful in developing and delivering business related modular courses and training programmes to SME managers in Kosovo and through some pilot VET schools.

KOSVET III has been successful in bring together Ministry of Labour Social Welfare, Ministry of Education Science and Technology and Statistical Office of Kosovo to work on a systematic basis to produce regular biannual labour market information reports and sector skills needs survey - and also to develop the related website KOSESTIA - www.ks.gov.net/kos-estia/ - this site and the labour market reports will continue to be sustained and worked on by the respective Ministries.

Success story

Energy (Kosovo B Thermal Power Plant)

A success story can be mentioned the Fire Damage Repair project of Kosovo B Thermal Power Plant that costs about € 50 million. The project was completed in October 2004. Since that time both units of the plant have operated at over 92% time availability with net generation capacity over 550 MW in total with the new installed digital control system of the plant.

Cultural Heritage Project

The European Commission has provided some € 1.5 million for the repair and refurbishment of two sites in Prizren – the Bishops Residence and the Priests Seminary, both in the vicinity of St Georges Church.

The projects consist of three parts:

- Site clearance and restoration and refurbishment of the perimeter wall of the complex of Prizren Orthodox Seminary;
- Refurbishment of Prizren Orthodox Seminary;
- Refurbishment of Prizren Episcopal Residence;

The objective of this project was to restore religious sites those were damaged in the civil disturbances of March 2004 and to allow their continued use by the Serbian Orthodox Church. All the works foreseen in original contract are completed. The Provisional Acceptance Certificate has been signed by Beneficiary and all other stakeholders involved and the buildings have been handover to the beneficiary.

Empowerment of RAE Communities in Kosovo

The "Empowerment of Roma, Ashkali and Egyptian (RAE) Communities in Kosovo" project is working with 7 RAE NGOs in strengthening their capacities and networking. Training on advocacy, community rights and responsibilities, conflict management and mediation techniques, leadership and governance, organisational development were organised for selected NGOs. Direct knowledge and skills gained by the project enabled three NGOs to benefit additional funds from other donors. More specifically:

- NGO “Health for All” has benefited a four months project from the United Nations Population Fund (UNFPA) – the project will conduct an assessment on health and education conditions of inhabitants of Fushe Kosove/Kosovo Polje municipality
- NGO “Fahri Vraniqi” benefited a nine months project from Ministry of Communities and Return for provision of sewing courses for RAE women of Sefe, Brekoc and Koloni (three RAE inhabited settlements in municipality of Gjakove/Djakovica).
- NGO “QKA” benefited a nine months project from UNDP to provide three scholarships for the members of RAE community from village Dubrave/a. The NGO will be supervising the scholarships

Rule of Law

ECLO under the CARDS programme supports UNICEF Kosovo as part of a 2 year agreement in strengthening Kosovo’s Juvenile Justice System. One success story is the visible change in practice around juvenile justice in the Probation Service of Kosovo (PSK) following an ECLO and UNICEF supported training.

The Probation Service of Kosovo (PSK) is mandated under the Kosovo Juvenile Justice Code to provide social inquiry reports to the prosecutors. These reports contain information related to the young person’s level of education, psychological state, his or her family’s social economic situation, and the circumstances of the offence. The Prosecutor uses the report to determine whether to prosecute or divert the case.

Before the Phase 1 Trainings of Trainers conducted throughout 2008, Probation Officers would include in their social inquiry reports, aside from the standard information mentioned, their recommendation for the type of measure or sentence required at the request of the prosecutor during the investigative stage when the young person still should be considered innocent. This clearly contravened the principles of the Convention on the Rights of the Child as well as the Kosovo Juvenile Justice Code.

During the training, the international consultant who undertook the initial capacity assessment identified this inappropriate practice and together with UNICEF brought this to the attention of the PSK and the Ministry of Justice. PSK management subsequently issued written notices to all regional offices, instructing an end to this practice. During a roundtable discussion for judges and prosecutors organised by Kosovo Judicial institute (KJI) under the same project, the Head of Public Prosecutors also requested all Prosecutors to halt this practice, when he learned that Prosecutors were requesting Probation Officers to recommend sentences and measures.

Since then, the ECLO's partner UNICEF has monitored this aspect, and has found no cases of Probations Officers or Prosecutors engaged in the former practice.

This shows the cumulative impact of several capacity building activities under Phase 1 that not only resulted in the identification of inappropriate application of the Juvenile Justice Code but also in a change in practice fulfilling the rights of juveniles in contact with the law according to international and European standards

11. Latvia

11.1. Summary

In 2008, Latvia continued to implement successfully the post-accession assistance to address remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since May 2004 procurement is carried out under the entire responsibility of the Latvian authorities applying national procurement rules. The Ministry of Finance, Central Financing and Contracting Agency (CFCA) and the Society Integration Foundation are fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) continues to exercise the monitoring of both Phare and Transition Facility Programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

11.2. Pre-accession, financial and Transition assistance in 2008

ii) Implementation

- TF 2005 – finalisation of payments

At the end of the period for execution of contracts for the 2005 Transition Facility programme 82.70 % of the funding has been disbursed. The Latvian authorities requested no extension for the 2005 programme. The payments can still be executed within 6 months after the expiry of the contracts execution period.

- TF 2006 – rate of contracting

At the end of the contracting period for the 2006 Transition Facility programme on 15 December 2008, 99.40% of the programmes had been contracted.

- Institution Building highlights

A total of around €19 million of post-accession assistance from national allocation (not including horizontal and multi-country programmes) has been allocated to Latvia from Transition Facility programmes (2004-2006).

Transition Facility assistance continue to be successful in the fields of civil society and society integration, with long term impact on cooperation among people of different origins and civil society non-government stakeholders. Other institution building sectors with satisfactory results include projects related to police training and some institutional fine tuning in the areas of environment, consumer protection and statistics.

In 2008, Twinning continued to be the main implementing instrument in many areas of the *acquis* in Latvia and has helped the Latvian administration to further strengthen its capacities to implement and enforce EC legislation.

11.3. Results and Impact

i) - State of play for JMC / SMSC development

In 2008, one Joint Monitoring Committee (JMC) meeting took place in February 2008, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which established an integrated monitoring and evaluation system over the programmes under implementation. The second JMC meeting was by written procedure in September 2008.

Each monitoring sector is covered by the relevant Sectoral Monitoring Sub-Committee (SMSCs). Each SMSC normally meets twice a year in accordance with the annual schedule agreed within the JMC. Two rounds of SMSC meetings took place in 2008, the first round took place in June 2008, the second round was organised in October 2008. The 9 remaining monitoring sectors cover: agriculture, energy and market & antitrust surveillance, environment and nuclear safety, health, home affairs, justice, public finance, Social and Society Integration and Statistics. However, though sectors as such have been kept for organisational reasons, the emphasis is now increasingly put on project based monitoring. For each sector a monitoring report is produced.

ii) - Monitoring & Evaluation Reports in 2008 (lessons learned)

Overall responsibility for monitoring and evaluation of the Pre-accession and the Transition Facility programmes in Latvia lies with the Ministry of Finance (MoF). The contract with the independent evaluator was completed in August 2008.

In 2008, the second phase of evaluation, two consolidated evaluation reports were issued – one for the JMC meeting in February and one for the JMC by written procedure in September. The reports provide a consolidated country review of the findings of the Interim Evaluations finalised in 2007 and 2008. The two consolidated reports concluded that Transition Facility assistance has supported successfully Latvia's administrative capacity and institutions in the post-accession period. Transition Facility assistance is in Latvia highly relevant, the projects are well adapted to beneficiaries' needs. The efficiency of projects' implementation has improved considerably and ranges now from excellent to good, in some sectors such as agriculture and environment communication needs to be improved; the impact of the evaluated projects is significant.

12. Lithuania

12.1. Summary

In 2008, Lithuania continued to implement successfully the post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since May 2004 procurement is carried out under the entire responsibility of the Lithuanian authorities applying national procurement rules. The Ministry of Finance, Central Programme Management Authority (CPMA) is now responsible for ex-ante control and twinning. The CPMA is fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) continues to exercise the monitoring of both Phare and Transition Facility Programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

12.2. Pre-accession, financial and Transition assistance in 2008

i) Implementation

- TF 2005 – finalisation of payments

At the end of the period for execution of contracts for the 2005 Transition Facility 84.97 % of the funding has been disbursed. The Lithuanian authorities requested no extension for the 2005 programme. The payments can still be executed within 6 months after the expiry of the contracts execution period.

- TF 2006 – rate of contracting

At the end of the contracting period for the 2006 Transition Facility programme on 15 December 2008, 97.09% of the programmes had been contracted.

- Institution Building highlights

A total of around €36 million of post-accession assistance from national allocation (not including horizontal and multi-country programmes) has been allocated to Lithuania from Transition Facility programmes (2004-2006).

During the period, there was substantial overall progress towards the achievement of objectives and results of the EU assistance. Two TF 2004 projects for which the execution deadline were extended were finalised. TF 2005 projects were successfully completed and mostly achieved its results. The Unallocated Envelope under the TF 2006 programme was successfully contracted, 10 projects were approved.

12.3. Results and Impact

- i) - State of play for JMC / SMSC development

In 2008, the first Joint Monitoring Committee (JMC) meeting was conducted by written procedure during April 2008 and the second one took place in October 2008. The JMC meeting in October was the last physical meeting. The following JMC will be concluded via the written procedure. During the meeting, the outstanding issues like eligibility of Value-added Tax (VAT) expenses under TF programme, old Phare projects, irregularity cases and phasing out of the programmes were discussed.

In the year 2008, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings have taken place. The first round of SMSC meetings took place in March and the second round in August. The following sectors are monitored in Lithuania: environment, economic and social cohesion; internal market and statistics; nuclear safety, energy and transport; justice and home affairs; public administration, public finance and customs; agriculture and fisheries

ii) - Monitoring & Evaluation Reports in 2008 (lessons learned)

Overall responsibility for monitoring and evaluation of the Pre-accession and the Transition Facility programmes in Lithuania lies with the NAC Office which is in the Ministry of Finance.

The thematic evaluation of administrative capacities has been carried out by external evaluator under TF2006 project. The objectives of this evaluation were as follows:

- to evaluate the contribution of EU assistance programmes Phare and Transition Facility to administrative capacities of Lithuanian beneficiaries;
- to identify examples of good practice in the Lithuanian beneficiaries;
- to suggest practical recommendations how to absorb more effectively the financial assistance of European Social Fund (ESF) for administrative capacities in the period of 2007-2013.

13. Malta

13.1. Summary

In 2008, Malta continued to implement successfully the post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since June 2004 implementation is carried out under the entire responsibility of Maltese authorities applying national procurement rules. The Department of Contracts (DoC) within the Ministry of Finance is fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) continues to exercise monitoring of both Phare and Transition Facility Programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

13.2. Pre-accession, financial and Transition assistance in 2008

i) Implementation

- TF 2005 – finalisation of payments

At the end of the period for execution of contracts for the 2005 Transition Facility programme 75.17 % of the funding has been disbursed. The Maltese authorities requested no extension for the 2005 programme. The payments can still be executed within 6 months after the expiry of the contracts execution period.

- TF 2006 – rate of contracting

At the end of the contracting period for the 2006 Transition Facility programme on 15 December 2008, 82.86 % of the programmes had been contracted.

- Institution Building highlights

A total of around €21 million of post-accession assistance from national allocation (not including horizontal and multi-country programmes) has been allocated to Malta from Transition Facility programmes (2004-2006).

In 2008, Malta continued the implementation of projects under the 2005 Transition Facility. Overall, the implementation proceeded successfully and smoothly. In fact, the implementation of a number of the projects has been concluded, while the ones still ongoing were steadily drawing to a close. The TF support involved projects in the areas of social policies and employment, justice freedom and security, agriculture, environment and administrative capacity.

Regarding Unallocated Institution Building Facility, Malta has fully absorbed the funds available under TF 2006. The small-scale projects, implemented under this facility have proved to be very efficient and have generated good and sustainable results.

13.3. Results and Impact

i) - State of play for JMC / SMSC development

In 2008, the two rounds of Joint Monitoring Committee (JMC) meetings were concluded in writing in May and November 2008 respectively. In connection with the monitoring simplification procedure, a new JMC mandate was introduced in Malta in 2007, which established an enhanced monitoring and evaluation system over the programmes under implementation.

For the year 2008, one round of Sectoral Monitoring Sub-Committee (SMSC) meetings took place in March. Due to small number of programmes, the Maltese authorities have abolished the sector-approach and review each project separately.

ii) - Monitoring & Evaluation Reports in 2008 (lessons learned)

Overall responsibility for monitoring and interim evaluation of the Pre-accession and the Transition Facility programmes in Malta lies with the NAC services located at the Office of the Prime Minister (OPM). Activities in this area were carried out on the basis of the Action Plan on decentralisation of monitoring and evaluation, which was endorsed by EC in February 2005.

In 2008, three evaluation reports were released: Country Summary Evaluation Report and First Interim Evaluation report on 19 May 2008 and Second Interim Evaluation report of on-going projects under 2005 and 2006 TF programmes on 31 October 2008. Due to the small size of the Malta programmes, the interim evaluation is carried out on the overall programmes and not on a sector basis.

According to the reports the overall rating for 2005 and 2006 TF programmes is evaluated as satisfactory. In terms of relevance, the projects were assessed to be satisfactory. Overall, the projects were *acquis*-related, built on previous support, and addressed the needs of the beneficiary in terms of reinforcing technical and administrative capacities. Project efficiency has been assessed as satisfactory, although performance was mixed. Delays in convening evaluation committees to assess offers have still affected the efficiency. Effectiveness was rated as satisfactory as the majority of the projects had achieved or would achieve its overall objective as to contribute to the development of capacity within the Maltese Authorities in terms of implementation of the *acquis*. It should be mentioned that four of the implemented projects were rated as highly satisfactory. Impact and sustainability have been rated as satisfactory. Good sustainability is expected in relation to most projects with training resources, manuals and systems developed in the framework of TF projects all likely to be used and serve as valuable resources to the beneficiary institutions after the life of the projects. The maintenance of procured equipment and the updating of software will also ensure their ongoing use to the Maltese Authorities in terms of fulfilling their *acquis* obligations.

14. Montenegro

14.1. The year in review

Political developments

The process of European integration of Montenegro continued in 2008. Following the signature of the Stabilisation and Association Agreement with the EU in October 2007, an Interim Agreement on trade and trade-related matters entered into force in January 2008 and is being smoothly implemented.

The reform process in Montenegro continued to be monitored through the enhanced permanent dialogue and through the newly set-up institutional framework of the Interim Agreement.

In 2008 the country enjoyed political stability and continued to play a constructive role in the region.

A political dialogue meeting between the EU (troika) and Montenegro took place in February 2008. The visa facilitation and readmission agreements are overall smoothly implemented. A visa liberalisation dialogue between the EU and Montenegro was launched in February 2008 and a Roadmap, with concrete benchmarks, was submitted by the European Commission to Montenegro. The implementation of the "Roadmap" will open the way to visa free travel for Montenegrin citizens.

In December 2008 Montenegro submitted an application for EU membership. The application is under consideration by the Council. Once the Council requests it, the Commission will prepare an Opinion on Montenegro's application.

