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COMMISSION OF THE EUROPEAN COMMUNITIES

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2004/0260 (CNS)

Proposal for a

COUNCIL REGULATION

amending Regulations (EEC) No 3906/1989, Regulation (EC) No 1267/1999, Regulation (EC) No 1268/1999 and Regulation (EC) No 2666/2000, to take into account Croatia's candidate status

(presented by the Commission)

EXPLANATORY MEMORANDUM

Croatia was given Candidate status at the European Council meeting in Brussels on June 17 and 18, 2004, and the European Council requested the Commission to prepare a pre-accession strategy for Croatia, including the necessary financial instrument.

The Commission determined that Croatia should, as a Candidate Country, have access not only to Phare, but might moreover benefit from having access to ISPA and SAPARD already during the current financial perspective, notably because it could prepare for the management structures, learn the rules and modalities, and establish project pipelines for the next financial perspectives, when it will have full access to the Structural and Agricultural Components foreseen under the future Instrument for Pre-Accession Assistance (IPA). It was therefore decided to give Croatia access to all three pre-accession instruments, and propose to allocate a certain amount of funds under the ongoing financial perspective. As funding will be limited to what is foreseen under the ongoing financial perspective, a derogation to the criteria determining the funding in Art. 4 of the ISPA Regulation is also necessary. For this reason, it is proposed to change the Phare, ISPA, SAPARD and CARDS Regulations accordingly.

In order to ensure the continuity of activities supporting regional co-operation between the Western Balkans as initiated under the CARDS Regulation, and contributing to the Stabilisation and Association Process as the Community's Western Balkans policy, the amendment to the CARDS Regulation clarifies that Croatia will be expected to continue to participate in the CARDS Regional Programme, as far as this addresses issues not covered under the pre-accession instruments.

Some minor corrections were also made to the Regulations in question, to adapt the terminology to the one used now by the Financial Regulation. In this context it should be noted that the derogation set down in Art. 269 of the Implementing Rules to the Financial Regulation, which granted pre-accession aid¹ an exemption from the requirement set down in Art. 164 FR, continues to apply for Romania and Bulgaria (see also Art. 155 FR), but will not apply to Croatia. Due to the fact that this issue is thus exhaustively dealt with in the Financial Regulation and the Implementing Rules, the Services concluded that there was no need to reiterate in the ISPA-Regulation that, while no assessment would take place for Romania and Bulgaria, this was indeed a requirement for Croatia before it could move to decentralised management.

¹ Art. 269 does not mention the SAPARD and ISPA-Regulation explicitly, but states that "in connection with pre-accession aid referred to in Council Regulation 3906/89 (...), the rules concerning prior checks (...) shall not affect the decentralised management with the Candidate Countries in question". ISPA and SAPARD are thus covered, because they are made reference to in the Phare Regulation (see Art. 3 (3) of Regulation 3906/89)

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 181 a (2) thereof,

Having regard to the proposal from the Commission²,

Having regard to the opinion of the European Parliament³,

Whereas:

- (1) The European Council decided at its meeting in Brussels on 17 and 18 June 2004 that Croatia shall be a candidate country for membership, and requested the Commission to prepare a pre-accession strategy for Croatia, including the necessary financial instruments;
- (2) In order to provide pre-accession assistance to Croatia it is appropriate to include it as a beneficiary under Council Regulations (EEC) No 3906/1989 of 18 December 1989 on economic aid to certain countries of Central and Eastern Europe (Phare)⁴, Council Regulation (EC) 1267/99 of 21. June 1999, establishing an instrument for structural policies for pre-accession (ISPA)⁵ and Council Regulation (EC) 1268/99 of 21. June 1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period⁶ (SAPARD);
- (3) The Stabilisation and Association Agreement between the European Communities and their Member States and the Republic of Croatia, signed on 29 October 2001, in its Title III requests Croatia to actively promote regional cooperation in the Western Balkans;

² OJ C , , p. .

