COMMISSION DECISION
OF 1998

Establishing the Community Action for Cooperation in the Field of Economics - ACE for 1998,

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EEC) No 3906/89 of 18 December 1989 on economic aid to certain countries of Central and Eastern Europe, as last amended by Regulation (EC) No 753/96 of 22 April 1996 and in particular Article 9 thereof,

Whereas Regulation No 3906/89 lays down the rules and conditions for the granting of economic aid to certain countries of Central and Eastern Europe,

Whereas the measures provided for by this Decision are in accordance with the opinion of the Committee on Aid for Economic Restructuring in certain countries of Central and Eastern Europe,

HEREBY DECIDES AS FOLLOWS:

Article 1

The programme described in the Annex to the present decision is hereby adopted.

Article 2

The maximum amount of Community assistance shall be 7 MECU to be financed through Budget line B7-500.

Done in Brussels,

For the Commission
Financing Proposal
Community Action for Co-operation
in the Field of Economics
ACE 98

1. Identification

Country: All Phare beneficiary countries
Programme: Community Action for Co-operation in the field of Economics (ACE)
Year: 1998
Cost: 7.0 MECU
Implementing authorities: The European Commission with ACE national co-ordinators in each Phare partner country
Expiry Date: 31 December 2001 (Contracting)
31 December 2002 (Disbursement)
Sector: ED
Group: O
Budget Line: B7 - 500
Task manager: DGIA: Bardo Gavazzoli Schettini, DGIA-B5
DG II: Joan Pearce, DGII-F

2. Summary

Since its inception the Phare ACE programme has been aimed at supporting the Phare partner countries in developing their capacity for research in economics and management science in areas of importance to the economic reform process in Central and Eastern Europe through co-operation between researchers in Phare countries and in member states. Actions include grants for research networks, fellowships, scholarships, seminars and conference participation.

In line with the reorientation of the Phare Programme to focus on preparing for accession, the ACE programme has been adjusted in several ways. Whereas actions involving Albania, Bosnia Herzegovina and the Former Yugoslav Republic of Macedonia continue to address topics related to the economic reform process, actions involving candidate countries are expected to focus on research topics that are of relevance in the context of preparing for accession.

Applications will be evaluated on the basis of their scientific quality, their relevance for the economic reform process, including preparation for accession, the extent to which they involve collaboration among several EU and Phare countries and the dissemination of knowledge necessary for institution-building in the Phare countries.

New top-down actions have been included, notably research projects on policy issues directly related to accession and seminars for younger professional economists and officials. These actions are intended to engage officials and professional economists from member states and from the candidate countries in an active and continuing dialogue aimed at institution-building in preparation for accession.
Dissemination is an increasingly important element of the ACE programme. The \textit{ACE Quarterly} and general information on the programme are available through the World Wide Web (on the Phare homepage). Other documents, such as the compendium of successful projects and a bibliographical database, will be added shortly. Two recent innovations are a series of discussion papers and a web site that will serve as an inter-active discussion forum.

The ACE programme contributes to the institution-building objective of the Phare programme by equipping economists in Phare countries to provide sound support for drawing up and managing policies to steer these countries towards accession. To reinforce the institution-building purpose of the ACE programme, changes have been introduced to ensure the active participation of officials who are responsible for areas of economic policy relevant to accession.

The programme will be implemented by a management agent, based in Brussels, and supervised by the Commission. The management agent will be selected on the basis of Phare rules and procedures. National ACE co-ordinators from each Phare country will assist the management agent in the promotion of the programme, and also contribute to the selection of projects.

The application and evaluation procedure is planned to take place during the autumn of 1998. The programme will expire on 31 December 2001.

In the context of the overall review of the Phare Programme it is intended to cease ACE after 1998 given that its contribution to the accession-related institution building objective, while significant and increasing, can only be deemed indirect.

2.1 Logical Framework

Programme objectives, results, sources of information and assumptions and risks are presented in the attached logical framework matrix.

3. Background

The ACE Programme (Action for Co-operation in the field of Economics) was launched in 1990 within the framework of the EU’s Phare Programme. It was clear from the outset that the process of transition from central planning to market economies would necessitate extensive efforts to train economists. Economic analysis in the western sense had been suppressed by communist regimes which were intent on concealing and distorting information and unwilling to allow opinions to be debated and divergent views to be expressed. Co-operation with economists in member states was deemed to be the most effective way to train economists in academic institutions and in the public sector to produce sound economic analysis and independent evaluation of policy.