Macroeconomic developments and structural reforms

During 2007 and 2008 Montenegro enjoyed a rapid growth of over 7% p.a., supported by inflow of foreign direct investment (FDI), tourism, financial intermediation, real estate and improved performance of the manufacturing industry.

A prudent fiscal policy and higher than expected tax revenues have led to budget surpluses exceeding 3% of Gross Domestic Product (GDP) and declining public debt to 32% of GDP by end-2007. However, the very strong expansion of lending, rapid growth of asset prices and rapidly growing wages have generated strong demand pressures boosting consumption and investments and inducing strong imports resulting in massive current account deficits over 40% of GDP in 2007.

According to estimates of the IMF, the rapid expansion of the Montenegrin economy will slow down significantly in 2009 and 2010 due to the global credit crunch, the expected slowdown of FDI and a significant decrease of real estate sales. An adverse effect on tourism revenues is also expected; whereas the fall in aluminium prices have negatively affected the already critical situation of the aluminium company KAP (whose sales represent over 40% of Montenegro's industrial exports).

The authorities reacted promptly on financial system by fully guaranteeing deposits up to (currently some € 2 billion), as well as inter-bank credits, and offering the possibility of providing liquidity loans or recapitalisation of domestic banks. To alleviate the negative

impact of the crisis over the real economy, the adopted budget 2009 foresees a significant rise of the capital expenditure, earlier repayment of domestic debt, and the reduction of social contribution tax rate. In addition, electricity price subsidies for Small and Medium sized Enterprises (SMEs) and households were announced. Authorities are discussing credit agreements with European Bank for Reconstruction and Development (ERBD), European Investment Bank (EIB) and the World Bank to support infrastructural projects but, despite availability in case of a drastic deterioration, the government did not yet express interest to close a stand-by arrangement with the International Monetary Fund (IMF).

Progress in meeting the *acquis communautaire*

In 2008 Montenegro has made further progress in alignment with European standards. On the whole, the implementation of obligations under the Interim Agreement since 1 January 2008 is proceeding smoothly. Interim Agreement bodies were set up. Policy-reform dialogue in other areas is taking place in the context of the Enhanced Permanent Dialogue.

The 2008 progress report highlighted areas where progress is expected, and where further efforts are needed. IPA programming takes fully into account the outcomes of the report in order to address the shortcomings

14.2. Financial assistance in 2008

Programmes launched

As of 2007, the CARDS programme was replaced by the Instrument for Pre-accession Assistance (IPA). In 2008 projects under the CARDS annual action programmes for 2004, 2005 and 2006 were under implementation. No new CARDS programmes were launched after 2006.

Overview of programmes implemented

Democratic stabilisation

Internally Displaced Persons (Refugees) integration

The programme supported the creation of favourable conditions for the local integration of the most vulnerable displaced persons by facilitating their access to durable housing solutions and income-generation support.

Civil society

Technical assistance was provided to the Trade Union of Civil Servants and Judiciary to enhance its capacity to play a constructive role in the reform of public administration. The capacity of the Confederation of Trade Unions and the local Economic and Social Councils was equally reinforced in order to make their participation in social dialogue more significant. In addition, EU funding supported partnership projects to address the priorities of the Development and Poverty Reduction Strategy Action Plan, including the needs of the elderly; raising awareness about women's reproductive issues; increasing the employment opportunities of the disabled and fostering Roma integration in schools.

Good governance and institution-building

Judiciary and Internal Affairs

Following the governmental adoption of the judicial reform strategy, prepared with EU support, the EU and the Council of Europe further assisted the Government in preparing the legal environment for the establishment of the Probation Service within the Ministry of Justice; the Police Forensic Centre was constructed and training capacity of the Police Academy widened; finally, the Ministry of Interior received assistance for the elaboration of a Data Protection Strategy and Action Plan. Following the text review carried out by experts hired under CARDS assistance, a draft Law on Data Protection was elaborated by the Ministry of Interior and subsequently adopted by the Parliament.

In line with the Action Plan for the implementation of the aforementioned strategy, a Twinning Light Project was implemented as advisory support to training of prosecutors. Special emphasis was put on the legal instruments included in the new draft Criminal Procedure Code involving increased responsibilities for the prosecutors in the pre-trial phase.

Border crossings

Further upgrade to the Information and Telecommunication (IT) system of the Ministry of Interior and the Border Police Directorate has been possible thanks to the establishment of a wireless link and passport readers in three border crossing points (the Port of Bar and the airports in Podgorica and Tivat).

The refurbishment and upgrading of the Božaj border crossing (Albania-Montenegro) was completed.

Public Administration

Several actions were implemented in order to assist the Human Resource Management Authority to discharge its statutory duties as far as horizontal skills of civil servants are concerned. Other actions fostered local government decentralisation and reinforced the role of the Secretariat for European Integration in coordinating tasks for annual IPA programming and monitoring purposes.

Assistance to the Montenegrin Statistical Office (MONSTAT) on National Accounts and GDP compilation came to an end in 2008. Technical assistance to the Ministry of Finance, the Ministry of Interior and Public Administration, and the Human Resources Management Authority on budgetary and salary system reforms for civil servants was concluded in 2008. It included the procurement of IT equipment and software to upgrade the Financial Management system.

Decentralised Implementation System (DIS)

In September 2008 the first project ever to address Montenegro's preparation for the DIS was launched. Its purpose is to strengthen the administrative and managerial capacities of key stakeholders and to establish the required operating structures, in order to achieve in due course conferral of management for IPA Components 1 and 2. The inception phase was completed by the end of 2008. A Steering Committee, composed of representatives of all stakeholders (CAO, NAO/NF, PAO/CFCU, NIPAC, Internal Audit Unit of the Ministry of Finance, the SPOs and the Audit Authority) was established. The project will seek to meet the requirements of the DIS roadmap, dealing with the preparation of the legal framework, the development of manuals of procedure with standard templates, checklists and audit trails, training and assistance to address major weaknesses an EC compliance audit may highlight.

Economic and social development

Energy

A programme providing assistance in the implementation of the electricity market opening and privatization strategy development, as well as the preparation of draft commercial contracts for new electricity market players were finalized.

Economy

In cooperation with the EBRD, through the Turn Around Management (TAM) and Business Advisory Services (BAS) programmes, assistance has been provided to small and medium enterprises located in rural areas and enterprises managed by other special target groups such as ethnic minorities, women and disabled.

Assistance has been provided to the Montenegrin Investment Promotion Agency (MIPA), comprising training and capacity building as a second phase in setting up the operations of this Agency.

Assistance has been provided to further support the implementation of the privatisation strategy, with a specific focus on the amendments of the Law on the Port of Bar and its associated restructuring.

Enhancement of the private sector development and facilitation of the access to finance for SMEs, notably for those in rural areas, was major priority in assistance over 2008.

Internal market

Support for the establishment of a sustainable public procurement system in Montenegro was provided. Activities included the completion of the public procurement legal framework, the development of operational procedures, guidelines and manuals to implement the new legal provisions, and strengthening of the institutions in charge of the regulatory and review functions.

Further development of quality infrastructure was supported, focusing on legal harmonisation in metrology, standards, testing and quality with the *acquis* and the World Trade Organisation (WTO) requirements, as well as accreditation. In the course of 2008, approx. 800 standards have been adopted of which 85% are harmonised with international standards.

The key intervention in this area was a project conceived to accelerate reforms and strengthen the capacity of relevant government bodies in the area of trade and internal market as well as compliance with WTO and SAA requirements. The project has been implemented through 3 components (trade, competition and state aid, and consumer protection). The trade component focused on capacity building on trade policy and trade-related areas (intellectual property rights -IPR- and quality infrastructure). The competition component targeted legislative reforms and supported the establishment of two new institutions (the Authority for Protection of Competition and the Commission for the Control of State Aid). The consumer protection component covered capacity building. Special focus has been given to the role of the market surveillance inspection. Basic ICT equipment for all relevant institutions was also provided.

Environment

The rehabilitation of the coastal region sewerage system was completed. Capacity building was provided to the Environmental Protection Agency.

Social infrastructure

The construction of a haemodialysis unit in Pljevlja was completed.

Agriculture, rural development and Fisheries

The preparation of a draft law on agriculture and rural development, as well as a national programme for food production and rural development over the period 2009-2013 were supported.

In September 2008, support to the fisheries in Serbia and Montenegro came to an end after having assisted in Montenegro the public and private sectors to implement the National Fisheries Strategy (legal, institutional, managerial, policy aspects of fish resources). Equipment for fishery inspections and food safety laboratories was also provided.

Labour market and education

The first EU funded programme in support of labour market reform and workforce development came to an end in September.

Cross-border cooperation (CBC)

All projects, with the exception of one, funded under the Cross-Border Cooperation allocations of CARDS 2004, 2005 & 2006 concluded along 2008. These include a direct grant award to the Secretariat for European Integration, as the Operating Structure, for the IPA CB programmes for both intra-Western Balkans Borders and programmes where the EU Member States participate.

CARDS management performance

By year-end 2008, all CARDS related procurement was complete and all 53 CARDS ongoing projects were successfully transferred from the European Agency for Reconstruction to the Delegation in Podgorica.

CARDS (1)	Allocation (2)	Contracted (3)	RAC in Value	% contract ed	Paid (3)	RAL in Value	% paid
CARDS 2001 (4)	16,100,00 0.00	16,035,105 .21	64,894.79	99.6%	16,035,105 .21	64,894.79	99.6 %
CARDS 2002(4)	12,000,00 0.00	11,951,696 .52	48,303.48	99.6%	11,951,696 .52	48,303.48	99.6 %
CARDS 2003 (4)	12,000,00 0.00	11,897,511 .91	102,488.0 9	99.1%	11,897,511 .91	102,488.0 9	99.1 %
CARDS 2004	16,756,27 0.02	16,703,382 .92	52,887.10	99.7%	16,400,990 .70	355,279.3 2	97.9 %
CARDS 2005	23,120,61 0.00	22,980,263 .39	140,346.6 1	99.4%	21,907,861 .52	1,212,748. 48	94.8 %
CARDS 2006	20,709,00 0.00	20,084,124 .96	624,875.0 4	97.0%	17,392,595 .71	3,316,404. 29	84%

Total	100,685,8 80.02	99,652,084 .91	1,033,795. 11	99.0%	95,585,761 .57	5,100,118. 45	95%
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**CBC 2004 had a cancellation of appropriation of 52,887.10*

(1) including CARDS CBC and State Union MNE

(2) initially allocated to the EAR

(3) by EAR and between 15.09 and 31.12.08 by the ECD

(4) The CARDS 2001, 2002 and 2003 programmes were closed at the time of the transfer

Institution Building highlights

Support to the Human Resources Management Authority featured high in the reporting period, chiefly through civil service training. Likewise, the assistance provided to the Secretariat for European Integration and line ministries for IPA programming purposes is already producing positive results in terms of ownership and project concept.

The Twinning Light Project on training of prosecutors has contributed to the crucial preparation of the prosecutors for implementing the forthcoming new Criminal Procedure Code, according to which, a major reform of the investigation phase will take place with the prosecutors taking up the lead and the full responsibility for the investigative proceedings. The Judicial Training Centre's capacity to provide training to prosecutors was also strengthened.

With EU assistance, the Environmental Protection Agency was launched, as well as the establishment of a project implementation unit to deal with the implementation of environmental infrastructure projects.

Financial support granted in March 2008 to the Secretariat for European Integration (SEI) has importantly contributed to improving Montenegro's preparedness to deal with the EU financial assistance for the development of border regions. By the end of 2008, the SEI established the administrative and monitoring structures for the IPA CBC programmes.

14.3. Results and impact

Monitoring & Evaluation Reports in 2008 - Lessons Learned

Lessons were learned from two major evaluations, carried out by the European Agency for Reconstruction in 2008, for EU funded projects in Montenegro. In a comparative analysis of Serbia's, Montenegro's and Kosovo's participation in the regional energy market, the Montenegrin Government's lack of decision on unbundling and privatisation impeded an otherwise dynamic development.

The evaluation of the EU funded Turn Around management (TAM)/ Business Advisory Services (BAS) programmes provided a comprehensive set of recommendations. At the time of the evaluation, 33% of the predominantly successful and very successful rated projects were closed, as the companies were bankrupted, liquidated or non-existent. This showed that there would be a need for (a) allocating much larger input resources in certain challenging projects within a more flexible framework allowing for follow-ups; and (b) investing larger resources in terms of time, tools, methodology and man/days for the screening phase.

One recurrent lesson learned and recommendation from the continuous monitoring of EU funded projects over 2008 comprised a stronger involvement of NGOs and the need to stress awareness raising initiatives by the government with regard to social inclusion and cross-cutting issues.

Sectors with positive results

Helping refugees and Internally Displaced Persons

A housing and economic livelihood assistance programme worth €2.4 million addressed the housing needs for close to 200 families of displaced persons. However, the issue of the legal status of most displaced persons remains unresolved.

Supporting Civil society

EU assistance significantly contributed to the development of a legislative framework dealing with employment, vocational education and training of the disabled. It also supported the literacy, vocational education and employability of illiterate and adult Roma displaced persons.

Energy

The revision of the market rules submitted to the Regulatory Agency by the Electricity Market Operator was performed and approved in December. It was concluded that the Market Rules were at a satisfactory phase of development regarding market opening. Outputs of the projects in this domain, such as drafts of commercial contracts between new market players, market rules and the development of the required IT systems for initial market operation were crucial in the opening of the electricity market, which has been officially opened since 1 January 2009.

Economy

Support to enhance the private sector development and improve its access to credit schemes resulted in reforming the legislative framework, creating the condition for the establishment of the first Credit Guarantee Fund in Montenegro.

Internal market

Substantive progress has been achieved in harmonising legislation related to internal market. New laws, secondary legislation and legislative amendments were introduced in relation to IPR, public procurement, consumer protection, competition and state aid. The capacity of a number of newly established bodies related to internal market areas was strengthened. Examples include, among others, the Public Procurement Commission and Public Procurement Agency, the Authority for Protection of Competition, the Commission for the Control of State Aid, and the Arbitration Council for out-of-court dispute settlement related to consumers protection and the Market inspectorate. Strategic guidelines were adopted in a number of sectors including consumer protection, quality infrastructure, competition, etc. The first National Consumer Programme was prepared and adopted and the modernisation of the Market Inspectorate, the Consumer Arbitration Council and the Office for Intellectual Property Rights was achieved through the procurement of information and communication technology.

Environmental infrastructure

The wastewater pumping stations in the coastal area (municipalities of Herceg Novi, Budva, Bar and Ulcinj) have been fully repaired and upgraded. This is meant to have a positive impact on the quality of sea water and tourism.

Agriculture and rural development

Good progress can be reported on agriculture and rural development policy. The Government continued to adapt agricultural policy to the Common Agricultural Policy (CAP) of the EU. The support provided to align the regulatory framework, in view of the preparation to EU accession, and to prepare the national strategy for food production and rural development (2009-2013) resulted in the endorsement by the government of the draft law on agriculture and rural development and the adoption of the strategy.

Some preparatory steps towards the creation of structures needed for pre-accession assistance in agriculture have been taken.

Cross border cooperation

Montenegro's participation in projects under the INTERREG III A (Adriatic) and B (CADSES) helped to prepare the country for an active involvement in future CBC schemes.