³ OJ C , , p. .

⁴ OJ L 375, 23.12.1989, p. 11 Regulation as last amended by Regulation (EC) No 769/2004 (OJ L 123, 27.4.2004, p. 1).

⁵ OJ L 161, 26.6.1999, p. 73. Regulation as last amended by Regulation (EC) No 769/2004 (OJ L 123, 27.4.2004, p.1).

⁶ OJ L 161, 26.6.1999, p. 87. Regulation as last amended by Regulation (EC) No 769/2004 (OJ L 123, 27.4.2004, p.1).

- (4) The regional dimension of Community assistance to the Western Balkans is receiving a special attention through Council Regulation (EC) 2666/2000 of 5 December 2000 (CARDS), with the view to promote regional cooperation, and Croatia should remain eligible for projects and programmes with a regional dimension;
- (5) Council Decision 2004/648/EC of 13 September 2004 determines the principles, priorities and conditions contained in the European Partnership with Croatia⁷;
- (6) The Memorandum of Understanding on the development of the South East Europe Core Regional Transport Network should facilitate the process of selecting priority measures for developing a pan-European transport network during the pre-accession period;”
- (7) The entry into force of Regulation (EC, Euratom) 1605/2002 (Financial Regulation) necessitates certain adaptations of the Regulations to bring terminology and current practises in line with the above-mentioned Regulation;
- (8) Although the new Member States are not mentioned in this Regulation, Article 33 of the Act of Accession provides for the application of Council Regulations (EC) 3906/1989 and (EC) 1267/1999 for these countries during a transitional period;
- (9) The Commission has adopted Regulation (EC) No 1419/2004 and Regulation (EC) No 447/2004 which constitute the legal basis for the financing of measures under SAPARD under commitments which had not yet been brought to an end by the date of accession. Any decisions by the Commission which might still become necessary until the finalisation of such commitments and which cannot be based upon the two above-mentioned Regulations may still be based on Regulation (EC) No 1268/1999 as it was in force prior to the amendment of that Regulation by the present Regulation."
- (10) Regulations (EEC) No 3906/89, (EC) No 1267/1999, (EC) No 1268/1999 and (EC) 2666/2000 should be amended accordingly

HAS ADOPTED THIS REGULATION:

Article 1

Council Regulation (EEC) 3906/89 is amended as follows:

- (1) Article 3 is amended as follows:
 - (a) Paragraph 3 is replaced by the following:

“3. For applicant countries with accession partnerships with the European Union, funding under the PHARE programme shall focus on the main priorities for the adoption of the *acquis communautaire*, i.e. building up the administrative and institutional capacities of the applicant States and investment, except for the type of investments financed in accordance with Regulations (EC) No 1267/1999 and (EC) No 1268/1999, provided the conditions for funding measures under those two Regulations are met. PHARE funding may also be used to finance

⁷ OJ L 297, 22.9. 2004, p. 19-28.

the measures in the fields of environment, transport and agriculture and rural development which form an incidental but indispensable part of integrated industrial reconstruction or regional development programmes.”

(b) The following paragraphs 4 and 5 are added:

“4. Assistance may be used to cover the participation of recipient countries under this Regulation in regional, cross-border, and, where appropriate, transnational and interregional cooperation among themselves and between them and EU Member States.

5. Where appropriate, aid may also be used to cover a recipient country’s participation in regional programmes under other legal instruments.”

(2) In Article 8, the following paragraph 2 is added:

“2. The Commission may, within the limits established in Art. 54 of Council Regulation (EC, Euratom) No 1605/2002⁸, decide to entrust tasks of public authority, and in particular budget implementation tasks to the bodies listed in Art. 54 (2) of that Regulation. The bodies defined in Article 54 (2) (c) of Regulation (EC, Euratom) No 1605/2002 may be entrusted with tasks of public authority if they are of recognised international standing, comply with internationally recognised systems of management and control, and are supervised by a public authority.”

