
Published at: 25-06-2006

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The report, adopted by the Court of Auditors in Luxembourg at its meeting of 11 May 2006, contains 5 conclusions and 4 recommendations. The report is signed by the President of the institution, Mr. Hubert Weber /see the pic/.

Portal EUROPE offers you these for reflection and analysis.

Portal EUROPE reminds that the European Court of Auditors released the report in which PHARE projects in Romania and Bulgaria are estimated as over ambitious. The report is hard-hitting, criticising Brussels for failing to ensure effective spending of EU funds in Romania and Bulgaria, with EU-funded computers left unused and swimming pools staying empty. As EUobserver points out, EU funds go down the tube in Romania and Bulgaria.

Conclusions and recommendations

1. The Commissions' checking of projects prior to financing (ex-ante control) proved to be effective in preventing irregularities in the procurement process.
2. The projects audited were generally in line with the overall Phare objectives and were also physically in place in accordance with the conditions of the supply and works contracts. However, for over half of the projects audited assets were not, or were only partially, being used for the intended purpose. These shortcomings resulted from weak administrative capacity and a lack of national resources in Bulgaria and Romania.

Recommendation 1

The National Authorities should make further substantial efforts to finalize the projects and to achieve the underlying project objectives.

The Commission should closely follow that the audited projects will finally operate as intended. The Commission should also contribute to improved functioning of the Monitoring Committees as a key system for corrective policy actions in the event of underperformance.

3. The Commission overestimated the management capacity of the public authorities in Bulgaria and Romania and often agreed with them overambitious targets and deadlines. This overambitious target setting is reflected in the project fiches, which contain a mixture of ambitious "wider" and "immediate" objectives, outputs, purposes, results, activities and a set of often invalid "indicators of achievement" [1] frequently characterised by a lack of systematic clarification. As a result, the project fiches could hardly be used as a meaningful management tool.

Recommendation 2

The Commission should adopt a more realistic programming approach for Bulgaria and Romania and the new candidate countries. This includes an improved needs assessment ensuring complementarity with other sources of investment support. A key element is to improve the project fiche, which can better

fulfil its functions of directing and monitoring. External experts have already proposed that the bodies involved in the planning process should systematically set up a quality control function for the production of project documents.

4. The technical viability of some of the assets is in doubt due to a lack of national funding. With regard to the supported business parks and incubators many questions of economic viability remain to be solved. The Commission did not sufficiently supervise the principles of sustainability and co-financing as it is laid down in the guidelines for implementation of the Phare programme.

Recommendation 3

The Commission should specify the resources for maintenance and the requirements for co-financing as early as the programming stage and introduce a formalised procedure for the verification of these principles. The monitoring of sustainability should include the monitoring of economic targets, e.g. in terms of job creation.

5. The Commission did not give enough consideration to the added value and catalytic effect of Phare money in activities led by the international financial institutions. Enormous investments in the regulatory infrastructure are needed for the implementation and enforcement of the *acquis communautaire*. Phare can only cover a part of these overall needs. That is why the Phare guidelines require that the investment support has to be focused on actions which would otherwise not take place and which promise a high catalytic effect.

Recommendation 4

The Commission should improve its analysis of the aspect of additionality and catalytic effects, especially in projects which are led by international financial institutions or other third parties.