Success story

EU helps Montenegro protect its natural beauty

Montenegro's rich natural beauty is ideal for the development of tourism and agriculture, and is considered a main potential for economic growth. For these reasons, and to bring the country closer to the EU, the Montenegrin government is striving to strengthen its environment sector in the areas of policy, legislation and institutions. The establishment of an Environmental Protection Agency (EPA) is a major priority in the government's Economic Reform Agenda. Under the EU-funded project, a model for the new EPA was developed. Moreover, the project is helping develop a model for a Project Implementation Unit (PIU) that will support the influx of funding for the development of adequate environmental infrastructure, including wastewater treatment plants and waste-disposal sites.

Furthermore, the project will provide assistance in getting the EPA up and running. This includes training the managers and staff and the development of the organization and its working methods. In order to guarantee future availability of qualified staff, assistance is provided to develop environmental training as part of the Montenegrin education system.

In addition to assistance in the preparation of the formal decision on EPA and PIU, the project is helping develop secondary environmental legislation.

The proposal for establishment of the EPA follows EU best practice on implementation of environmental legislation and standards. Principles of good governance, as well as the EU Minimum Criteria for Environmental Inspections, are being taken into account. The EPA's establishment will form a first (and considerable) increase of staff in the environment sector, facilitating implementation of the government's legislative work on the environmental EU acquis. The EPA will implement hundreds of EU legal requirements in the area of monitoring and reporting, permitting, inspection and communication.

15. Poland

15.1. Summary

In 2008, Poland continued to implement successfully the post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since February 2005 implementation is carried out under the entire responsibility of Polish authorities applying national procurement rules. The Central Finance and Contracts Unit (CFCU), the Polish Agency for Enterprise Development (PAED) and the Implementing Authority for European Programmes (formerly Implementing Authority for Phare Cross-Border Cooperation Programmes, IA-CBC) are fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) continues to exercise the monitoring of both Phare and Transition Facility Programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

15.2. Pre-accession, financial and Transition assistance in 2008

i) Implementation

- TF 2005– finalisation of payments

At the end of the period for execution of contracts for the 2005 Transition Facility programme 84.42 % of the funding has been disbursed, while two projects have been extended and were on-going (extension of the execution deadline until 15/02/2009 and 15/06/2009 respectively). The payments can still be executed within 6 months after the expiry of the contracts execution period.

- TF 2006 – rate of contracting

At the end of the contracting period for the 2006 Transition Facility programme on 15 December 2008, 81.15 % of the programme had been contracted.

- Institution Building highlights

A total of around €115 million of post-accession assistance from national allocation (not including horizontal and multi-country programmes) has been allocated to Poland from Transition Facility programmes (2004-2006).

Implementation of Transition Facility in Poland is considered generally successful and projects provide notable value added. During the period, there was substantial overall progress towards the achievement of objectives and results of the EU assistance. 11 contracts were signed within the TF2006 Unallocated Envelope.

15.3. Results and Impact

i) - State of play for JMC / SMSC development

In 2008, there were 2 Joint Monitoring Committees (JMCs). First one concluded via written procedure in June 2008 and the second one took place in December 2008, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which establish an integrated monitoring and evaluation system over the programmes under implementation.

The JMC meeting in December was the last physical meeting. The following JMC will be concluded via the written procedure. During the meeting, the outstanding issues like eligibility of Value Added Tax (VAT) expenses under TF programme, old Phare projects, irregularity cases and phasing out of the programmes were discussed.

In the year 2008, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings have taken place. The first round of SMSC meetings took place in end of March-April and second round in November. There are five sectors to be monitored in Poland: environment and transport; agriculture; internal market; justice and home affairs; public administration.

ii) - Monitoring & Evaluation Reports in 2008 (lessons learned)

Overall responsibility for monitoring of the Pre-accession and the Transition Facility programmes in Poland lies with the NAC department within the Office of the Committee for European Integration (UKIE). The NAC department assures the proper monitoring of the projects and information about the monitoring results are delivered to the EC on the regular bases

As far as the NAC Evaluation Unit activities are concerned, the launch of the tender procedure for selecting a new evaluator took place on 9 September 2008.

The NAC Evaluation Unit up-dated the evaluation priorities of the interim evaluation Transition Facility programme and combined the evaluation priorities for the year 2008 with the priorities for 2009 after consultation with the EU services and the Steering Group. All other projects originally planned to be evaluated in 2008 were already subject to evaluation in 2007.

The NAC Evaluation Unit decided to launch an *ad hoc* evaluation of selected Justice and Home Affairs (JHA) projects as a corrective measure. The kick-off meeting of this evaluation took place on 19 September 2008. The JHA evaluation covered 3 projects.

16. Romania

16.1. The year in review

Summary

In 2008, Romania implemented both pre-accession and post-accession assistance to address the remaining needs related to IB for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since January 2007 implementation is carried out under the entire responsibility of the Romanian authorities applying national procurement rules. Three implementing agencies are fully responsible for daily implementation of projects (two of them accredited in December 2006 and one in April 2007).

The National Aid Coordinator (NAC) continues to exercise the programming function for the Transition Facility programmes and monitoring of both Pre-accession and Transition Facility Programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

Since the closure of the Phare Transition Team in the Representation in Bucharest as of July 2008, DG Enlargement continues to exercise the residual functions related to Commission responsibilities (monitoring, payments, closure, etc.) in line with the Financial Regulation.

16.2 Phare/pre-accession, financial and Transition assistance in 2008

i) Implementation

- Phare 2005 – finalisation of payments

At the end of the period for execution of contracts for the 2005 pre-accession programme 55.60 % of the funding has been disbursed. The Romanian authorities have requested in 2008 extensions of the execution period for some project under the 2005 Phare programme that have been approved by the Commission.

- Phare 2006 – rate of contracting (EDIS extensions)

At the end of the contracting period for the 2006 National programme on 30 November 2008, 78.01% of the programmes had been contracted.

- TF 2007

The deadline for contracting 2007 Transition Facility will expire on 15 December 2009. Up to the cut-off date of this report, 19.91% of the programme had been contracted. One project proposal under the unallocated envelope has been approved by the Commission, all remaining ones being under various stages of revision.

- Institution Building highlights

The responsibilities and the tasks related to twinning are dealt with by Central Finance and Contracts Unit (CFCU) as Administrative Office whereas DG Enlargement is responsible for issuing the Steering Committee Opinion on twinning contracts. Nine such opinions have been

issued during 2008 for Phare 2006 and seven under Transition Facility twinning contracts which continue to be useful in many priority areas and helped Romania to prepare for the implementation of EU policies and laws.

In order to address unforeseen needs, additional assistance from the Institutional Building unallocated envelopes 2006 continues to be provided for projects mainly in Public Administration, Finance and Audit sectors. The unallocated envelope under the Transition Facility refers mainly to the Cooperation and Verification Mechanism.

16.3. Results and Impact

i) - State of play for JMC / SMSC development

In 2008, one Joint Monitoring Committee (JMC) meeting took place in June 2008, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which establishes an integrated monitoring and evaluation system over the programmes under implementation.

Two rounds of Sector Monitoring Sub-Committee (SMSC) meetings took place in spring and autumn 2008. The number of sub-committees has been reduced to nine by unifying the Economic and Social Cohesion (ESC) and Cross Border Cooperation (CBC) sector with Environment: SMSC 1 – ESC & Environment and CBC, SMSC 2 – Justice, SMSC 3 – Home Affairs, SMSC 4 – Finance, SMSC 5 – Public Administration, SMSC 6 – Agriculture SMSC 7 – Internal Market SMSC 8 – Social (including minorities) SMSC 9 – Transport.

ii) - Monitoring & Evaluation Reports in 2008 (lessons learned)

The overall responsibility for monitoring of the Phare and Transition Facility programmes in Romania lies with the Central Evaluation Unit within the Authority for the Coordination of Structural Instruments in the Ministry of Economy and Finance. Activities in this area were carried out with the support of an Interim Evaluation Phare external contractor which continued the implementation of the contract over the entire 2008. Eight sectoral evaluation reports were issued in 2008 and two thematic evaluations were completed, one on the revision of indicators and the other on Phare lessons learnt on Structural Funds.

During 2008, two consolidated Country Summary Evaluation Report were issued, for the Joint Monitoring Committee in June and for the one that was held in January 2009 to support decision making. The reports provide a consolidated country review of the findings of the Interim Evaluations finalized until December 2008.

The most recent Country Summary Report reflected 408 programme components covering open Phare allocations for 2003, 2004, 2005 and 2006 and concluded that the overall performance is barely satisfactory. Phare supported programmes are successfully implemented, generally deliver the expected results and contribute to the impacts that are sought. However, the delays in reaching the implementation stage are undermining the efficiency and have a degrading effect on relevance, effectiveness and impact. Up to 22.5% of the Phare 2006 allocation was lost, including some projects of significant priority for the country, mainly due to an unfruitful contracting. This loss of Phare support across number of sectors might undermine the strategic coherence of the remaining programmes in those

sectors as the achievement of the programme objectives now depends on alternative national or external funding sources.

17. Serbia

17.1. The year in review

17.1.1. Political developments

Serbia signed the Stabilisation and Association Agreement (SAA) and an Interim Agreement covering trade-related matters in April 2008. On 29 April 2008, the Council decided that the implementation of the Interim Agreement and the ratification of the SAA are subject to Serbia fully cooperating with the International Criminal Tribunal for the former Yugoslavia (ICTY).

Serbia made significant progress on cooperation with ICTY, including the arrests of Radovan Karadzic and Stojan Zupljanin. Parliament ratified the SAA in September 2008 and began to work on a package of laws. Government and parliament were affected by divisions between political parties on key policy issues. Issues relating to Kosovo and EU integration dominated political discussions. Following the Presidential and legislative elections in February and May 2008 there was increased stability in government and greater consensus on European integration. Serbia had good capacity in its public administration.

Further efforts needed to be taken to ensure the independence, accountability and efficiency of the judicial system. Corruption remained widespread and constituted a serious problem. Civil and political rights in Serbia were generally protected and the overall framework for respect of human rights and the protection of minorities in Serbia was in place. Concerning economic and social rights, the legal provisions for their protection were also largely in place but the legal framework needed to be further developed.

Relations between the EU and Serbia were affected by the declaration of independence of Kosovo. Serbia vowed to use only peaceful, legal and diplomatic means and exercised restraint in its response to the declaration. Following a Serbian initiative, a Resolution of the UN General Assembly requested to the International Court of Justice an advisory opinion on the legality of Kosovo's declaration of independence.

17.1.2 Macroeconomic developments and structural reforms

The **economy** of Serbia continued to grow strongly. However, progress in macroeconomic stabilisation was mixed. The continuing reversal of fiscal consolidation added to macroeconomic risks. Structural reforms slowed down and the high level of unemployment, as well as rising inflationary pressures, remained major challenges.

As regards the **economic criteria**, Serbia made some progress towards establishing a functioning market economy. Financial intermediation continued to grow from a still relatively low level. Significant progress was made with the development of the non-banking financial sector. However, external imbalances widened, the quality of financing deteriorated, foreign debt rose, and the degree of macro-vulnerability increased also in the light of the global financial crisis. Despite high economic growth rates in recent years, unemployment remained a major challenge. There was some progress with regard to the privatisation of state-owned companies and banks.

17.1.3 Progress in meeting the *acquis communautaire*

In the area of **European Standards**, Serbia remained well placed to implement the SAA and the Interim Agreement, thanks to its good administrative capacity. However there were few developments in terms of legislative alignment.

As regards *sectoral policies*, in the areas of industry and Small and Medium-sized Enterprises (SMEs) Serbia remained committed to the European Charter for SMEs. In the area of *agriculture*, there were some improvements in administrative capacity. In the area of *environment*, Serbia's preparations remained at a moderately advanced level. Some progress was made in the area of *transport* with Serbia continuing to actively participate in the South East Europe Transport Observatory. There was also some progress in the area of *energy*. Little progress was made in the areas of *information society and media*. However, the new Minister in charge of telecommunication and information society started with positives initiatives to push forward development and alignment in her field of competence. Serbia was moderately advanced in fulfilling the requirements of the SAA and the European Partnership in the area of *statistics*.

There was moderate progress in the area of *justice, freedom and security*. The visa facilitation and readmission agreements between the EU and Serbia entered into force in January 2008 and a visa liberalisation dialogue started. Following the adoption of the new legislation on *asylum*, Serbia took over responsibility for handling asylum cases from the United Nations High Commissioner for Refugees (UNHCR). *Money laundering* continued to be a serious problem and relevant legislation still had to be adopted. *Drug trafficking* also remained a serious concern. The professional capacities of the *police* improved as a result of additional training activities. The fight against *organised crime* remained a matter of serious concern for Serbia.

17.2. Financial assistance in 2008

Programmes launched

As of 2007, the CARDS programmes were replaced by the new Instrument for Pre-accession Assistance (IPA). No new CARDS programmes were launched after 2006.

Overview of programmes implemented

Democratic stabilisation

Refugees and IDPs

A programme to support minorities, anti-discrimination legislation and mediation is under implementation.

The institution-building support to the Commissariat for Refugees and Internally Displaced persons (IDPs) is implemented in the areas of policy, communication and development of the strategy plans.

25 apartments in Kragujevac, 19 apartments in Uzice and 48 apartments in Kraljevo were handed over to refugees and IDPs families.

€1 million contract with the OSCE to provide targeted assistance to the Roma community in Serbia both on policy and operational levels is under implementation.

Legal assistance to the institutions of Government of Serbia dealing with refugees and IDPs was launched. The project includes provision of legal aid and information to IDPs and vulnerable groups from Kosovo to protect their property rights.

Civil Society

Under the Media Fund, 18 contracts with media outlets were implemented for a total of €1.8 million. The objective is to support quality production and investigative reporting.

Technical assistance programme to Radio Television Serbia, which includes a comprehensive training and study tours for journalists, manager and technical staff is under implementation. In the framework of the European Integration Fund, 16 contracts with Non-Governmental Organizations (NGOs) were launched for a total amount of €1.6 million. The objective of the programme is to support workshops, seminars and other activities related to EU integration, as well as for the support of the publication of supplements, brochures and other forms of information dissemination.

Under Social Innovation Fund, 31 projects in 29 municipalities were launched for a total of €0.5 million. The objective of the programme is the establishment of new local social services, such as home and day care service for elderly, disabled people, children and youth with behavioural disorders and in conflict with law.

Good governance and institution building

Judicial System

Project “Support to High Judicial Council” started on the 15th September 2008 (€2 million TA). The project will establish the High Court Council and High Prosecutorial Council, in line with the National Judicial Reform Strategy and basic principles of judicial independency.

Police

A twinning project with the Organised Crime Directorate of the Ministry of the Interior helped to modernise investigative techniques.

The installation and testing of communication and IT equipment for the Organised Crime Directorate (€2.5 million) and Juvenile Detention Centres (€1 million) was completed. The delivery of equipment for prisons (€2.5 million) was going on in 2008.

Border Crossings

The implementation of a €1.6 million supply project for the procurement of equipment for the Border Police and Customs Administration started in September.

A project for the refurbishment of the Customs Training Centre was launched in March and completed in September.

Public Administration

The “Financial Management Information System” entered into function on the first quarter of 2008. The system allows on-line connection to the Treasury for all budget beneficiaries.

The project TA for State Budget preparation process delivered a Programmatic Budget methodology which was implemented in the 2008 Budget Preparation for five pilot ministries.