(3) The list in the annex is replaced by the following list:

“Bulgaria

Croatia

Romania”

Article 2

Council Regulation (EC) No 1267/1999 is amended as follows:

(1) In Article 1, paragraph 1 is replaced by the following:

“1. The Instrument for Structural Policies for Pre-Accession, hereinafter referred to as “ISPA” is hereby established.

ISPA shall provide assistance to contribute to the preparation for accession to the European Union of Bulgaria, Croatia and Romania, hereinafter referred to as the “beneficiary countries”, in the area of economic and social cohesion, concerning environment and transport policies in accordance with the provisions of this Regulation.”

⁸ OJ L 248, 16.9. 2002, p.1.

(2) A third paragraph shall be added at the end of Article 3:

“3. Notwithstanding the above, Community assistance to Croatia shall be granted during the period from 2005 to 2006.

(3) A third paragraph shall be added at the end of Article 4:

“3. By way of derogation from sentence 1 and 2 of this Article, the allocation for Croatia for 2005 and 2006 under this instrument will be determined by the Commission on the basis of an assessment of the administrative absorption capacity and accession-driven investment needs of this beneficiary country”

(4) In Article 9, paragraph 1, lit. (a), the words “as from 1 January 2000 and in any event not later than 1 January 2002,” shall be deleted.

Article 3

Council Regulation (EC) No 1268/99 is amended as follows:

(1) Paragraph 1 of Article 1 shall be replaced by the following:

“1. This Regulation establishes the framework for Community support for sustainable agriculture and sustainable rural development for the pre-accession period for Bulgaria, Croatia and Romania. The Regulation shall also remain applicable for the finalisation of any of the programmes started under it in the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia prior to their accession as Member States to the European Union.”

(2) At the end of Article 4 (2) the following subparagraph is added:

“By way of derogation from the first subparagraph, for Croatia the plan shall, under the same conditions as stipulated in the first subparagraph, cover a period of up to two years from the year 2005.”

(3) At the end of Article 5 (1) the following sentence is added:

“However, with regard to Croatia, the respective programme shall not be subject to a mid-term appraisal.”

(4) Article 7 is amended as follows:

(a) Paragraph 1 is replaced by the following:

“1. Community assistance under this Regulation shall be granted during the period from 2000 to 2006, with the exception of Community assistance for Croatia which shall be granted during the period from 2005 to 2006. The annual appropriations shall be authorised by the budgetary authority within the limits of the financial perspective.”

(b) The following subparagraph is added in paragraph 3:

“However, for Croatia the annual financial allocation shall be fixed separately.”

(5) Article 11 shall read as follows:

“The Commission shall allocate the available resources to the applicant countries for the implementation of Art. 7 (2). Within three months of the decision to make a country eligible for assistance under this Regulation, the Commission shall communicate its decision on the indicative financial allocation for the ongoing financial perspective to that applicant country.”

Article 4

Council Regulation (EC) No 2666/2000 is amended as follows:

(1) At the end of paragraph 1 of Article 1 the following sentence is added:

“From 2005 Croatia shall be eligible as a recipient country only for projects and programmes with a regional dimension, such as outlined in Article 2, paragraph 2. Notwithstanding the preceding sentence, Croatia shall remain eligible for projects and programmes under Council Decision 311/1999.”

(2) Article 7 is amended as follows:

(a) Paragraph 1 is replaced by the following:

“1. The Commission shall implement the Community assistance in accordance with Council Regulation (EC) 1605/2002 of 25 June 2002.”

(b) The following paragraph 2a is inserted:

“2 a. The Commission may, within the limits established in Art. 54 of Regulation 1605/2002, decide to entrust tasks of public authority, and in particular budget implementation tasks to the bodies listed in Art. 54 (2) of said Regulation. The bodies defined in Article 54 (2) (c) of said Regulation may be entrusted with tasks of public authority if they are of recognised international standing, comply with internationally recognised systems of management and control, and are supervised by public authority.”