The ACE Programme was therefore designed to support exchange of knowledge and experience in the field of economics and has promoted extensive cooperation between the EU and Phare countries. Its importance in the context of the EU’s economic co-operation with the Phare countries was emphasized in the Europe Agreements, in each of which it is explicitly mentioned.
Since 1990 funds have been allocated on an annual basis, with an interruption in 1993, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1.5 MECU</td>
</tr>
<tr>
<td>1991</td>
<td>5.0 MECU</td>
</tr>
<tr>
<td>1992</td>
<td>6.0 MECU</td>
</tr>
<tr>
<td>1994</td>
<td>10.0 MECU</td>
</tr>
<tr>
<td>1995</td>
<td>10.0 MECU</td>
</tr>
<tr>
<td>1996</td>
<td>10.0 MECU</td>
</tr>
<tr>
<td>1997</td>
<td>10.0 MECU</td>
</tr>
</tbody>
</table>

The ACE programme has evolved over the years, taking into account both changes in demand - resulting in the programme covering a wider range of activities and a larger number of countries - and also changes in policy. For the countries that have become eligible for Phare, and hence for ACE funding only quite recently, the emphasis on facilitating transition to a market economy continues to be of prime importance. For those Phare countries that have applied for membership of the EU, preparing for accession is now the main focus.

The evaluation of the ACE Programme carried out in 1995 concluded that the programme ‘has been very successful in achieving its objectives: it has contributed to the spreading of modern analytical economic techniques in the transition countries, to the forging of new scientific links between research communities in the East and in the West, to improving our understanding of the transition process and to a better formulation of crucial policy decisions.... The reasons that made the programme so successful are not going to disappear in the short and medium run.’

Following a recommendation of the 1995 evaluation, under ACE96 a rotating panel of four external referees was set up to evaluate reports on projects. By February 1998 the panel had met six times, and in the course of their work made a number of proposals for reinforcing the effectiveness of the programme, most of which have already been implemented. The panel will continue to meet three or four times a year.

The preliminary conclusions of an assessment of the programmes for 1994, 1995 and 1996 note that ACE ‘has contributed to a transfer of economic methodology and expertise to transition economies. . . . the overall impression is one of considerable success in establishing and strengthening links between different local/national research communities in EU and Phare countries’.

However, the draft assessment report equally notes that “the degree to which the ACE Programme has achieved its overall objective to support the economic reform process in the Phare partner countries is difficult to assess.

4.  Policy Assessment
Research carried out with support from ACE has contributed to policy-making in areas such as tax reform and exchange rate policy in Phare countries. Equally important has been its indirect contribution in supplying economists in Phare countries with the tools necessary to provide sound policy support appropriate to market economies and increasingly to market economies that will be member states of the EU. ACE participants include government officials and advisers or academics who are involved in advisory bodies or working groups. Thanks to ACE, there are now numerous politicians, officials and academics in the Phare countries who are better equipped to draw up and manage policies to steer their countries towards accession.

ACE has throughout supported institution-building through activities that directly involve individuals and institutions from the Phare countries. The number of research projects where the co-ordinator is from a Phare country has risen steadily over the years.

ACE has been adapted to support the aim of the new Phare guidelines to ensure that candidate countries establish a modern, stable and efficient administration capable of applying the *acquis communautaire* effectively. The contribution of the ACE Programme to institution-building has been reinforced. It concentrates on helping the Phare countries to develop the capacity to draw up and manage economic policies that are compatible with EU rules, in particular through more extensive dissemination and more active dialogue and networking among economists, management scientists and officials in the Phare countries and the member states.

Already starting under the 1997 programme the Commission services will ensure that as much synergy as possible is generated between ACE activities and the work of the sub-committees on economic and financial issues. The national co-ordinator for each candidate country will in future be nominated by the chairman of the sub-committee.

The application package for the 1997 programme has already been designed to secure the active participation of officials in the candidate countries who have responsibility for areas of economic policy relevant to accession. Furthermore, proposals for activities involving candidate countries are required to include analysis of the implications of accession in the area being examined.

A new action has been introduced, namely seminar organization, which will place particular emphasis on accession and will bring together senior economists and policy-makers from Member States and candidate countries, as well as younger economists and other professionals.

Dissemination of output will address accession and will target policy-makers, in the form both of publications and of electronic dissemination, including an inter-active discussion forum.