A Contribution Agreement was signed in September with European central Bank to identify the needs of the National Bank of Serbia in terms of rules, procedures and staff training for future accession to the European System of Central Banks (ESCB).

Strengthening the capacity of the Serbian administration to draft, adopt, implement and enforce legislation in line with the *acquis* in the field of consumer protection is the main objective of a €1.5 million project assisting the Ministry of Trade and Services.

A €2 million project to enhance the protection of competition in the Serbian economy was launched in March. The project will last three years, and aims to strengthen Serbia’s Competition Protection Commission.

A€1.5 million twinning project with the aim to strengthen the capacity of the Ministry of Economy and Regional Development to create, negotiate and implement trade policy and to negotiate international trade agreements, helped in drafting the Foreign Trade law and relevant bylaws and assisted in the process of Serbia’s WTO accession.

Phase III of the Policy and Legal Advice Centre project will continue to provide legal advice to the Serbian administration on such issues as public procurement, state aid and financial services after 2008.

An assistance project to the Serbian Statistical Office was completed by the Italian Statistical Office.

€1.5 million assistance to the Translation Coordination Unit of the Serbian European Integration Office was launched, aiming at development of its capacity to manage and coordinate the process of translation of *acquis* and provision of 16,000 pages of *acquis* translation.

Trade

A €1.2 million technical assistance to Quality Infrastructure sector was contracted aiming to further advance standardisation, accreditation, conformity assessment and metrology in Serbia

The Directorate of Measures and Precious Metals was supported with additional metrology equipment in the value of €1.4 million.

Health

A first contract was signed of the amount of €8 million for the design and supervision of the four University clinical centres in Serbia.

The project “Capacity Building of the Health Insurance Fund of Serbia” closed successfully in December.

The project “Development of Health Information System for Basic Health and Pharmaceutical Services” implemented from November 2004 to July 2008 in two phases, for the total amount of €3.3 million, and produced a result that ensured Serbia the prestigious DISKOBOLOS 2008 International Award for Modern Application of ICT for health in December of 2008.

The €2.5 million technical assistance project “Support to the implementation of Capitation Payment in Primary Health Care in Serbia” helped in the procurement and the delivery of another €2 million worth of IT equipment distributed to 28 primary health centres throughout the country facilitating the introduction of the new method of payment for services in a joint effort with the National Health Insurance Fund.

The €4 million service contract for “Training in Health Service Management” started in January, preparing the curriculum of a Master’s Course and submitting for its accreditation through appropriate national bodies.

Local Government

Eastern Serbia Regional roads reconstruction project of €4.7 million was successfully implemented.

Municipal Infrastructure Support Programme, €3 million technical assistance, started in January 2008. Up to the end of 2008 the programme resulted in two solid waste infrastructure projects worth €7 million under implementation, identification and preparation of 4 municipal infrastructure projects totaling to close to €90 million investment and a green paper for Public Utility Companies transformation.

EXCHANGE 2 programme of €5 million consisting of technical assistance and an operating grant to the Standing Conference of Towns and Municipalities (SCTM) started at the beginning of 2008. Until the end of 2008 it has produced a local government law implementation gap draft analysis, selected 20 municipalities to be supported in full fledged strategic planning and launched expression for interest for ten municipal service packages.

First phase of the project "Strengthening Local Self Government" (LSG) implemented in partnership with the Council of Europe ended in December while the second phase project proposal was prepared for implementation under IPA 2007.

Technical assistance to the Ministry of Public Administration and LSG for preparation of the Framework strategy for LSG training started.

Three municipal infrastructure contracts (close to €10 million) under Municipal Support Programme to North East Serbia contracted and under implementation.

Economic and social development

Enterprise Development

The second phase of the Turn-Around Management programme, implemented by the European Bank for Reconstruction and Development (EBRD), was completed in May 2008. The programme supported 43 enterprises and provided management training to 80 other companies.

A €1.5 million project providing technical support to Enterprise Policy and Innovation was launched at the beginning of September 2008. The project will facilitate the implementation

of the European Charter for Small Enterprises and the development of an internationally competitive and innovative private sector.

Social development

Transforming Residential Institutions and Sustainable Alternatives project (€1.3 million) dealing with the deinstitutionalisation of disabled children and children without parental care is ongoing.

Education

Strengthening Higher Education System in Serbia (€300.000) enhancing the harmonisation with the Bologna process, was going on in 2008.

Vocational education and training

Additional support to the Vocational Education and Training Reform project of €800.000 will be completed in July 2009.

Two twinning projects on Modernisation of the National Employment Service (€1.5 million) and Support to Development of National Employment Policy (€1.5 million) started in 2007 and were still ongoing in 2008.

Agriculture

24 four wheel drive vehicles were handed over to the Ministry of Agriculture, Forestry and Water Management.

A Water Information Management System has been successfully established within the Water Directorate (€2 million).

A new law on wine has been proposed for adoption by the Parliament thanks to a Twinning contract with our partner from the Rioja Region in Spain (€1.4 million).

Infrastructure and energy

A €1.5 million project providing technical assistance to the Serbian Energy Regulatory Agency was completed.

The project Blueprint for Mining Agency was successfully completed.

To enhance the security of transport and the freedom of movement around the most important bridges across the Danube and the Sava Rivers, activities were started in May 2008 to help the Serbian Government in locating unexploded ordnance (UXO).

The €1.5 million twinning project First Alignment with the Transport *acquis* was completed during the first quarter of 2008.

A €1.5 million project providing technical assistance to Serbian Transmission System and Market Operator (Elektromreza Srbije) was completed.

The works on the modernisation of District Heating in five Serbian cities (in total €22 million + €2 million for the supervising engineer) was completed. TA for the District Heating modernisation has been delivered to the same cities (€0,5 million).

A **Capacity Allocation System** for the electricity transmission system operator was delivered to the beneficiary EMS – Elektromreža Srbije – and implemented.

Works for the second major environmental project - ash disposal in Nikola Tesla B power plant, with a budget of €30 million – were going on in 2008.

The contract Renewable energy feasibility studies for the preparation of secondary legislation and preparation of 15 pre-feasibility studies for small scale hydro projects in Serbia was awarded.

Two works contracts for construction of 400kV line Nis-Leskovac (€7million, 40 km) and Leskovac-FYRoM border (€20 million, 100 km) were signed and the works were going on in 2008 with some delays on both sections.

Environment

250 printers, 915 computers and 21 servers were delivered to the Regional Cadastre Offices (€0.7 million).

A Sewerage & Wastewater Strategic Master Plan for southern Morava Region was elaborated (€2.8 million).

A €7.1 million programme was upgrading the capacities of hospitals and clinics throughout Serbia to improve their capacity to manage and treat hazardous waste.

Regional Cooperation

Following the transfer of Contracting Authority from the European Agency for Reconstruction, the EC Delegation managed a total of 134 contracts selected within the different Neighbourhood Programmes (NP) with Hungary, Romania and Bulgaria, as well as under the CADSES and the Italy Adriatic Programme. Out of these, 85 contracts completed their activities by the end of 2008, although final balance payments had yet to be executed.

Six applicants were selected from the unilateral Call for Proposals launched and finalised within the NP Hungary-Serbia. One of these was contracted in November out of funds allocated to CARDS 2005, while contracting of additional 5 selected applicants (to receive funds from CARDS 2006) had yet to be completed.

The Evaluation procedure for Proposals submitted under the 5th Call of NP Bulgaria was completed in November, however missing some required documents the Delegation suspended the approval and related contracting.

CARDS management performance

The cumulative portfolio of CARDS programmes in Serbia is €1.288 billion. By the end of the year 2008, 98% of this total had been contracted and 87% had been paid.

Table 1: Status of financial assistance at the end of December 2008 (in million €) – CARDS annual national programmes

	Allocated	Contracted	RAC^{14]}	%contracted	Paid	RAL^{15]}	%paid
CARDS 2001	193.8	193.6	0	100%	193.6	0	100%
CARDS 2002	165.7	165.7	0	100%	165.1	0.6	100%
CARDS 2003	211.7	211.7	0	100%	210.2	1.5	99%
CARDS 2004	200.6	200.6	0	100%	159.3	41.3	79%
CARDS 2005	155.8	155.6	0.2	100%	129.1	26.7	83%
CARDS 2006	153.9	131.1	22.8	85%	56.6	97.3	37%
Total	1,081.5	1,058.3	30.0	98%	763.9	167.4	71%

Institution Building highlights

In 2008 the emphasis was gradually shifted away from reconstruction and was more concentrated on institution-building, economic development and reform in line with the European Partnership recommendations, including promoting good governance and the strengthening of rule of law. Under CARDS cross border support activities, Serbia developed strong institutional capacities via participation in these programs, contributing to the recovery of border regions, regional reconciliation and stability.

The CARDS programme was managed by the European Agency for Reconstruction (EAR) with the exception of Tempus programme and Customs and Taxation projects managed directly by the Commission). The EAR was closed at the end of 2008 and the Delegation took over the management of CARDS programmes.

Preparation for Decentralised Implementation (DIS) was continued with the adoption by the Government of the DIS Road map and the relevant Action plan and with the appointment of key figures as the Competent Authorising Officer (CAO), National Authorising Officer (NAO) and the National IPA Co-ordinator (NIPAC).

17.3. Results and impact

Monitoring & Evaluation Reports in 2008 - Lessons Learned

In October and November 2008, 3 CARDS contracts in the health sector were monitored by the ROM-Team, the external monitors contracted by DG Enlargement.D3:

- "05SER01/15/001 Capacity building of the Health Insurance Fund in Serbia" (CRIS contract number 164808)

¹⁴ Reste à Contracter

¹⁵ Reste à Liquidier

- "06SER01/10/002 Training in Health Service Management in Serbia" (CRIS contract number 166353)

- "04SER01/08/001 Technical Assistance for Medical Waste Management" (CRIS contract number 162832)

All recommendations contained in the respective monitoring reports have been accepted and are being/ have been implemented.

To start engaging the national authorities in monitoring prior to the introduction of DIS, a first 1st IPA Monitoring Committee was held with the Ministry of Finance and the Deputy Prime Minister's Office on 10 December 2008.

Institutional Capacity Building - Further strengthen the capacity of Ministries and related Government Institutions in strategy formulation and policy development. Project support must be based on strategic papers and/or policy documents, drafted with the involvement of project beneficiaries. Administrative staff, which benefits from skills development programmes, should sign an agreement that keeps them within the administration for a certain period of time.

Refugees and IDPs - In the medium- to long-term the EU assistance to Serbia's National Refugee Strategy needs to be more mainstreamed. Needs for continue implementing projects addressing unresolved rights of displaced people - i.e. property rights, past employment rights - in their place of origin, active political support from the EU and all involved Governments is needed for these projects to achieve effective and sustainable results for the people affected.

It is recommended that other Sectors under the IPA Programme identify displaced people as target groups; in particular, programmes related to employment and Serbia's Poverty Reduction Strategy. There are high levels of poverty and unemployment, which are unlikely to be reduced by acquiring formal citizenship rights.

The long-term housing needs of refugees can only be addressed through the introduction of social housing legislation by the Serbian Government with a combination of Serbian and international funding for the programme. The Agency has taken the first step in setting up a mechanism that can assist the implementation of such legislation.

Economic and Social Development/Energy - Future support for the electricity market should not be limited in the electricity sector to institution building per se but should also be directed as well to strengthening support for competitors, eligible customers and their associations, and consumers generally within the national market, with a view to provide information about market opportunities and encourage them to be aware of the reform process and its benefits.

SME Sector Development- Continue with focusing on enterprises in less developed regions – rural, mountainous, with higher levels of unemployment. Allow for programme or components of the programme to cover or focus over a specific region/district within a country, less developed sectors, clusters of companies, in line with the national policies. Give priority to sectors, which have received less assistance. Continue and extend the scope of cross-cutting issues to environment, energy efficiency, gender, minority, youth, other disadvantaged groups. Allow a possibility for assisting newly established and starting companies.

Sectors with positive results – Success stories

EC support for local government, environment, transport, health, energy, trade and support to minorities was successful. (See some examples below).

€25M, under CARDS 2006, contracted in 2008 under local government sector

Under the auspices of the MISP (Municipal Infrastructure Support Programme) high level Municipal Infrastructure co-ordination forum, meeting regularly each four months, was established. The forum gathers the relevant national government representatives as well as donors and international financing institution. In addition, the developed database of existing municipal infrastructure projects pipeline, the SLAP, with the scoring criteria that apart from assessing their compatibility with national and EU relevant strategies provides grading based on projects maturity for implementation is more and more used as a transparent selection criteria for government's financing of local infrastructure.

Securing electricity supply not just for Serbia, but for the entire region

The programmes undertaken in this sector contributed to the integration of Serbia in the Regional Energy Market and the development of an electricity market. This was one of the main objectives of the widest initiative in the course of the year: the construction of an overhead high-voltage line between the southern Serbian city of Niš and the border with FYRoM. Special emphasis was also put on enhancing the capacities of the Energy Regulatory Authority and the Transmission System Operator, creating the conditions for Serbia's participation in the regional energy market, as well as on strengthening the transmission capacity to allow for cross border trade. Important resources were also devoted to improve energy efficiency through investments in district heating.

Helping to move towards high and sustainable growth

EC assistance to the economic sector supported the reformulation of policies on economic development and the approximation of laws, policies and regulatory institutions with the Community *acquis*. Activities focused on the adoption of EC standards. To balance the initial impact of transition, the negative impact of restructuring and privatisation on employment was tackled by programmes aimed at creating an institutional and regulatory environment able to enhance enterprise competitiveness. Such programmes, implemented in cooperation with the EBRD, have put a special emphasis on small and medium enterprises, which presently absorb the largest part of the workforce in Serbia.

18. Slovakia

18.1. Summary

In 2008, Slovakia continued to implement successfully the post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since October 2004 implementation is carried out under the entire responsibility of Slovak authorities applying national procurement rules. The Central Finance and Contracting Unit (CFCU), the Regional Development Support Agency (RDSA) and the National Agency for Development of Small and Medium Enterprises (NADSME) are fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) continues the monitoring of both Phare and Transition Facility Programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

18.2. Pre-accession, financial and Transition assistance in 2008

i) Implementation

- TF 2005 – finalisation of payments

At the end of the period for execution of contracts for the 2005 Transition Facility programme 82.92 % of the funding had been disbursed. The Slovak authorities did not request any extension for the 2005 programme. The payments can still be executed within 6 months after the expiry of the contracts execution period.

- TF 2006 – rate of contracting

At the end of the contracting period for the 2006 Transition Facility programme on 15 December 2008, 91.74% of the programmes had been contracted.

- Institution Building highlights

A total of around €29 million of post-accession assistance from national allocation (not including horizontal and multi-country programmes) has been allocated to Slovakia from Transition Facility programmes (2004-2006).

During the period, there was substantial overall progress towards the achievement of objectives and results of the EU assistance. TF 2005 projects were successfully completed and mostly achieved its results. The Unallocated Envelope under the TF 2006 programme was successfully contracted, 10 projects were approved.

18.3. Results and Impact

i) - State of play for JMC / SMSC development

In 2008, one Joint Monitoring Committee (JMC) was concluded via the written procedure in June 2008. Main issues which were discussed in the follow-up correspondence were the phasing out of Phare/TF programmes, closure of outstanding issues, irregularities follow up.