Article 5

For the implementation of the pre-accession instruments, and for the implementation of Council Regulation (EC) No 1266/1999 on coordinating aid to the applicant countries in the framework of the pre-accession strategy⁹, where reference is being made to the Accession Partnership¹⁰ and the Europe Agreement, this shall be understood in the case of Croatia to refer to the European Partnership¹¹ and the Stabilisation and Association Agreement.

⁹ OJ L 161, 26.6.1999, p. 68

¹⁰ OJ L85, 20.3.1998 p1.

¹¹ OJ L 86, 23.3.2004, p. 1

Article 6

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

Policy areas: Enlargement

Activity: Pre-accession assistance for Croatia

TITLE OF ACTION: PRE-ACCESSION ASSISTANCE FOR CROATIA

1. BUDGET LINES + HEADINGS

05 01 04 03 The SAPARD pre-accession Instrument – Expenditure on administrative management

05 05 01 01 The SAPARD pre-accession Instrument

13 01 04 02 Instrument for structural policies for pre-accession (ISPA) – Expenditure on administrative management

13 05 01 01 Instrument for structural policies for pre-accession

22 01 04 01 Pre-accession assistance for countries of central and eastern Europe – Expenditure on administrative management

22 01 04 05 Technical Assistance Information Exchange Office (TAIEX) actions in the framework of the pre-accession instruments – Expenditure on administrative management

22 02 01 Pre-accession assistance for countries of central and eastern Europe

22 02 02 Cross-border co-operation for central and eastern Europe

22 02 06 Technical Assistance Information Exchange Office (TAIEX) actions in the framework of the pre-accession instruments

22 02 10 Pre-accession multi-country horizontal programmes

2. OVERALL FIGURES

2.1. Total allocation for action (Part B): € million for commitment

€ 245.0 million

2.2. Period of application:

(start and expiry years)

2005 - 2006

2.3. Overall multi-annual estimate of expenditure:

- (a) Schedule of commitment appropriations/payment appropriations (financial intervention) (*see point 6.1.1*)

€ million

	2005	2006	2007	2008	2009	2010 and subs. years	Total
Commitments							
Phare	77.5	77.1					154.6
ISPA	24.6	34.4					59.0
SAPARD	-	24.6					24.6
Total	102.1	136.1					238.2
Payments							
Phare	15.5	38.6	46.3	38.7	15.5		154.6
ISPA	-	14.3	17.7	15.2	11.8		59.0
SAPARD	-	4.9	7.4	7.4	4.9		24.6
Total	15.5	57.8	71.4	61.3	32.2		238.2

- (b.1) Technical and administrative assistance: of which staff (*see point 6.1.2*)

Commitments							
Total	2.1	2.1					4.2
Payments							
Total	2.1	2.1					4.2

- (b.2) Technical and administrative assistance: of which support expenditure (*see point 6.1.2*)

Commitments							
Phare	0.6	1.2					1.8
ISPA	0.2	0.4					0.6
SAPARD	-	0.2					0.2
Total	0.8	1.8					2.6
Payments							

Phare	0.6	1.2					1.8
ISPA	0.2	0.4					0.6
SAPARD	-	0.2					
Total	0.8	1.8					2.6

Subtotal a+b							
Commitments							
Phare	80.0	80.0					160.0
ISPA	25.0	35.0					60.0
SAPARD	-	25.0					25.0
Total	105.0	140.0					245.0
Payments							
Phare	18.0	41.5	46.3	38.7	15.5		160.0
ISPA	0.4	14.9	17.7	15.2	11.8		60.0
SAPARD	-	5.3	7.4	7.4	4.9		25.0
Total	18.4	61.7	71.4	61.3	32.2		245.0

(c) Overall financial impact of human resources and other administrative expenditure
(see points 7.2 and 7.3)

Commitments/ payments	5.0	5.0					10.0
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TOTAL a+b.2+c							
Commitments	107.9	142.9					250.8
Payments	21.3	64.6	71.4	61.3	32.2		250.8

2.4. Compatibility with financial programming and financial perspective

Proposal is compatible with existing financial programming, as set out in the Financial Perspective for 2000 -2006.