The top-down actions will include research projects which will deal with subjects that policy-makers in candidate countries have identified as important in the context of preparing for accession and will involve policy-makers actively. The top-down seminars will bring together younger professional economists and officials from candidate countries to explore with counterparts from Member States issues related to economic policy-making in the context of accession. The aim is to help establish a cohort of professionals well versed in the requirements of membership and their implications for policy-making.
Despite the improvements introduced to adapt the programme to Phare’s New Orientations, it is felt that there is a limit to its direct contribution to the objective of strengthening the administrative capacities of the candidate countries in the field of economic policy making. Therefore it is intended to discontinue ACE after 1998.
5. Objectives

The wider objectives of this programme are:

- to support the economic reform process in the Phare partner countries.
- to contribute to institution-building in economic policy-making necessary for accession.

The immediate objectives are:

- to develop the CEECs capacity in economic analysis, and in particular, to increase the indigenous human resources and the ability of institutions to support the development and implementation of economic policy,
- to improve dialogue and communication between the Commission, Member States and partner states in the area of economic policy in preparation for accession.

In 1998 the ACE programme will pursue these objectives by helping the CEECs to develop the human resources needed to carry out reform and to implement market-oriented economic policy with a view to preparing for accession. The programme will comprise ‘bottom-up’ actions that assist Phare countries to develop their capacity for economic analysis in areas of importance to the economic reform process and to accession, and ‘top-down’ actions that will engage officials and professional economists from Member States and from the Phare countries in an active and continuing dialogue aimed at institution-building in preparation for accession.

6. Programme Activities

The activities of the 1998 ACE Programme will build on those of previous programmes.

Actions

**Research projects** bring together academic and professional economists from the EU Member States and the Phare partner countries to conduct joint research in the field of economics. To ensure the diffusion of the project results, the projects begin and end with a workshop involving the project partners, external experts and policy-makers from Phare countries and the EU. Research projects usually run for up to eighteen months. At least 50% of the total research project grant must be allocated to the central and east European partners. Proposals involving partners from the candidate countries are expected to incorporate analysis of the implications of accession for the topic being addressed. Co-ordinators are strongly encouraged to involve officials who are responsible for areas of economic policy relevant to accession.

**Fellowships** support academic and professional economists so as to stimulate the exchange of economic knowledge and concepts, and in particular to enable them to conduct research for limited periods of time at universities, research institutes, or other organisations. Fellowships, which have a maximum duration of six months, can be obtained by economists from the central and east European countries and from Member States. Proposals involving fellows or host institutions from the candidate countries are expected to incorporate analysis of the
implications of accession for the topic being addressed. Officials from candidate countries who are responsible for areas of economic policy relevant to accession are strongly encouraged to apply for fellowships.

**Scholarships** enable graduate and postgraduate students from Phare countries to study for a PhD in economics at a university in the EU or vice versa. A study period of up to three years can be financed. Preference is given to applicants whose final dissertation addresses policy-related issues, which in the case of scholars from candidate countries should be issues relevant to accession.

**Participation in international conferences** to enable academic and professional economists from the Phare countries to make active contributions (e.g. to present a paper) at selected conferences in the EU or vice versa in order to encourage networking and direct involvement in economic and policy fora. Papers by applicants from candidate countries should incorporate analysis of the implications of accession for the topic being addressed.

**Organisation of seminars** in order to promote the exchange of economic knowledge, to advance understanding of policy applications, particularly in the context of accession, and to stimulate the creation of networks. Papers by applicants from candidate countries should incorporate analysis of the implications of accession for the topic being addressed.

**Research topics**

The research topics will mainly include:

- implementation of economic reform, in particular in privatisation, enterprise restructuring and corporate governance, financial sector reform, social security, labour markets, trade and investment, fiscal policy and tax reform, monetary and exchange rate policy, and competition policy.

- economic aspects of industrial policy, regional policy, agricultural policy, environmental policy, transport and communications policy and energy policy

- managerial aspects of reform in the private and public sector.

Proposals from applicants from candidate countries will be expected to incorporate analysis of the implications of accession for the topic being addressed.