Further to the simplification of the monitoring system in Slovakia, the Sectoral Monitoring Sub-Committees (SMSCs) were not abandoned, since they were considered as an effective tool with higher level of members' decision-making power. The decreased amount of ESC projects effected the merging of two sectors, which resulted in the following monitoring sectors: justice, home and social affairs and cross-border cooperation.

ii) - Monitoring & Evaluation Reports in 2008 (lessons learned)

Overall responsibility for monitoring and evaluation of the Pre-accession and the Transition Facility programmes in Slovakia lies with the Aid Co-ordination Unit, as the executive body of the National Aid Coordinator (NAC), at the Office of the Government. Due to the staff shortfalls, the monitoring of the Transition Facility projects was done mainly via the participation of the ACU representatives during the SMSCs. The situation slightly improved in the last year where some on-the-spot monitoring visits were executed, mainly focused on training components of implemented projects.

The procurement for the interim evaluation of Transition Facility projects was split into two contracts due to problems which occurred during the contracting.

Two Interim Evaluation Reports (IER) were prepared in 2008 which covered the following components/sectors: Justice and Home Affairs, Human Resources Development and Health Care, Agriculture and Statistics, Environment and Energy, Internal Market. The most recent report from November 2008 rated 3 projects as highly satisfactory and all remaining ones as satisfactory.

19. Slovenia

19.1. Summary

In 2008, Slovenia continued to implement successfully the post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since 17 September 2004 implementation has been carried out under the entire responsibility of Slovenian authorities applying national procurement rules. The Ministry of Finance, Central Financing and Contracting Department is responsible for ex-ante control and twinning. The Ministry of Finance, Central Financing and Contracting Department (CFCD) is fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) continues to exercise the monitoring of both Phare and Transition Facility Programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

19.2. Pre-accession, financial and Transition assistance in 2008

i) Implementation

- TF 2005 – finalisation of payments

At the end of the period for execution of contracts for the 2005 Transition Facility programme 67.51 % of the funding had been disbursed. The Slovene authorities requested no extension for the 2005 programme. The payments can still be executed within 6 months after the expiry of the contracts execution period.

- TF 2006 – rate of contracting (EDIS extensions)

At the end of the contracting period for the 2006 Transition Facility programme on 15 December 2008, 70.20% of the programmes had been contracted.

- Institution Building highlights

A total of around €17 million of post-accession assistance from national allocation (not including horizontal and multi-country programmes) has been allocated to Slovenia from Transition Facility programmes (2004-2006).

In 2008 the implementation of the Transition Facility projects in Slovenia proceeded well. There were no major problems with the implementation of the Transition Facility projects and in many cases, when problematic issues arose, decisions were taken, thus assuring project implementation in a timely manner. Implementation of Transition Facility is considered successful in the following areas: agriculture, justice and home affairs, agriculture, internal market.

19.3. Results and Impact

i) - State of play for JMC / SMSC development

In 2008, the first Joint Monitoring Committee (JMC) meeting was implemented via written procedure in June 2008 and the second one took place in November 2008, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which established an integrated monitoring and evaluation system over the programmes under implementation.

In the year 2008, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings took place. The first round of SMSC meetings took place in March-April and second round between September and October. In Slovenia, the following sectors were monitored in 2008: Agriculture, Economic and Financial Issues, Internal Market, Environment and Energy.

ii) - Monitoring & Evaluation Reports in 2008 (lessons learned)

Overall responsibility for monitoring of the Pre-accession and the Transition Facility programmes in Slovenia lies with the National Aid Coordinator (NAC) with the Government Office for European Affairs (GOEA).

Only the projects related to Economic and financial issues, Internal Market and Environment sectors were subject to interim evaluation in 2008. The independent evaluator also prepared one Country Evaluation Summary Report (CSER) in October 2008.

The conclusions available from the Interim Evaluation reports are that, overall the implementation of the evaluated 2006 Transition Facility assistance was not so satisfactory as not all the allocated funds were contracted. Low absorption of funds from the Institution Building Envelopes for 2005 and 2006 TF programmes indicated that there are no real or acquis-related issues that still need to be addressed. However, there are some projects where concrete outputs, results and impacts were successfully achieved.

20. Turkey

20.1. The year in review

Political developments

Turkey continued to sufficiently fulfil the Copenhagen political criteria. After averting a constitutional and political crisis in 2008, the Turkish government renewed attention towards EU-related reforms and accession negotiations. As concerns the political criteria, some progress was achieved in the areas of freedom of expression, the rights of non-Muslim religious communities, and in promoting the economic development of the South-East. Significant further efforts are still needed on most areas related to the political criteria.

Macroeconomic developments and structural reforms

With regard to the economic criteria, Turkey is a functioning market economy and will remain so as long as it firmly maintains its recent stabilisation and reform achievements. Turkey should be able to cope with competitive pressures and market forces within the Union in the medium term, provided that it continues to implement a comprehensive reform programme to address structural weaknesses. In the framework of the EU-Turkey relations the Commission is in constant discussion with the Turkish authorities and is assessing the performance of Turkey in the economic and financial area. This is of paramount importance, given the fact that the International Monetary Fund (IMF) stand-by agreement expired in May 2008 and a new one is still pending. Turkey has been affected by the global economic crisis, as many EU economies have. The Turkish government has taken some measures to alleviate the impact of the crisis. The Commission estimates Turkey's Gross Domestic Product (GDP) growth to have been 1.5% in 2008 as a result of a sharp contraction in the fourth quarter of 2008. It is expected that weaker economic growth and reduced demand as well as lower international commodity prices will reduce the current-account deficit and ease the needs for external financing. However, Turkey's heavy reliance on short-term capital inflows makes the country vulnerable to global de-leveraging, increased risk aversion and external shocks. Under the current circumstances, the main challenge for Turkey is the faltering external demand on the Turkish economy and the need to mitigate the impact of the deepening global financial and economic crisis.

Progress in meeting the *acquis communautaire*

Turkey improved its ability to take on the obligations of membership. Progress was made in most areas. Alignment was advanced in certain areas, such as free movement of goods, , anti-trust policy, energy, enterprise and industrial policy, consumer and health protection, statistics, Trans-European Networks, and science and research. However, alignment needs to be pursued, in particular in areas such as environment, state aid, public procurement, social policy and employment, company law, food safety, veterinary and phytosanitary policies and free movement of services. A number of important obligations taken on by Turkey as part of its Customs Union with the EU remained unfulfilled. The disproportionate use of safeguard measures and longstanding trade irritants were having an impact on proper functioning of the Customs Union. Turkey's administrative capacity to cope with the *acquis* needs further improvement.

20.2. Pre-accession in 2008

Programmes launched

As of 2007 the Turkey pre-accession programmes were replaced by the new Instrument for Pre-accession Assistance. No new programmes were launched after 2006.

Overview of programmes implemented

Three programmes under the Turkey pre-accession instrument were under implementation in 2008, the National Programmes 2004, 2005 and 2006.

Table 1: Status of financial assistance at the end of December 2008 (in million €) – TPA annual national programmes

€million	Allocated	Contracted	RAC ¹⁶	% contracted	Paid	RAL ¹⁷	% paid
TPA 2002	126	112	14**	89	104	8	83
TPA 2003	144	122	22**	85	116	6	81
TPA 2004	235	194	41***	83	187	7	80
TPA 2005	277	237	40	84	185	52	66
TPA 2006*	450	366	84	81	135	231	30
Total	1232	1031	201	84	727	404	59

* The contracting deadline of one project was extended until 13/06/2009.

** Decommited in 2007.

*** Decommited in 2008.

The deadlines established by the Joint Monitoring Committee for the submission of tender documents for the EC ex-ante control under the National Programme 2006 led to some acceleration of the procurement process compared with the previous programmes. The contracting rate for NP2006 landed at 78.38% while excluding participation in Community Programmes, and 81.4% including PCP. This did not yet include the contracting of the Foot and Mouth Disease project in part I of NP 2006, for which the contracting deadline is June 2009.

Pre-accession management performance

Turkey's Decentralised Implementation System (DIS) institutions devoted much attention in 2008 to accreditation and preparations for implementation under the different IPA components. This led to some improvements also in relation to the Turkey pre-accession instrument

Nevertheless, some capacity and system weaknesses remained. The staffing levels of all key DIS institutions needed to be further increased to improve management performance and organisational changes are required to improve monitoring and system supervision.

¹⁶ Reste à contracter

¹⁷ Reste à liquider

The quality of monitoring reports continued to be variable, and the functioning of the Sector Monitoring Sub-Committee (SMSC) system remained unsatisfactory. Shortcomings of the monitoring system have been identified (i.e. weak ownership of SPOs and National IPA Coordinator (NIPAC); lack of human resources; continued existence of parallel monitoring structures under IPA and pre-IPA assistance) but actions taken have so far proven insufficient to significantly increase the quality of monitoring reporting and related sector meetings. Despite of existing weaknesses in the monitoring system, monthly project management meetings which are at the core of the monitoring system function in a satisfactory manner.

The main priority for the improvement of the functioning of the decentralised implementation system remains the reinforcement of system supervision through the National Authorising Officer (NAO) Office/National Fund. The Central Finance and Contracts Unit (CFCU) had difficulties to handle the triple challenge of preparation for accreditation under IPA, contracting under NP 2007, and management of on-going projects. The result was a repetition of late contracting under the National Programme 2006 and insufficient monitoring of running projects, in particular grants and works. Staffing levels of both the NAO office and CFCU need to be increased.

The EUSG continued to show some weaknesses in handling programming, monitoring as well as project management functions (EUSG acting as Senior Programming Officer). Therefore an organisational separation of EUSG functions (programming, monitoring, project implementation) as well as a reinforcement of staffing levels appeared critical.

A system of self-assessment and testing of the capacity of Senior Programming Officers in the line Ministries was established in 2008, but still needed to be rendered fully operational and translated into concrete measures to strengthen staffing levels and organisational structures of the weaker line Ministries.

Institution Building example

The project "**Towards Good Governance, Protection and Justice for Children in Turkey**" with a total budget of €6 million and the Gendarmerie General Command as key beneficiary (UNICEF took part as a grant beneficiary) had the purpose to upgrade the capacity of the related institutions to provide a more protective environment for children in contact with the law. This included establishment of baseline data and empirical evidence, development of common strategies and collaborative implementation practices for the protection and reintegration of these children.

As a result capacity building on how to implement the child protection law was initiated among 1500 personnel working for the Social Services and Child Protection Agency, child judges, prosecutors, prison guards and social workers within 16 provinces where the number of children in contact with the law is the highest and where child courts are existing. A catch-up education curriculum was drafted with the objective to target children at risk (street children) to be made available in the same 16 provinces. Two parenting education programmes targeting parents with children at risk were developed and 100 000 families with children under 6 years were informed on child raising methods without abuse, beating or neglecting.

As a pilot project, 5000 parents with children between 7 and 19 years followed a parenting course, with a view to give them skills and knowledge on how to communicate with and raise their children to prevent violent behaviour in school and at home.

20.3. Results and impact

State of play for JMC/SMSC development

In 2008, one Joint Monitoring Committee (JMC) meeting (12 June; the second one was postponed to January 2009) as well as nineteen SMSC meetings were held to monitor the implementation of pre-accession assistance programmes in the following sectors: Political Criteria; Civil Society Dialogue; Internal Market, Customs Union, Energy and Telecommunications; Public Finance, Statistics and Accession Process Support; Environment, Transport, Regional Competitiveness; Human Resources Development; Rural Development.

Monitoring & Evaluation Reports in 2008 - Lessons Learned

One country summary report bringing together findings over the year 2007 and 2008 was prepared at the end of 2008. Overall findings of this report were as follows:

Lessons learnt in relation to **relevance**:

- Assistance has overall been reasonably satisfactory, but relevance sometimes suffered from poor project design as regards unrealistic timing, poor budgeting or insufficient capacity to turn project outputs into results. Intervention logic at project level is mostly adequate.
- The overall design of the Turkey programme is however assessed as properly based on needs and in line with EU accession related priorities.

Lessons learnt in relation to **efficiency**:

- Project preparation is characterised by delays, but once projects have started, efficiency improves.
- Procurement suffers from low quality documentation due to a lack of adequate beneficiary capacity which causes lengthy revision and approval processes. Planning of the use of the 'Support Activities to Strengthen the European Integration Process' facility (SEI) has not been satisfactory based on where the needs are largest.

Lessons learnt in relation to **effectiveness**:

- Implementation has on average been effective, but transfer of outputs into results could be improved.
- The effectiveness of the pre-accession assistance to Turkey in supporting the accession process is satisfactory taking account of the limitation of resources in comparison to prevailing needs. However it should be noted that EU accession priorities are also to be met through national instruments, other donor assistance and through non-financial means (i.e. policy instruments).

Lessons learnt in relation to **impact**:

- There is positive immediate impact for nearly all works and supply interventions, but the impact of technical assistance or twinning could be improved through strengthened beneficiary capacity.

- Necessary facilities for operation of newly established or upgraded facilities have usually been established, and the immediate and wider impact of increased capacity of people and institutions to work with EU-funded programmes is visible in virtually all interventions across all sectors.

Lessons learnt in relation to **sustainability**:

- Overall, sustainability depends on the extent to which the appropriate legal, administrative and strategic framework is in place to support the continued utilisation of project results.
- In particular grant schemes in all sectors generally showed positive prospects for sustainability.

Lessons learnt in relation to **management**:

- The functionality of the SMSC system has not been satisfactory. There has been a lack of effective sectoral monitoring and supporting Monitoring Reports are of inadequate quality.

Sectors with positive results

According to the interim evaluation reports in 2008, moderately positive results were achieved in the Internal Market, Transport and Public Finance sectors, whereas performance in the other sectors was generally lower. Measures in these sectors have generally been relevant, effectiveness overall adequate and a wider impact is measurable in a number of sub-sectors.

Success stories

Restoration of Ekmekçizade Caravanserai, Edirne

Under the 2004-2006 cross border cooperation programme with Bulgaria the ruined Ekmekçizade caravanserai was restored to its former glory. The project promoted the recovery of a monument of great historical, cultural and architectural value for the whole border region and accordingly its destination as a space for events with a cross-border impact. Restoration was carried out respecting the architectural integrity of the building and the building materials employed. The broader purpose of the project was to encourage the intensification of cross-border cultural and economic exchanges and relations by providing a venue for joint Turkish and Bulgarian cultural events, business forums, congresses, seminars, and visits by commercial delegations, trade fairs and other bi-lateral events. EU funded the restoration with €2.7 million and the works were carried out between April 2006 and September 2007. In line with the objectives, the restored historical site is now a venue for events fostering closer cultural and economic ties between the border regions Edirne and Kırklareli on the Turkish side and Yambol, Bourgas and Haskovo on the Bulgarian side.

Eradicating the Worst Forms of Child Labour in Turkey

With a budget of €5.3 million from the National Programme 2004 this project aimed to increase capacity at local and central level to tackle the problems of child labour in the provinces of Sinop, Ordu, Kastamonu, Çankırı, Van, Erzurum and Elazığ. Vocational courses were offered to families to assist adult family member in finding employment and school based monitoring systems were established and directed through provincial action committees.