2.5. Financial impact on revenue

Proposal has no financial implications (involves technical aspects regarding implementation of a measure)

3. BUDGET CHARACTERISTICS

Type of expenditure		New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
Non-comp	Diff	NO	NO	YES	7

4. LEGAL BASIS

(Show main legal basis only.)

3906/1989

1267/1999

1268/1999

5. DESCRIPTION AND GROUNDS

5.1. Need for Community intervention

5.1.1. Objectives pursued

The European Council has decided to accept Croatia as a candidate country for membership, to launch the accession process, and to convene a bilateral intergovernmental conference with Croatia in early 2005 to begin negotiations, and has requested the Commission to prepare a pre-accession strategy, including the necessary financial instrument.

Further to that request, the Commission is proposing that Croatia should benefit from the current pre-accession instruments - Phare, ISPA and SAPARD – to finance the corresponding pre-accession strategy under heading 7 of the financial perspective. The proposed inclusion of Croatia under heading 7 is in accordance with the revision of the financial perspective of 19 May 2003 which states that “*The European Parliament and the Council may decide, on a proposal from the Commission, the inclusion of other candidate countries under heading 7*”.

These instruments – Phare, ISPA and SAPARD – will also help Croatia prepare for the unified Instrument for Pre-accession (IPA), which will apply from 2007.

The Phare allocation will build on the work already started under CARDS – i.e. to promote the Copenhagen political criteria, help Croatia align with the *acquis communautaire*, strengthen administrative and judicial capacity - and to start to prepare for Structural Funds after accession. The allocation for ISPA will co-finance technical assistance and infrastructure projects in the fields of transport and environment, and help Croatia prepare for Cohesion and Structural Funds after accession. The allocation for SAPARD will contribute to the sustainable adaptation of the agricultural sector and rural areas in Croatia and to Croatia’s preparations for the implementation of the *acquis* concerning the Common Agricultural Policy and related policies. A part of these appropriations will be used to cover the necessary administrative support expenditure entailed by these programmes.

5.1.2. Measures taken in connection with ex ante evaluation

5.1.3. Measures taken following ex post evaluation

5.2. Action envisaged and budget intervention arrangements

In 2004, under CARDS, the national programme to Croatia was € 76 million. Under Phare, in 2005 and 2006, it is proposed to maintain a programme of about € 80 million a year, to promote the Copenhagen political criteria, help Croatia align with the *acquis communautaire*, strengthen administrative and judicial capacity, and start to prepare for Structural Funds after accession.

Under ISPA, support will be given to align Croatia's infrastructure with Community standards in two key sectors, environment and transport, and to familiarise the Croatian authorities with the principles of structural policies. Through ISPA, Croatia will thus obtain the twin benefits of accelerated infrastructure investment and enhanced capacity for project preparation and implementation, which must commence without delay ("learning by doing") and of becoming acquainted with Commission procedures and rules, similar to those that apply to Member States.

A preliminary assessment of funding opportunities, involving IFIs, indicates that preparatory work is sufficiently advanced to allow the Commission to decide on a sufficient number of high-quality projects in both sectors already in 2005. About € 60 million in total, phased in over the two years, is considered a reasonable allocation for ISPA. This will allow for a real commitment towards core infrastructure investment, but also take account of administrative capacity.

In addition, and given the necessity for Croatia to strengthen its capacity as well as to catch up with other candidate countries, there is the need to launch under ISPA a number of technical assistance projects for institutional strengthening, including for sector planning, and project preparation for these two sectors for IPA.

