



Phare



Programme and contract information 1995

Slovenia

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Directorate General External Relations:
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Introduction

With this brochure Phare aims to provide the interested public with clear and concise summaries of the programmes to be implemented by the partner countries with Phare support. It also aims to point the business community in the direction of potential opportunities.

The programmes described in the following pages are the logical consequences of the priorities expressed by Slovenia in its Indicative Programme. They have been given a favourable opinion by Phare's Management Committee and have been approved by the Commission. Phare programme and contract information brochures are published after each Management Committee meeting.

This copy contains summaries of the programmes approved by the Committee at its 37th meeting held on 5 July 1995 for the benefit of Slovenia.

Please bear in mind, however, that the publication of the business-related information in these pages does not commit the partner country or the Commission either to adhere to a fixed timetable for implementation or to follow exactly the outlines traced below. Individuals or companies wishing to obtain more detail on the contractual implications of these programmes should contact the relevant Programme Management Unit that is responsible for the implementation of the approved programme. Only individuals or companies registered and resident in European Union Member States or Phare partner countries will be considered for implementing the tasks set out.

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What is Phare?

The Phare Programme is a European Community initiative which supports the development of a larger democratic family of nations within a prosperous and stable Europe. Its aim is to help the countries of central and eastern Europe rejoin the mainstream of European development through future membership of the European Union.

Phare does this by providing grant finance to support its partner countries through the process of economic transformation and strengthening of democracy to the stage where they are ready to assume the obligations of membership of the European Union.

In its first five years of operation to 1994, Phare has made available ECU 4,248.5 million to 11 partner countries, making Phare the largest assistance programme of its kind.

Phare works in close cooperation with its partner countries to decide how funds are to be spent, within a framework agreed with the European Community. This ensures that Phare funding is relevant to each government's own reform policies and priorities.

Phare provides know-how from a wide range of non-commercial, public and private organisations to its partner countries. It acts as a multiplier by stimulating investment and responding to needs that cannot be met by others. Phare acts as a powerful catalyst by unlocking funds for important projects from other donors through studies, capital grants, guarantee schemes and credit lines. It also invests directly in infrastructure, which will account for more Phare funds as the integration process progresses.

The main priorities for Phare funding are common to all countries, although every one is at a different stage of transformation. The key areas include restructuring of state enterprises including agriculture, private sector development, reform of institutions, legislation and public administration, reform of social services, employment, education and health, development of energy, transport and telecommunications infrastructure, and environment and nuclear safety.

For countries which have signed Europe Agreements, Phare funding is also focused on meeting the conditions required for membership of the European Community. In particular this concerns preparation for participation in the European Union's internal market and development of infrastructure, especially in border regions.

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Institutional and human resources development programme

Approved by the Phare Management Committee at meeting N° 37 on 5 July 1995.

| | |
|-------------------|--|
| Duration | to 31 December 1997 |
| EU contribution | ECU 4.4 million |
| Implementing body | <p>Ministry of Science and Technology Slovenska 50, 61000 Ljubljana Tel (+386-61) 131 11 07 Fax (+386-61) 132 94 15 Mr Istvan Gyurkovics, Phare EU Coordinator</p> <p>Statistical Office Vozarski Pot 12, 61000 Ljubljana Tel (+386-61) 15 53 22 Fax (+386-61) 21 69 32 Mr Tomaz Banovec, Director General</p> <p>Ministry of Labour, Family and Social Affairs Kotnikova 5, 61000 Ljubljana Tel (+386-61) 17 11 33 44 Fax (+386-61) 171 34 56 Mrs Elizabeta Skuber, Counsellor to the Government</p> <p>National Assembly Subiceva 4, Ljubljana Tel (+386-61) 126 12 22 Fax (+386-61) 125 86 10 Mr Bogdan Biscak, General Secretary</p> |

Main components

| | |
|---|------------------------|
| European integration | ECU 1 million |
| Aid coordination, know-how, training | ECU 900,000 |
| National Assembly training and seminars | ECU 100,000 |
| Statistical information system | ECU 1.4 million |
| Feasibility study | ECU 180,000 |
| Consultation visits | ECU 200,000 |
| Equipment and training | ECU 1.02 million |
| Employment and social reform | ECU 2 million |
| Active employment policies | ECU 789,000 |
| Pension reform | ECU 292,000 |
| Family support and welfare policies | ECU 376,000 |
| Policy and management development | ECU 543,000 |

Background

European integration

Negotiations to conclude a Europe Agreement are currently under way and will be completed in the near future. Implementing the Agreement will call for much more specialised advice and training to harmonise legislation, implement medium-term restructuring plans etc. The Government has expressed the desire to use Phare assistance for that purpose. Although Slovenia has anticipated many of the requirements of the Agreement through the choice of its economic transformation policies, much remains to be done.

The Ministry of Science and Technology is responsible for the overall coordination of the external support for Slovenia. An Aid Coordination Unit within the Ministry takes on that job. A specialised department, the Department of Foreign Technical Assistance, is in charge of the day-to-day management of Phare programmes. It has been supported by a Phare-funded resident advisor, in place since 1993. The tasks of both departments will increase substantially with the signing of the Agreement, and they will need help to prepare for their new roles.