**Selection procedure**

The selection process is based on a transparent and objective joint peer evaluation system, involving independent experts from both Phare countries and Member States. Applications are assessed on the basis of specific evaluation criteria. The main criteria are:

- scientific quality;

- relevance for the economic reform process and preparation for accession;

- prospects for disseminating results;

- scope for co-operation and transfer of expertise.
Dissemination

The ACE Programme will continue to finance the publication of the *ACE Quarterly*. Through this publication the diffusion of research results is reinforced and the visibility and transparency of the programme enhanced. Furthermore, the *ACE Quarterly* provides an incentive to produce high quality work and informs economists and policy-makers about ongoing and past projects. Each issue contains 12-15 non-technical abstracts of research output which focus on policy recommendations.

External referees who are involved in monitoring the projects have suggested the publication of a discussion paper series. The series will make available to policy-makers the results of the best work funded by ACE quickly and in an accessible form. Identification of papers suitable for publication has begun, and the series will be launched in the second half of 1998.

The *ACE Quarterly* and general information on the programme have been made available through the World Wide Web service (on the Phare homepage). In future, other relevant documents will be made available, such as the compendium of successful projects, a bibliographical database and the discussion papers. Under ACE97 a web site has been set up to serve as an inter-active discussion forum. This will be further developed under the 1998 programme.

New top-down actions

These actions are intended to engage officials and professional economists from member states and from the Phare countries that are applicants for accession to the EU in an active and continuing dialogue aimed at institution-building in preparation for accession.

- Research projects will address policy issues directly related to accession. The terms of reference will be agreed between the Commission services and the Phare countries. For each project a coordinator and experts from Phare countries and member states will be selected. Starting from a common basis researchers will investigate the situation in different applicant countries and compare findings. Workshops will be organized throughout the duration of the projects to provide active dialogue between the researchers and policy-makers in the Phare countries and Member States.

- Seminars will bring together younger professional economists and officials from Phare countries to address, with counterparts from Member States, issues related to economic policy-making in the context of accession. The aim is to help establish a cohort of professionals well versed in the requirements of membership and their implications for economic policy-making. Under ACE97 four seminars are being organized, each lasting four or five days. A similar number is planned for ACE98. There will be 40-50 participants, in the age range of 30-45 years, of whom about two-thirds will come from Phare countries and one-third from Member States.
7. Other donors’ activities and co-ordination

A number of public or private bodies from European Union and other countries are involved in bilateral assistance to the research community in the countries of central and eastern Europe. None of these initiatives, however, is specifically linked to the fields of economics and management and none covers all Phare countries. Moreover, ACE is unique in focusing on institution-building in preparing for accession in the area of economic policy-making.

8. Cost and Financing Plan

Programme actions:

<table>
<thead>
<tr>
<th>Activity</th>
<th>ECU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research projects, fellowships, scholarships, conference participation and organisation of seminars</td>
<td>4,500,000</td>
</tr>
<tr>
<td>New programme actions:</td>
<td></td>
</tr>
<tr>
<td>Top-down projects &amp; Seminars</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Dissemination activities (incl. <em>ACE Quarterly</em>)</td>
<td>450,000</td>
</tr>
<tr>
<td>Administration</td>
<td>650,000</td>
</tr>
<tr>
<td>Evaluation and audit</td>
<td>200,000</td>
</tr>
<tr>
<td>Reserve</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,000,000</td>
</tr>
</tbody>
</table>

The allocation of funds to each specific programme action will be decided by the independent evaluators on the basis of the quality of the proposals.

The following upper limits for unit cost per action will be respected:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost Limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research grants, per man month</td>
<td>4,000 ECU + workshops, equipment, administration, travel…</td>
</tr>
<tr>
<td>Fellowships, per month</td>
<td>3,000 ECU</td>
</tr>
<tr>
<td>Scholarships, per year</td>
<td>10,000 ECU + fees</td>
</tr>
<tr>
<td>Conference participation, per participant</td>
<td>1,200 ECU</td>
</tr>
<tr>
<td>Organisation of seminars (incl. admin. expenses)</td>
<td>100,000 ECU</td>
</tr>
</tbody>
</table>
9. Implementation arrangements

Responsibility for implementation of the ACE programme will rest with the Commission. The administration of the majority of the programme will be delegated to an independent management agent, as was done for ACE 1992, 1994, 1995, 1996 and 1997. In carrying out the programme, the Commission will co-operate with the ACE national coordinators, each of whom is appointed by the authorities of a Phare country.

The ACE grant funds will be paid in instalments by the Commission to a blocked account in the name of the programme management agent, according to cash flow projections to be prepared by the management agent. The management agent will provide the Commission on a periodic basis with a detailed list of scheduled payments to beneficiaries. Upon signature of contract with the beneficiaries or approval of interim and final reports by the Commission, payments will be made to the programme beneficiaries.