In the case of SAPARD, € 25 million for 2006 seems appropriate, applying the same criteria which were applied for the current SAPARD countries provided for in Article 7(3) of the Regulation 1268/1999.

According to the information provided by Croatia there are 64 (industrial) establishments in the food processing sector not yet EU approved. On the basis of experiences from the current SAPARD countries the average project size is between € 250,000 and € 500,000. The size of rural infrastructure projects has been similar.

Farm investment projects tend to be smaller (average € 50,000). Croatia's farm structure (approx. 1million farms) is dominated by family farms, with 86% farming less than 5ha, and 22% of the rural population currently employed in agriculture. Increasing the competitiveness of the agri-food sector to enable it to prepare for participation in the EU single market will require support for modernisation of farms, in particular to implement *acquis* standards in relation to health and hygiene and animal welfare.

The accreditation of the SAPARD agency is planned to be completed during 2005 to enable Croatia to start with project selection and disbursement under SAPARD in 2006.

5.3. Methods of implementation

The three pre-accession instruments employ a wide range of implementation methods (from centralised to partial or full decentralisation of financial management to the beneficiary countries, as well as joint management with international organisations). It is, nonetheless, important that the highest level of decentralisation possible for Croatia should be pursued as soon as feasible. A move to partially decentralised management will, therefore, be made in 2005, with full decentralisation (a requirement for SAPARD) planned for 2006.

6 FINANCIAL IMPACT

6.1. Total financial impact on Part B (over the entire programming period)

6.1.1. Financial intervention

Commitments (in € million)

Breakdown	2005	2006	2007	2008	2009	2010 and subs. years	Total
Phare	77.5	77.1					154.6
ISPA	24.6	34.4					59.0
SAPARD	-	24.6					24.6
TOTAL	102.1	136.1					238.2

6.1.2. Technical and administrative assistance, support expenditure and IT expenditure (commitment appropriations)

	2005	2006	2007	2008	2009	2010 and subs. years	Total
Phare	2.5	3.1					5.6
ISPA	0.4	0.6					1.0
SAPARD	-	0.2					0.2
TOTAL	2.9	3.9					6.8

7. IMPACT ON STAFF AND ADMINISTRATIVE EXPENDITURE

7.1. Impact on human resources

Types of post	Staff to be assigned to management of the action using existing and/or additional resources		Total	Description of tasks deriving from the action
	Number of permanent posts	Number of temporary posts		
Officials or A			8	

temporary staff	B		8	<i>If necessary, a fuller description of the tasks may be annexed.</i>
	C		8	
Other human resources			28	
Total			52	

	Headquarters (Statutory Staff)		Zagreb EC Delegation			
	Existing staff coming from RELEX (4) and AIDCO (12)	New or Redeployed staff	Statutory Staff		Other human resources (ALAT, etc)	
			Current staff	New staff	Current staff	New staff
Phare (Cards)	16		4		22	4
ISPA		2				2
SAPARD		2				
Total	16	4	4	0	22	6
Grand total	20		4		28	
"		24			28	
"			52			

The needs for human and administrative resources shall be covered within the allocation granted to the managing DG in the framework of the annual allocation procedure

7.2. Overall financial impact of human resources

Type of human resources	Amount (€)	Method of calculation *
Officials	2,592,000	24 x 108,000
Temporary staff		
Other human resources	2,141,720	28 x 76490
Total	4,733,720	

The amounts are total expenditure for twelve months.

7.3. Other administrative expenditure deriving from the action

	Amount €	Method of calculation

Overall allocation (Title A7)		
A0701 – Missions		
A07030 – Meetings		
A07031 – Compulsory committees		
A07032 – Non-compulsory committees		
A07040 – Conferences		
A0705 – Studies and consultations		
Other expenditure (specify)		
Information systems (A-5001/A-4300)		
Other expenditure - Part A (specify)		
Total	250,000	

The amounts are total expenditure for twelve months.