A total of 99.356 households have been surveyed in the seven provinces with their 94 districts, 103 towns and 330 villages. Consequently, 3083 children have been reached. Currently 2704 children are provided with a variety of services including education, rehabilitation and support to assist their re-insertion into mainstream schooling institutions. 2153 children registered to schools had a part of their educational costs covered from the project budget. Moreover, children's participation in activities aiming to contribute to their social and cultural development was also facilitated as part of the project. Special attention was paid to ensure that not only the working children, but also the children identified as belonging to a risk group were benefiting from the project.

In order to prevent previously working children integrated into education through the project from going back to work, mechanisms to effectively monitor child labour were established as part of the activities. For instance in Çankırı "The School Based Monitoring System" aims to follow the attendance and absence situation of the children on a regular basis and "The Street Based Monitoring System" aims to identify children who start working again. Project implementation was ongoing for two years before successfully being finalised by the end of 2007.

PART II: ADDITIONAL INFORMATION ON IMPLEMENTATION AND PROGRAMME MANAGEMENT ISSUES

21. TECHNICAL AND FINANCIAL ASSISTANCE

21.1. Twinning

Twinning has been designed and developed by the Commission as the main instrument for institution building. It aims at helping candidate and potential candidate countries in their development of modern and efficient administrations, with the structures, human resources and management skills needed to implement the *acquis* so as to reach the same standards throughout the Union but also to benefit fully from European Union membership.

In 2008, 6 Twinning fiches for Romania (5) and Bulgaria (1) under the Transition Facility were circulated to the Member States, out of which 5 had been circulated a first time in 2007 without having received adequate proposals from the Member States. Furthermore, a total of 59 contracts for Phare (38), Transition Facility (16) and CARDS (5) Twinning projects have been approved by the Commission Steering Committee and notified in 2008. The distribution of launched and contracted Twinning projects under Phare, CARDS and Transition Facility in the beneficiary countries for 2008 is as follows:

<i>Number of Transition Facility and Phare Twinning project fiches circulated in 2008</i>		<i>Number of Phare, Transition Facility and CARDS Twinning Contracts approved and notified in 2008</i>	
Romania	5	<u>Phare</u> Turkey 8 Romania 15 Bulgaria 8 Croatia 7	38
Bulgaria	1	<u>Transition Facility</u> Poland 1 Estonia 1 Latvia 1 Romania 5 Bulgaria 7 Malta	16
Croatia	5	<u>CARDS</u> Serbia 2 Former Yugoslav Republic of Macedonia 1 Albania 2	5
Total	11		
Phare 2006	5		

Please note that most Twinning projects launched in 2008 were under the IPA programme.

The 11 Twinning fiches under the Transition Facility circulated in 2008 concern projects in the following sectors: Standardisation and certification (1). Justice and home affairs (3) Internal market and economic criteria (5), Environment (1) and Transport (1).

Furthermore, the new Member States, Candidate Countries and Potential Candidate Countries are being offered the possibility of drawing on twinning expertise through “Twinning Light”, in order to address well-circumscribed projects of limited scope. In 2008 this instrument has been used extensively by the beneficiary administrations, notably in Bulgaria and Romania.

21.2. TAIEX

TAIEX¹⁸ started operations in 1996 as a follow-up to the Commission’s White Paper on the preparation of the associated countries for integration into the internal market. Since then, TAIEX has evolved into an instrument providing short-term technical assistance to facilitate the approximation, implementation and enforcement of EU legislation.

The TAIEX instrument remained available for the 10 Member States which acceded in 2004 (until May 2008), to Bulgaria and Romania, to candidate and pre-candidate countries, to the Turkish Cypriot community, as well as to the countries covered by the European Neighborhood and Partnership Instrument (ENPI).

During the year 2008 a total of 1,543 events were organised, representing an increase of some 20% compared with 2007. Funds from the budget lines CARDS, Transition Facility and Pre-Accession were used to finance the organisation of more than 900 events, attended by over 20,000 participants from the beneficiary countries for a total cost of some €10 million.

The positive results and the increasing demand for assistance clearly demonstrate the usefulness of TAIEX as an instrument of know-how transfer and exchange of best practice.

21.3. SIGMA

Since 1992 this institution-building instrument has been providing assistance in horizontal areas of public management including public service, legal administrative framework, public integrity system, policy-making and co-ordination, regulatory framework, public expenditure management, public internal financial control, external audit and public procurement. It is principally financed by the EU and implemented by the Organisation for Economic Co-operation and Development (OECD) through contribution agreements between the European Commission and the OECD.

In 2008 SIGMA worked with the two new EU Member States and the three EU candidates as well as with potential candidates in the Western Balkans. Under the two contribution

¹⁸ Technical Assistance Information Exchange Instrument

agreements, work was carried out on a total of 61 projects in 2008: 34 in Bulgaria, Croatia, Romania and Turkey and 27 in the Western Balkans.

In the framework of the Instrument for Pre-accession Assistance (IPA), SIGMA work with all EU candidates and potential candidates was launched in January 2009 and will continue until December 2010 under a new contribution agreement between the Commission and the OECD, which provides for a global budget of €10.7 million.

In the second half of 2008 the scope of SIGMA expanded to include countries benefiting from the European Neighbourhood and Partnership Instrument (ENPI).

22. Information on multi-country, regional and horizontal programmes

22.1 Political Criteria

Participation in Community Agencies

The purpose of this assistance is to ensure that beneficiaries can participate effectively in the Community Agencies either if permitted prior to accession or following accession to the EU.

Under the CARDS Regional Action Programme (RAP) 2005, Contribution Agreements were concluded with the European Environment Agency (EEA), the European Aviation Safety Agency (EASA), the European Maritime Safety Agency (EMSA), and the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA). These agreements continued to be implemented during 2008.

Return of refugees

The actions aim to facilitate voluntary repatriation and reintegration including local integration for the remaining persons in displacement.

Under the CARDS Regional Action Programme 2002, three projects were implemented which ended in early 2008: “*Supporting the national strategy for resolving the issue of refugees and Internally Displaced Persons in Montenegro*” which provided 30 income-generating grants and organised basic business training; constructed 8 apartments and implemented a community project; “*Facilitation of durable solutions for refugees and returnees in Serbia, Bosnia and Herzegovina and Croatia*” which provided information on status issue, access to social rights, regulation of property issue to 1000 refugees, legal assistance to 400 refugees, personal documents (birth, citizenship and marriage certificates) to 400 refugees. This project was particularly successful. The achieved results went well beyond the expected for all the activities and the quality of the reporting was excellent; “*Support to the return process of refugees in Bosnia and Herzegovina and Serbia*” which provided legal assistance to 730 beneficiary families out of which 226 cases received a positive decision on the return of their property and were able to repossess their apartment and organised a training on start-up of private enterprises for 400 beneficiaries, out of which 200 have obtained credit funding through government implemented projects via commercial banks.

Under the CARDS Regional Action Programme 2006 the project “*Regional Refugee Return in the Western Balkans*” was implemented and came to an end on 30 June 2008. Of the overall target group in Bosnia and Herzegovina, Croatia, Montenegro, Serbia and Kosovo 1,800 persons (586 assisted by the United Nations' Refugee agency (UNHCR)) have repatriated within the region during the period from 1 July 2007 to 30 June 2008.

Social inclusion

Under the CARDS Regional Action Programme 2006 the project "*Social inclusion of and access to human rights for Roma, Ashkali and Egyptian communities in the Western Balkans*" was under implementation. The overall purpose is to contribute to increased legal and social inclusion of marginalised communities and facilitate their full enjoyment of citizenship rights in the Western Balkans. The project has been established in all the areas targeted: networks have been set up; information material has been produced and in some cases disseminated as well; information meetings have been held and direct assistance has been provided to an increasing number of Roma, Ashkali and Egyptian populations.

Social security coordination

Under the CARDS Regional Action Programme 2003 the project "*Social Institution Support Programme*" was implemented until February 2008 when it came to an end. The overall purpose of the project was to tackle discrimination and the difficulties faced by vulnerable groups following the inclusive labour market and the economic integration occurring in the Beneficiaries. The main results achieved were that 150 people were trained in summer schools and more than 1000 persons in total were trained in areas concerning social security coordination; a report on the state of play of the national security system was prepared in each beneficiary country and two Ministerial Conferences took place and were followed by ministerial declarations expressing the political intention to increase cooperation and to improve coordination regarding health insurance and social security matters as well as to actively pursue legislative and administrative reforms of the social security systems.

Justice, freedom and security

The actions aim to strengthen the efficiency and autonomy of law enforcement agencies and judicial bodies in their capacity to deal with corruption, illicit trafficking and organised crime.

The main general activities under these projects were: Capacity building activities: regional and national thematic meetings, seminars and conferences, round tables, study visits, training activities, including exchange programmes; gaps and needs-analysis sessions, specific studies, assessment missions; actions to pool information, enhance co-operation and facilitate co-ordinated activities; advice on legislation, regulations, operational procedures, exchange of experience, lessons learned, best practices and other relevant information.

The following projects were under implementation:

-"*Development of a prison system in the Western Balkans*", under the CARDS Regional Action Programme 2002. The project was implemented by the Council of Europe and came to an end on 31 March 2008. Overall, the project results were not satisfactory. The design of the project was too ambitious bearing in mind the geographical scope, the substantive specific objectives to be achieved, the timeframe available, the regional component, and the human resources at the Council of Europe's disposal for the implementation. The effectiveness of the project has been only partial in both its regional and national aspirations. The necessary drop of several objectives left a number of pertinent issues unaddressed.

Under the CARDS Regional Action Programme 2005 the EC supported the organisation of several meetings on the new SECI Convention. The project "*International Law Enforcement Co-ordination Units ILECUS*" was launched in August 2008 and it will run for 30 months. The objective of this project is to further strengthen national platforms for international police co-operation, through the establishment of International Law Enforcement Co-ordination

Units, with a view to support the exchange of information in international investigations, and facilitate contacts on an operational level.

Under the CARDS Regional Action Programme 2006 the project "*Support to the Prosecutors' Network*" was launched in April 2008 and it will run for 24 months. The project should strengthen the established prosecutor's network and provide support for the identified gap areas. The contribution agreement with UNDOC for the project "*Development of monitoring instruments for judicial and law enforcement institutions in the Western Balkans*" was signed in December 2008 and the project was launched in February 2009 for a duration of 24 months. The objective is to develop a corpus of regionally harmonised and coherent indicators, in compliance with EU best practices, and standards established by Europol, that would enable the judicial and policing institutions in the Western Balkan countries to monitor and assess their activities, results and performances.

Public administration

The overall objective is to support the establishment and operation of *The Regional School of Public Administration* (ReSPA). ReSPA aims to improve regional cooperation in the field of public administration, to strengthen administrative capacity as required by the European integration process and to develop human resources in line with the principles of the European Administrative Space.

Under the Regional Action Programme CARDS 2005 and 2006 the European Commission signed a Contribution Agreement with the OECD to implement the development of ReSPA. It has been decided that the seat of ReSPA will be in Danilovgrad in Montenegro. Substantial legal preparatory work was undertaken for the establishment of the International Agreement of ReSPA which was signed on 21 November 2008 by the governments of Albania, Croatia, the former Yugoslav Republic of Macedonia, Montenegro and Serbia. The agreement needs to be ratified by at least by 5 beneficiaries out of 7 to enable ReSPA to get a legal personality. During 2008 several training modules were delivered:

-a training module for Policy-Advisors was organised with NISPAcee and the Croatian School of Public Administration in Zagreb in February 2008.

-a training module on the professional profile of the Senior European Civil servant took place in February - March 2008. This module had a first part of distance learning (50%, in the course of February) and a second part of in-class learning (50%, in March, Caserta, Italy).

-a module for training managers was organised in cooperation with EKKDA in June 2008.

-a 3 weeks intensive course on European integration was organised in June-July in cooperation with the College of Europe, Bruges.

The works on ReSPA site progressed well and the provision of equipment / refurbishment of the school are ensured by the Commission.

OECD will hand over the development of ReSPA to EIPA in 2009.

Cross-border cooperation (CBC)

The main purpose of the activities financed through CARDS under this area is to provide assistance to the beneficiary countries for the implementation of the IPA CBC programmes at the internal Western Balkans borders.

Under the CARDS Regional Action Programmes 2003 and 2005 the project "*Cross Border Institution Building (CBIB)*" was under implementation. The CBIB I project supported the

beneficiaries for the IPA programming process, the establishment of the Joint Management Structures and the preparation of guidelines for Applicants and the application package, in addition to the preliminary support for the first Calls for Proposals. On 26-27 June 2008, the Second Forum and Fourth Steering Committee of the CBIB project took place in Skopje. The Forum brought together beneficiaries, EC representatives and NGOs, which gave them the opportunity to strengthen networking, exchange ideas and best practices, as well as to establish direct links with the Commission representatives who clarified main CBC issues. The CBIB Experts provided support to beneficiaries in the preparation of CfPs and training to potential applicants. The final phase of CBIB I continued up to 24 October 2008. The contract for the continuation of CBIB through the CBIB Phase II was signed in October 2008.

Civil Society Dialogue and Development

The actions aim to increase capacity and actions of Civil Society Organisations and improve democratic role of Civil Society Organisations.

The main general activities under these projects were: Awareness raising campaigns; Training of NGOs; Training of staff, trainers, beneficiaries, representatives of the target group, etc.; Advisory services; Internships; Management courses (including on fundraising, PR and lobbying); Transfer of specific technical know-how; Study visits and work placements; Thematic seminars, workshops, conferences (to present project results to a wider audience of interest specialists) and other dissemination actions; Meetings/campaigns to raise the awareness of the local population and/or the authorities; Publications of manuals, leaflets, on best practices; Establishment or development of new services; Network building; Establishment of best practice and procedures; Other human and institutional capacity building measures; Activities assuring institutional support (e.g. steering committees); TV co-productions documentaries.

The following programmes were under implementation in 2008:

- *Multi-beneficiary Phare Business Support Programme (BSP) for Bulgaria, Romania, Croatia and Turkey.* The programme addressed the needs of Business Representative Organisations (BROs) in the industrial sector by strengthening their corporate functioning and by providing training in the relevant *acquis*. It also enabled these BROs to assist businesses in assessing whether they comply with the *acquis* allowing them to implement remedial measures. Important progress has been achieved in setting up legal and motivated BROs. Following two calls for proposals, 18 projects were selected for funding. The implementation of the projects was launched with a kick-off meeting involving all BSP projects. All activities will end in June 2009.

- *Democratic Stabilisation Civil Society Development, Network to Network and Media Projects* under the CARDS Regional Action Programme 2003: 27 projects have been implemented allowing for the further development of NGOs leading to strengthened NGOs working in the agricultural sector; engagement of civil society in decision-making for arms control; women's contribution to local and democratic development; the involvement of citizens in the local democratisation; improved organisation of disabled people; new partnership in action and network that have reinforced Disabled People's Umbrella Organisations, Diocese Caritas Structures, rights of minority and vulnerable groups. All projects were to be closed by the end of 2008.

- *Civil Society Dialogue and People to People Project* under the CARDS Regional Action Programme 2006: The Call for Proposals was initially launched in December 2007. The evaluation of the full applications took place on 18 September 2008: seven proposals were

pre-selected and seven put on a reserve list. The eligibility check ended in December 2008 with the recommendation of eight applications for the award of a grant contract. The contracts are to be signed during 2009.