For the main part of the programme, which follows previous programmes, the following arrangements will apply:

Applications for grants must be submitted to the Commission by individuals or institutions in the EU or Phare countries. The evaluation process will be carried out on a peer-review basis by independent senior experts (with equal representation from the EU Member States and the Phare countries).

Successful applications will be authorised and contracts agreed by the Commission by direct agreement.

For new actions, terms of reference will be defined and will be implemented by the management agent or other external organisations under the supervision of the Commission services.

10. Audit, monitoring and evaluation

The programme management and operations may be checked by an outside auditor contracted by the Commission, without prejudice to the responsibilities of the Commission and the Community's Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum attached to the Framework Agreement.

The Commission services will:

a. monitor the implementation of the programme on the basis of the regular reports by the management agent, and

b. sign contracts with independent experts to follow the progress of the programme and its components and carry out: a) monitoring of research outputs, and b) an ex-post evaluation after completion of the activities.

In order to facilitate these activities, a detailed set of indicators of achievement will be defined according to the objectives and targets of the programme.
11. Special conditions

No special conditions

12. Assumptions and Risks

The programme faces the risk that the proposals received are not of a desirable quality or are not sufficiently policy-relevant. This should be minimised through careful preparation of information materials, continuous and thorough briefing of the ACE national coordinators and the system of peer evaluation of applications. A special effort should be made to enhance the quality of the project proposals as well as the selection procedure.

13. Annexes

Annex A: Log Frame
Annex B: Achievement of previous ACE activity
Annex C: Assessment Report of ACE 94, 95 and 96
Anticipated quarterly contracting schedule

<table>
<thead>
<tr>
<th>Year 1998</th>
<th>1/1</th>
<th>2/4</th>
<th>¾</th>
<th>4/4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>7 MECU</td>
</tr>
</tbody>
</table>
# LOGFRAME MATRIX FOR ACE PROGRAMME

## Action for Cooperation in the field of Economics

### WIDER OBJECTIVES

- To help prepare the Phare countries for accession to the EU
- To support the continuing economic reform and development of the Phare countries
- Effective adoption of the acquis communautaire
- Continued economic development of Phare countries
- Transfer and exchange of knowledge and expertise in the area of economics between the EU and Phare countries
- Clear objectives
- Clear guidelines
- Support of EU and Phare policy makers

### IMMEDIATE OBJECTIVES

- To develop CEECs capacity to undertake economic research, both in terms of human resource development and institution building
- To strengthen the link between economic research and economic policy / economic development in Phare countries
- To foster links between academics and policy makers both within CEECs and between the EU and CEECs, especially in relation to preparing for accession
- Creation / strengthening of new generation of academics in Phare countries
- Improved capacity / self sustainability of research and other academic institutes
- Increased output of sound policy-relevant research
- Strengthening of links between academics and policy makers within the Phare countries and between the Phare and EU countries
- Creation/strengthening of links between research and academic institutes in EU and CEECs
- Strengthening of links between policy-makers/ministries in EU and CEECs
- Awareness of programme
- Interest in programme
- Quality and Relevant proposals
- Good project management
- Initial contacts necessary

### RESULTS/OUTPUTS

- Closer cooperation between the EU and Phare countries in the area of economics
- Joint research projects, fellowships, scholarships, seminars and conferences
- Networking between EU and CEEC academics
- “Exchanges” / contacts between academics and policy makers
- Good quality projects successfully completed
- Links established between EU and CEEC academics and institutes
- Activities undertaken / co-operation continued outside framework of projects
- Better-informed policy discussions
- Reports produced by programme management
- Phare ACE Quarterly
- Phare Homepage on Website
- Referees’ evaluations
## LOGFRAME MATRIX FOR ACE PROGRAMME

Action for Cooperation in the field of Economics

<table>
<thead>
<tr>
<th>INPUTS</th>
<th>INDICATORS OF ACHIEVEMENT</th>
<th>SOURCES OF INFORMATION</th>
<th>ASSUMPTIONS AND RISKS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Grant finance 7 MECU</td>
<td>• Successful (high quality, policy relevant) projects</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Financial reports produced by programme management</td>
<td></td>
</tr>
</tbody>
</table>
LOGFRAME MATRIX FOR ACE PROGRAMME

Action for Cooperation in the field of Economics