I.	Annual total (7.2 + 7.3)	€ 4,983,720
II.	Duration of action	2 years
III.	Total cost of action (I x II)	€ 9,967,440

8. FOLLOW-UP AND EVALUATION

8.1. Follow-up arrangements

Art. 27 (4) of the Financial Regulation obliges the Commission to undertake both ex ante and ex post evaluations, to be applied to all programmes and activities which entail significant spending. Evaluation results are to be disseminated to spending, legislative and budgetary authorities.

Provisions will be made within the Framework Agreement with Croatia to ensure the necessary arrangements to enable independent monitoring and evaluation. In outline, the system operates as follows:

- Project implementation will be monitored through a Joint Monitoring Committee (JMC). This includes the NAO, the NAC and the Commission services. The JMC will meet at least once a year to review all programmes to assess their progress towards meeting the objectives set out in the Financing Agreements and the Accession/European Partnership. The JMC may recommend a change of priorities and/or reallocation of funds.
- The JMC will be assisted by Sectoral Monitoring Sub-Committees (SMSC), which will include all relevant institutions and partners involved, including the Commission Services, in accordance with the specific monitoring arrangements established for each Instrument. The SMSC, *inter alia*, will, review in detail the progress made towards achieving the objectives set out in its relevant programme and will report to the JMC on all programmes in its sector.

- The Commission services shall ensure that an ex-post evaluation is carried out after completion of the programme.

8.2. Arrangements and schedule for the planned evaluation

In application of current rules, an evaluation system covering the different levels of intervention and types of instruments has been set up for each instrument.

Notably, the financial regulation, as well as the internal control standards, calls for regular evaluation of all (sizable) activities. This is translated into the evaluation of single operations (e.g. projects), of programmes (e.g. national programmes) and policy sectors or themes (e.g. transport or gender issues). Evaluations of are also necessary and ongoing of wider legal obligations such as the 3 Cs (Coherence, Complementarity, Coordination).

As set out above, project implementation will be monitored through the Joint Monitoring Committee (JMC), assisted by Sectoral Monitoring Sub-Committees (SMSC). Each Instrument has its own specific evaluation scheme. For Phare, there is an ongoing scheme of Interim Evaluation, and these interim evaluations, prepared by independent evaluators, are reviewed by the JMC. This Interim Evaluation scheme generates over 130 individual country, sectoral and thematic reports a year. Thematic reports covering such issues as nuclear issues, civil society, public administration, justice and home affairs, national aid coordination, twinning, SMEs, and statistics have been prepared.

These works will be complemented by relevant works on databases, meta-analyses, methodology and training.

9. ANTI-FRAUD MEASURES

The Framework Agreement with Croatia will contain provisions ensuring the protection of the Community's financial interests.

- (1) These Framework agreements expressly provide for the Commission and the Court of Auditors to have the power of audit, on the basis of documents and on the spot, over all contractors and subcontractors who have received Community funds. They shall also expressly authorise the Commission to carry out on-the-spot checks and inspections as those set down in Council Regulation (EC, Euratom) 2185/96.
- (2) All contracts resulting from the implementation of pre-accession assistance shall ensure the right of the Commission and the Court of Auditors during and after the implementation of contracts.

In practise, this means that the Framework Agreement will contain provisions making reference notably to the following:

- Definitions of the notions of irregularity, fraud, active and passive corruption and conflict of interest;
- Measures in the field of financial control by the contracting authority, the Commission and the Court of Auditors;

- The possibility for OLAF to conduct on-the-spot checks equivalent to the ones foreseen by Regulation (EC) 2185/96
- The obligation of the contracting authority of the third country to take preventive measures in the field of corruption
- The procedure for the communication of cases of suspected fraud and irregularities to the Commission;
- The procedures for the clearance of accounts in the case of decentralised management
- The application of administrative and financial sanctions (including the exclusion of non-reliable candidates and tenderers)
- Enforceability of Commission decisions in the area of recovery in case of centralised management.