22.2 Economic Criteria

International Financial Institutions (IFIs) Cooperation and Competitiveness

The general purpose of the actions aim to: 1) help Beneficiaries to improve the access to finance for private investments, in particular for Small and Medium-sized Enterprises (SMEs); 2) financially assist the promotion of investments in energy efficiency and renewable energy; and 3) support the development and upgrading of transport, environment, and energy infrastructure and in the social field, contributing to sustainable development in the region.

(i) Support to private investments

- *SME Finance Facility (SMEFF)*: The aim is to assist the beneficiaries in strengthening their financial sectors in order to cope with the competitive pressure and market forces within the Union and to strengthening the capacity of financial intermediaries to expand and maintain in the long term their financing operations with SMEs. During 2008, there were fifteen programmes under implementation. The Equity Window: the programme launched in 1999 was not been successful and equity investments have been below expectations. Following the Steering Committee of 5 March 2008, all the programmes from 1999 to 2005 were reshaped by including an energy efficiency component and by extending the disbursement dates in order to give more room to fully use the Community resources. Activities have been disturbed by the financial crisis. However, some new projects and several amendments to files related to the Phare countries were approved. Several transfers of funds to the IFIs have taken place during 2008.

-*European Fund for Southeast Europe (EFSE)*: The aim is to foster economic development and prosperity in Southeast Europe through sustainable provision of additional development finance, notably to the small and micro enterprise sector, and to private households via local financial institutions. There were two programmes under implementation: 2006 EC Contribution to the European Fund for South East Europe and 2007 EC Contribution to the European Fund for South East Europe.

The EFSE Annual Shareholder Meeting took place between 6 and 8 May 2008 in Sibiu Romania. Next to EFSE shareholders, the meeting gathered high level representatives from the central banks in South East Europe, local financial intermediaries and international experts on the topic of responsible finance. Through BN&P Growth Fund socially minded non institutional private investors have gained access to EFSE for the first time. According to a study carried out by EFSE, 88% of micro-enterprises reported that they have sustained or created paid full time employment since a loan was taken up. As at 30 September 2008 the overall participation of the EC, via EIF, in EFSE stands at €65 million.

Existing micro-credit schemes worth approximately €10 million funded under the Bosnia and Herzegovina National Programmes 1997 and 1999 are intended to be transferred into EFSE by the end of February 2009. This will ensure that funds generated from the above schemes will be re-invested and contribute to an increased access to finance for micro enterprises in the future in Bosnia and Herzegovina. In relation to the commitment and ownership of the beneficiary countries and territories, during the first quarter 2008 the Albanian government has expressed its wish to subscribe C shares (first loss) to EFSE worth approximately €15

million by June 2008. Albania will, therefore, be the first Beneficiary who will take directly co-finance and take ownership in EFSE. This is a welcome development. In November 2008 the total investments of EFSE amounted to €553.1 million. EFSE is currently serving 90624 sub-loans. Since its inception 129566 sub-loans have been provided to micro enterprises and households resulting from EFSE re-financing with an average amount of € 4 152.

Following the financial crisis EFSE increase the monitoring of financial intermediaries sharply. No financial intermediaries benefiting from EFSE have so far defaulted on their commitments.

- *Investment Promotion/Business Climate*: The aim is to promote sustainable economic development, to improve competitiveness of enterprises and to establish a business environment in the Western Balkans that will attract Foreign Direct Investment (FDI). The main activities developed have been supporting the attraction of direct investments from the demand side (i.e. marketing the region among potential foreign direct investors) and the supply side (i.e. raising awareness among the region's policy makers on action to take to promote foreign direct investments.)

There were two projects under implementation:

-“*Defining and Strengthening Sector Specific Sources of Competitiveness in the Western Balkans region*” – €1 million - funded under the Regional Action Programme CARDS 2005. From the supply side: The OECD Investment Compact for South East Europe's project is dealing with the identification and prioritisation of key sectors with high growth potential followed by the definition of an investment promotion strategy for the region and the elaboration of action plans concerning policy reforms implementing this strategy in each country. The OECD Investment Compact presented the findings of phase 1 of the project – a regional investment strategy – to representatives from Investment Promotion Agencies and government representatives at two occasions: the meeting of the South East European Investment Committee, at OECD in Paris on 23 May 2008 and at a regional meeting in Sarajevo on 3 and 4 July 2008. Representatives of the World Bank were also present at the meeting in July. Phase 2 will end in November 2009 and will address some of the key policy barriers identified in phase 1.

-“*European Investor Outreach Programme -Phase 2*” – renamed into *Invest in the Western Balkans Programme* funded under the CARDS Regional Action Programme 2005 - €1 million. From the demand side: FIAS/IFC¹⁹ (World Bank Group)' Investment in the Western Balkans Programme is a marketing and investment facilitation programme focusing on automotive components, food and beverages, information and communications technology (ICT), business services, textiles and pharmaceuticals; it consists of targeted dissemination of business and factor cost information of most relevance to prospective investors; implementation of regional image building activities; establishment of country desk officer functions and traineeships at the Invest in the Western Balkans Programme office in Vienna for staff members of the beneficiary organisations, capacity building and institutional support for the beneficiary Investment Promotion Agencies. The project Steering Committee took place in Vienna in October 2008 with the representatives of the investment promotion agencies participating in the meeting.

The findings of both projects showed that one of the main challenges for the region in terms of competitiveness in the medium term is to deal with human capital development and the

¹⁹ FIAS: Multi-Donor Investment Climate Advisory Service; IFC: International Finance Corporation

generation of innovation. These findings have been taken into consideration for the regional programming 2009.

(ii) Promotion of energy efficiency investments

- *Energy Efficiency Finance Facility (EEFF)*: The aim is to financially assist the beneficiary countries to promote investments in energy efficiency and renewable energy generation in order to improve the energy performance of the building and industry sectors. There were three Phare programmes under implementation. The implementation of the EEFF has proven to be challenging. It was decided at the Steering Committee of the IFI Facilities to introduce a more flexible approach to make the programme easier to implement in the beneficiaries of IPA where awareness of energy efficiency is still weak and technical expertise necessary to implement the programme not always available locally. The approval of new projects followed a steady pace. Several transfers of funds to the IFIs have taken place during 2008.

(iii) Support to infrastructure investments, including Municipalities.

- *Municipal Finance Facility (MFF)*: The aim is to assist the beneficiaries in contributing to the reform and the strengthening of the financial sector. There were eleven Phare programmes under implementation. The approval of new projects and amendments to existing projects followed a steady pace. The rate of disbursement to the local financial intermediaries improved and the Commission transferred a new tranche of €4 million to the EIB under the programme of the MFF in 2002. Several transfers of funds to the IFIs have taken place during 2008.

- *Municipal Infrastructure Facility (MIF)*: The aim is to contribute to the environmentally sustainable social and economic development of border regions in the beneficiaries and to their integration with their neighbouring regions in the current EU Member States. There were two Phare programmes under implementation. The MIF programmes are already fully allocated. We are now in the disbursement phase since the expiration of the contracting period with local financial intermediaries. Several transfers of funds to the EIB have taken place during 2008.

- *Infrastructure Projects Facility (IPF)* - set up €15.122 million allocated under the Regional Action Programme CARDS 2005 and 2006. Additional resources continue under IPA 2008. The aim is to support the development and upgrading of infrastructures in transport, environment, and energy and in the social field, so as to contribute to creating the conditions for sustainable development in the region and beneficiary countries. The implementation continued swiftly during 2008.

The governance structures of the IPF – an operational Secretariat and a Steering Committee - were set up and started their operation. First identification of projects to be supported by IPF (transport, energy, environment and social infrastructure) indicated very good potential of the instrument also in complementarity with IPA national programmes. In June 2008, the technical assistance contract was signed and the contractor was mobilised in early July. In September 2008, the contractor was mobilised to finalise the definition of the first 18 projects, draft the Terms of References (ToRs) for each individual assistance and identify the expertise to carry out each assignment. The governance structures of the IPF kept meeting on a regular basis. A second round of technical assistance requests were presented by the beneficiaries to the December monthly Secretariat meeting for short-listing by the Steering Committee (bi-annual meetings).

The support to the IPF in the social sectors is a parallel framework contract €0.2 million aimed at facilitating the mapping and identification of social policies and strategies in the region. The main consultant was replaced in December 2008.

- *Environment Projects Preparatory Facility (EPPF)* - €1 793 600. A major Progress Review Meeting took place in February 2008 to assess progress achieved under the facility and focus remaining assistance on a feasible number of projects. A second Progress Review Meeting took place in July 2008 to assess progress achieved under the facility and to focus remaining assistance on a feasible number of projects. At the meeting, it was agreed that the contract would be extended until end 2008, to allow the contractor to complete properly the remaining feasibility studies. Implementation of the Environment Projects Preparatory Facility (€1.8 million) has continued as planned and was completed in December. A Review Meeting took place in November 2008 to assess the considerable success achieved under the facility both on the quality of the assistance provided, the grant-to-loan leverage exerted and the recognition of the project among stakeholders. The contract has been completed and the knowledge accumulated, such as identified projects which could not be provided TA through EPPF, will be transferred in the environmental sector of the IPF.

Education

The aim is to support the development and the quality of the higher education systems through balanced cooperation between local higher education institutions and those of the EU Member States (Education).

The following programmes were under implementation: Annual Action Programme – Erasmus Mundus for the Western Balkans under CARDS 2006 – €4 million; Annual Action Programme – Tempus for the Western Balkans under CARDS 2006 – €12.7 million).

The main activities during the period were related to the promotion of the programmes.

The Commission offers 100 scholarships per year starting from the academic year 2007/2008 (programming 2006) to postgraduate students from the Western Balkans under the Erasmus Mundus programme.

22.3 European Standards

Quality infrastructure

The aim is to improve the capabilities of quality infrastructure bodies to offer industry services to provide the tools to trade in the EU and the European Free Trade Association (EFTA) market, as well as in the markets of the Western Balkans.

There was one project under implementation: “Quality Infrastructure in the Western Balkans” –€1 million under CARDS Regional Programme 2006. The implementation progressed according to schedule. The contract ended in September 2008. The main activities developed under the project were: assessment reports about the state of technical regulations, standardisation, accreditation, testing-certification-inspection, metrology and market surveillance; a further series of intensive hands-on training events in the quality infrastructure field; and regional proficiency testing exercises (inter- laboratory comparisons).

Transport

The aim is to support the development of the South East Europe Transport Core Network with focus on road safety and railways and the implementation of the European Common Civil Aviation Area Agreement in each beneficiary.

There were four projects under implementation:

- “*South East Europe Transport Observatory (SEETO)*” –€1 791 740 under CARDS Regional Action Programme 2003: The implementation of activities finished before the end of 2007. The final technical report was submitted in March 2008 and the final financial report in July 2008. The main activities were: to establish and operate SEETO; to establish SEETO information Resources; and to prepare multi-annual plans, meetings, seminars and conferences. The achievements of the SEETO project may be summarized as follows: Establishment of fully furnished and equipped SEETO offices; Transfer of know-how and training of local experts; Agreement for cooperation and support/finance of SEETO during 1stAMM (Nov. 2005); Establishment of the Railway Working Group; Resolution of the 2nd AMM (Dec. 2006) to speed up reforms; 13 priority sub-projects having secured finance of €516 million in total; Addendum to the MoU regarding the development of the SEE Railway Transport Area; Soft measures adopted which are in tendering procedure for a TA contract to be conducted under the supervision of SEETO; Enhancement of IFIs interest; Networking and public relations expanding SEETO visibility.

In terms of technical work and tool development, the following were accomplished: SEETIS version 1 and SEETIS version 2; 3 rolling Multi-Annual Plans (2006/10, 2007/11, 2008/12); Technical Notes and Procedural Manuals; Questionnaires and assessment/monitoring methods; An action plan for soft measures 2008 – 2012; A highly frequented Website and internet platform for GIS-based regional transport planning and data exchange

- “*Support to the SEETO Secretariat*” – €999 070: The tender procedure to award a contract for the support to the development of the South East Europe Transport Core Network with focus on road safety and railways was finalised in March 2008. The contract was signed on 27 June 2008. The purpose of the project is to assist the participants in the SEE Core Regional Transport Network for implementing the 2007-2011 MAP soft measures in the 1) Railways sub-sector with focus on: (i) Infrastructure Access & Pricing Regime and Network Statements; and (ii) Railways border crossing; and in the 2) Roads sub-sector, with focus on Road Safety Auditing. The planned activities both in the railways and the roads sectors were implemented as planned. The consultant concentrated his efforts on establishing contacts with the country and regional partners, and on data collection. The First Progress Report was delivered as planned in December 2008. The delivery of project outputs and deliverables and the first workshops to promote the results were planned to start in January 2009.

- “*Implementation Phase (Phase II) of Aviation Safety and Air Traffic Control (ASATC) Programme*” – €4.6m under CARDS Regional Action Programme 2002: The implementation of activities finished before the end of 2007. The final report was submitted in January 2008. The main activities were: implementation of an ATM Safety regulatory framework; legal assistance on aviation law; training and support on regulation and oversight of A/C operators; Safety management Systems; and Human Resource management. The main results may be summarised as follows: *ATM Safety Regulatory framework and oversight*: provided an essential contribution to set up the arrangements needed to operate a robust mechanism to supervise safety in the public interest and allow the implementation of the notion of National Supervisory Authority as defined in the Single European Sky regulations. *Aviation law*: provided the required legal and institutional framework to allow for the implementation of the other work packages and more generally for the safe operation of aviation in these states and at a regional level. *Aviation Safety*: enabled the states to perform their Civil Aviation safety oversight functions in compliance with recognised international standards as imposed through ICAO, by the European Union and last but not least meeting the JAA objectives regarding full membership. *Safety Management Systems*: helped and guided the establishment of a Safety Management function in the ANSPs, to support the documentation and implementation of a Safety Management System in compliance with EUROCONTROL Safety Regulatory

Requirements and additional safety management elements required for certification according to EU Common Requirements for Service Provision. *HR Management*: achieved to develop the awareness (at working level), the definition and the implementation of improvements notably in the areas of HR strategy, HR policy, staff planning and recruitment, and the means and tools to realise these improvements.

- “*Technical Assistance to the implementation of the ECAA Agreement*” – €985 000 under the CARDS Regional Action Programme 2006: The tender procedure to award a contract was finalised in March 2008. The contract was signed on 15 July 2008. It is foreseen to provide support in the form of long term / short term expert assignments, translation services, training, workshops, seminars and Study visits to similar size national administration in EU Countries, in the fields of: aviation legislation, economic regulation, aviation safety, air traffic management, aviation security and airports regulation. The kick-off meeting took place on 29 August 2008 where DG Enlargement, DG Energy and Transport and the contractor Air Eurosafe participated.

Energy

The aim is to contribute to the budget of the Energy Community. An amount of €2.5 million was paid as a contribution following the obligation of the European Community to pay to the main part of the budget of the Energy Community Secretariat. This contribution has been paid partly: €1.2 million by the funds committed in the CARDS Regional Action Programme 2006 and partly €1.3 million by the IPA 2008 budget.

Customs and Taxation

The aim is to ensure that systems and documentation in the area of taxation and customs are planned and developed in accordance with EU requirements.

There were two projects under implementation:

- *CAFAO* –€11.42 million under CARDS 2005 – 2006 – €5.3 million / IPA-€6.12 million: Operationally speaking, this project ended on 31 December 2007 but the contract continued to ensure a smooth transfer of activities to the new project TACTA financed under IPA and came to an end on 29 February 2008. Transfer agreements of equipment were drawn up and signed by the Commission and the various beneficiaries, the recipients of the equipment, much of which would be put at the disposal of the TACTA project. The main results under this project were: the further alignment of customs and indirect tax legislation and procedures with the EU *acquis*; the delivery of technical assistance on direct taxation (notably the CAFAO regional study of compliance with the EU Code of Conduct for Business Taxation); the introduction of ‘cross-border’ initiatives to strengthen the exchange of information with EU member and non-member States through the implementation for operational use of the SEMS systems developed by EU CAFAO-Bosnia and Herzegovina.; the improved revenue yield and seizures of both prohibited and revenue goods; the introduction of new and enhanced ‘enforced collection’ mechanisms (tackling debt, policing compliance more effectively, investigation of suspect offences), leading to significantly improved revenue yield in a number of locations, the introduction and use of risk management techniques resulting in the positive introduction of enhanced selectivity methodologies, leading to more detections of smuggling and under-declaration and greatly enhanced revenue yield; the participation in various international and regional conferences and ensuing initiatives, including UNDP and EU Small Arms and Light Weapons (SALW) project in Kosovo, TIR Convention – Geneva, etc.; the undertaking of

various ‘Study Visits’ which have exposed tax officials to the situation existing in other EU Member Administrations; the conduction of EU Fiscal Blueprint Exercises in Kosovo, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, and Albania; and the design of legislation, control systems and training in the field of customs controls on Intellectual Property Rights.

- *SEMS* - €429 914 under CARDS Serbia and Montenegro State Union Action Programme - Customs and Taxes 2005: SEMS²⁰ formed an integral part of CAFAO. The contract is a direct agreement with Agenzia delle Dogane, the contractor of TACTA. The purpose of the project is to support current applications in the region and to adopt “SEMS” as the regional standard for information exchange. The objectives of SEMS are to sustain administrative capacity in the exchange of information and to familiarise beneficiaries with the concept of the electronic exchange of data as well as to establish a bridge in administrative cooperation. SEMS has supported beneficiaries to manage an Integrated Border Management System, Intelligence and Anti-smuggling; Risk Assessment System; and to encourage regional cooperation. On 17 October 2008, a first pilot exercise on the Systematic Electronical Exchange of Information was successfully completed between the Customs Administration of the former Yugoslav Republic of Macedonia and of Kosovo. This first step will be followed by the other administrations of the region.

Statistics

The aim is to upgrade and strengthen the statistical systems in the Western Balkans in particular in macro-economic, price, external trade, agricultural, demographic and social and business statistics. The main activities developed included: expert missions, workshops and seminars, financing of data collection as well as general statistical assistance; general statistical assistance including the participation of experts from beneficiary countries in technical meetings organised by Eurostat and other Commission services, study visits to official statistics providers in Europe, training, consultation visits and traineeships.

The following projects, which are sub-delegated to and managed by Eurostat, were under implementation:

- *“Statistical Co-operation in the Western Balkans”* – €2 999 870 under CARDS Regional Action Programme 2003. The contract for the implementation of the 2003 CARDS project signed in July 2006 ended on 14 March 2008. The main results under this project were an improved quality of statistics; a harmonised data collection; better qualified staff, strengthened confidence in national statistics; and increased transfer of know-how.

- *Multi-beneficiary Programme - Statistical cooperation for Bulgaria, Croatia, Romania and Turkey 2005*–€5.75 million, January 2007 – December 2008

- *Transitional facility statistical cooperation 2005* – €3.50 million, January 2007 – December 2008

- *Multi-beneficiary Programme - Statistical cooperation for Bulgaria, Croatia, Romania and Turkey 2006* – €12 million, January 2008 – December 2010

- *Multi-beneficiary Programme - Statistical cooperation for the Western Balkans and Turkey 2006* – €3 million), July 2008 – March 2010

Implementation of the grant and service contracts under the 2005 Multi-Beneficiary Programme and Transition Facility programmes finished as expected by the end of 2008.

²⁰ South-East European Messaging System

Implementation of the grant and service contracts under the 2006 Multi-Beneficiary Programme is progressing.

Environment

The aim is to facilitate the strengthening of the capacities of national authorities to implement EU legislation and related strategies, including climate change; and facilitate networking, the sharing of best practices and lessons learned between the Beneficiaries and with EU Member States.

There were three projects under implementation:

- "*Pilot River Basin Plan for Sava River*" –€2 137 770 under the CARDS Regional Action Programme 2003. The project was completed at the end of January 2008. The scope of the project was to provide technical assistance aimed at supporting the governments of Bosnia and Herzegovina, Croatia and Serbia and Montenegro in implementing the Water Framework Directive in these countries in general and in the Sava river basin in particular, with pilot projects in Vrbas River sub-basin (Bosnia and Herzegovina), Dobra River sub-basin (Croatia) and Kolubara River sub-basin (Serbia and Montenegro).

- "*Support for Implementation of the Regional Environmental Reconstruction Programme (REReP) for SEE*" – €1 million under the CARDS Regional Action Programme CARDS 2005. REReP is promoted as an effective assistance mechanism with transferred lessons learnt. The last REReP Task Force meeting was held on 20 November 2008 in Montenegro, a meeting during which achievements since the launch of the network in 1999 were celebrated and more specific progress since the previous meeting in 2007 were discussed. In 2008, support has been provided by REReP and targeted to specific needs in the field of law drafting, project/strategy preparation, administrative capacity building, as well as inter-institutional coordination at country level. There have been some delays in implementing a number of actions, including the PEIP component (Priority Environmental Investment Programme); for this reason, an amendment with a view to extending the contract to an additional four-month period until early September 2009 was signed in December 2008. Specific events held in 2008 included a regional meeting on climate change and energy in Brussels and two regional PEIP meetings in June in Montenegro and in November in Brussels.

- "*Support to the 'Environmental Compliance and Enforcement Network for Accession' (ECENA)*" - €1m under the CARDS Regional Action Programme 2005. ECENA is a network of environmental inspectors and experts of the Western Balkans and Turkey to exchange 'best practice' in the field of following up compliance with the transposed *acquis* in the field of environment. The third annual ECENA meeting was held in Istanbul in September 2008. On-going support to the activities of the ECENA Secretariat has been provided in 2008; train-the-trainer activities have been carried out, training manuals produced and training modules have been designed, including with the collaboration of Interpol.

There were also two programmes under implementation sub-delegated to DG Environment:

- "*Phare Environment and Enlargement 2005*" – €3.6 million: Out of the three projects under this programme, only two were still under implementation during 2008:

- “Capacity building in implementation of the environmental acquis at the local and regional level”: the Progress report was submitted in January 2008 and approved. The consultant provided all required draft outputs of the project and the final draft report. The final payment was done in December.

- “Developing the capacity of environmental authorities, through transfer of best practice and training to support effective use of financial resources”: the final report has been approved and the final payment done in July 2008. The contractor encountered difficulties in the collection of data from some of the countries.

- “Phare Environment and Enlargement 2006” - €4.5m: the following projects were implemented: “Support for Investment preparation under the Danube-Black Sea (DABLAS) Task Force”. DABLAS Task Force: preparation of investment projects on water and waste water, as well as methodological guidance; “Supporting the enforcement of environmental legislation in Acceding and Candidate countries through IMPEL and ECENA networks”; “Monitoring transposition and implementation of the EU environmental *acquis*”; “Developing the capacity of environmental NGOs, through transfer of best practices from NGOs in the EU25”; “NGO Forum”; and “Service contract for twinning grants for NGOs”. The following main activities took place during 2008: A workshop on aspects of NGO capacity of general interest to environmental NGOs, such as working with the environmental administration, motivating volunteers, attracting financial support, working with industry, etc., was held in Sofia in November 2008; an annual meeting between NGOs and the Commission was held in July 2008 and the meeting report as well as a publication on the whole NGO Forum have been published; 12 NGO grant agreements are on-going; support to Croatia and Turkey has been provided as part of the ECENA network and in the field of progress monitoring (guidance, training, etc.), among others.

Nuclear safety and radiation protection

The aim is to enhance the technical competence and administrative capacity of the national radiation safety authorities and other relevant public organisations, to contribute to align national legislation and regulations in the nuclear field with the *acquis* and to support construction, fitting out and/or upgrading of facilities involving the handling and management of radionuclides according to best EU practices.

There were two programmes under implementation:

- Phare Nuclear Safety programme 2005 - centralised part – €350 000. The service contract "Management of medical radioactive waste in Bulgaria, Croatia and Romania" - was completed and the final draft final report approved.

- Phare Nuclear Safety Programme 2006 – centralised part – €279 000. The project "Technical back-up to PHARE/IPA nuclear activities" was contracted in 2007 through an administrative agreement with the Petten establishment of the Joint Research Centre (Institute of Energy). The project consists of providing technical support to DG Enlargement in the implementation of the Phare and IPA nuclear projects. The project should end in late 2009.

22.4 Support activities

European Agency for Reconstruction (EAR): Funds to support the administrative expenditure of the EAR for the period 2007 and 2008 were committed in 2006. However, additional funds were necessary specifically for the closure of the EAR (an issue not discussed in 2006 when addressing the budget for 2008). An amount of €2.8 million was committed and the necessary

financing decision was adopted by the end of October 2008 under the budget line “Completion of CARDS assistance”.

23. Programme Management Issues - Monitoring and Evaluation

23.1 Monitoring and interim Evaluation

Results-Oriented Monitoring (ROM) was used for CARDS programmes managed directly by the European Commission. The purpose of this monitoring system is to provide to the European Commission and the Beneficiaries clear, objective consistent and user-friendly overview (monitoring) information on projects being implemented and information on best practices/common mistakes, recommendations for improvement, and performance of the EC-managed project portfolio. Through a consistent approach, with standardised outputs, ROM highlights strengths and weaknesses in the implementation of EC external assistance projects, by assessing their relevance and quality of design, efficiency, impact and sustainability.

In addition, in 2008, sector, thematic and ad-hoc reports were carried out as part of the interim evaluation scheme for Turkey and Croatia. The sector interim evaluations of Phare and CARDS programmes in Croatia as well as of pre-accession financial instrument for Turkey are essentially programme management tools which provide programme managers with a regular performance assessment of the activities in all sectors. Recommendations are systematically put forward in the reports for improving management and delivery of evaluated programmes/projects and discussed at debriefing and Joint Monitoring Committee (JMC) meetings for follow-up actions. Moreover, thematic, country and consolidated interim evaluations provide recommendations on the design of future programmes

23.2 Ex-post evaluation

The ad-hoc evaluation on CARDS programmes (2001-2006) in Albania concludes that there have been important effects and short-term impacts in terms of development and strengthening of institutional and legal framework, and development of strategies in sectors such as border management, economic development and justice, but the effect on capacity building of staff horizontally in the public administration has been limited. The key problem is securing impact and sustainability of CARDS due to the lack of capacity of the administration, large staff turnover and limited structures for implementation and enforcement of legislation and policy. The lack of realistic assessment of beneficiary capacity will also impact the sustainability of the interventions. Support to public administration has been limited in terms of both the number of projects and project size, and a proper public administration reform and civil service reform have not been implemented.

The ad-hoc evaluation on CARDS programmes (2001-2006) in Bosnia and Herzegovina shows that assistance focused on strategic objectives but was weakened by mixed political support particularly at entity level. Weak and insufficiently resourced institutions partly account for an increasingly difficult project environment. Centralised management by the EC Delegation has been the key to the successful implementation of most programmes at output level. Overambitious objectives, falling outside commonly agreed sectoral policies, have not

been fully achieved. Likewise programme effectiveness increased where this pre-condition was met. Long term impacts and sustainability mixed as they rely mostly on the establishment and durability of capable and adequately resourced state institution which only sustained Community assistance can ensure at present.

The ad-hoc evaluation on CARDS (2001-2006) Regional Programmes in the Western Balkans finds that the relevance of the CARDS regional programmes is in line with the European Commission strategy for stability in the region. Further, DG ELARG has adopted a more participative and coordinated approach to designing the programmes, following the recommendations from a previous evaluation by DG Aidco (2004). The effectiveness of the programmes and projects has in general met expectations. The programmes have contributed to creating a regional perspective towards cooperation. Impacts are in line with the objectives of programmes, but the countries are not yet ready to fully cooperate regionally without assistance. Sustainability is still regarded as a weak aspect of the programmes.

23.3 Other activities of monitoring and evaluation function

The monitoring and interim evaluation system involves successive decentralisation of the responsibilities for monitoring and interim evaluation to the Candidate Countries. At the time of the decentralised management accreditation (conferral of management under IPA), the responsibility for monitoring and interim evaluation of the IPA programme is to be decentralised to the Candidate Countries.

PART III: FINANCIAL DATA

24.1 Phare, Turkey pre-accession and Transition Facility funds by year 1990 – 2008

Financial Overview and Performance

The following chart shows the breakdown year by year of the funds committed in the period 1990-2008 (€ million):

Year	Funds Committed
1990	475.3
1991	769.7
1992	979.6
1993	966.1
1994	946.1
1995	1,114.0
1996	1,207.8
1997	1,135.1
1998	1,153.9
1999	1,481.7
2000	1,651.5
2001	1,635.4
2002	1,695.1
2003	1,698.1
2004	1,240.5
2005	1,353.9
2006	1,772.2
2007	78.2
2008	0
Total	21,354.2

24.2 Phare, Turkey pre-accession and Transition Facility funds by country 1990–2008

Total Phare, Turkey and Transition Facility commitments, contracts and payments, in € million

Partner Country	Commitments	Contracts	Payments
Bulgaria	2,359.63	1,857.80	1,672.43
Czech republic	917.24	840.10	832.68
Croatia	144.60	110.00	40.38
Cyprus(*)	338.01	140.14	93.43
Czechoslovakia	230.49	231.82	228.88
East Germany	34.49	28.86	28.86

Estonia	346.84	311.90	310.69
Hungary	1,480.06	1,372.74	1,366.58
Latvia	423.61	384.83	381.39
Lithuania	810.27	754.50	748.86
Malta	57.11	48.30	45.31
Multi-country programmes	3,357.05	2,798.41	2,174.81
Poland	3,995.99	3,676.81	3,640.06
Romania	3,670.00	3,128.82	2,665.25
Slovakia	717.59	661.65	659.53
Slovenia	360.33	327.11	324.15
Turkey	1,861.95	1,367.70	1,150.79
Total	21,105.26	18,014.49	16,364.08

24.3 Cards funds by country 2000 – 2008

Total CARDS commitments, contracts and payments, in € million

Partner Country	Commitments	Contracts	Payments
Albania	305.3	250.4	210.6
Bosnia & Herzegovina	451.5	432.6	401.9
Croatia	273.5	256.3	246.6
Former Yugoslav Republic of Macedonia	307.3	293.5	281.9
Kosovo	726.6	724.1	694.0
Montenegro	127.0	126.1	123.2
Serbia	1,337.0	1,300.6	1,213.4
Regional Programme	651.7	610.2	577.3
Total	4179.9	3993.8	3748.9