Part of the Europe Agreement will deal with public administration reform. Although the legal situation of the civil service is very clear, operations are hampered by a variety of factors, including a lack of manpower, insufficient experience, a very high work-load, and a lack of operational procedures. The work programme that will be prepared will undoubtedly identify other, more precise constraints.

The National Assembly is constrained by a high work-load due to the necessity to transform virtually the whole legal basis of society. Key shortcomings of its services are insufficient inter-service coordination, overlapping functions, insufficient legislative planning, poor relations between deputies and staff and a blurred division of roles between the two. The National Assembly has received help since 1993 to improve this situation, but much more is required, particularly with the development of professional services for the preparation of draft legislation.

Statistical information system

The need for reliable statistics for government and private sector planning is undisputed. In Slovenia, a centralised Statistical Office is responsible for the production of government statistics.

The legislative framework for Slovene statistics is taking shape: a law on statistics, currently before Parliament, will guarantee the independence of the

Statistical Office. A law on confidentiality is being prepared. A law on personal data protection was adopted in 1990.

The Statistical Office has developed a mid-term strategy to reform itself sufficiently to be able to prepare a variety of statistics to European standards. To do so, it needs to introduce internationally recognised methodologies and standards. The Office's technical infrastructure also needs to be modernised: it is old, inadequate, and based on a mainframe computer shared with other government departments, which poses certain confidentiality problems. Moreover, the standard used does not permit any communication with other European statistical systems.

The Office has already benefited from Phare support through a multi-country programme.

Employment and social reform

Unemployment has stabilised at around 14 per cent. Clusters of much higher unemployment levels appear in areas undergoing industrial restructuring. Worrying levels of long-term unemployment are becoming common. On the whole, unemployment is becoming socially corrosive. A range of active employment measures are being enacted by the National Employment Office (NEO) to try to counteract this. The NEO is an effective organisation using sophisticated working methods, but it nevertheless faces problems with the large numbers of unskilled unemployed.

Beyond that, income disparity is increasing and a growing number of families are dependent on state benefits. These are generous, and cannot be sustained for much longer. The system needs change in its delivery mechanisms as much as in its benefit levels. Legislative reform, although patchy, is well under way.

The programme will be implemented by the Ministry of Labour, Family and Social Affairs, which has not yet acquired any experience of Phare. A weakness within the Ministry is limited horizontal information flow, so this programme will provide some targeted assistance to mitigate this problem.

Programme objectives

European integration

To improve the Government's ability to coordinate external support.

To enhance the Government's planning capacity to implement the Europe Agreement.

To improve the quality of the services of the National Assembly.

Statistical information system

To decentralise the technological process.

To introduce electronic data exchange.

To link the statistics system up with the statistical institutes of European Union Member States.

To help the system converge gradually with European standards.

Employment and social reform

To help the NEO develop active employment measures.

To draft a pension reform plan and promote occupational pensions.

To improve social policy, information and service delivery.

To help NGOs and private agencies get involved in social welfare provision.

To reform labour legislation.

To strengthen policy development and legislation drafting abilities.

Programme description

European Integration

The Aid Coordination Unit will receive further support in the form of short-term expertise and sectoral analyses for areas where Phare is active without a Programme Implementation Unit (PIU).

A work programme will be prepared to plan the implementation of the Europe Agreement and the pre-accession strategy. Part of the support will be used to design a critical path network, which will be used to identify key priorities, schedules and resources over the next four years.

The National Assembly will receive short-term advisory services, seminars and training.

Statistical information system

The programme will modernise and replace the existing data collection and processing equipment. The tasks currently done on the mainframe will be transferred to smaller systems within the Office.

In the short term, the Office will receive the information equipment defined within an overall equipment plan to be prepared.

A feasibility study on the required architecture of the information system will then be prepared. It will provide recommendations for the next three to five years and will form the basis for a further round of procurement, services and training.

Some statistical offices in the EU are organised in a similar way to the Slovene office and have faced problems of a similar nature with their computer systems. The programme will therefore finance study visits for Slovene officials to allow them to learn from these experiences.

Employment and social reform

There are four components to this programme.

Under the first component, Phare will provide know-how, equipment, training and study visits to help NEO staff upgrade their information system and unemployment register, create a pilot training development fund in the region of highest unemployment and create a pilot occupational and vocational guidance centre in Ljubljana.

Under the second component, Phare will help reform the pension and disability insurance system by providing training, know-how and study visits for staff who have to draft a white paper, prepare a study of the implementation problems and actuarial and budgetary forecasts. Phare will also support the development of an occupational pension system.

Under the third component, designed to improve social welfare delivery and policy development, Phare will

- help to upgrade the social welfare information system through training, hardware, software, and system design
- strengthen the Government Centres for Social Work through study visits, training and know-how
- enhance the provision of social benefits through NGOs and other private agencies through the training of trainers and the setting up of a Social Welfare Initiative Fund designed to reward new NGO initiatives
- establish an information centre for NGOs
- define medium-term social issues, notably of a minimum family income policy and of a housing policy.

Under the fourth component, Phare will help to develop new labour policies and promote social dialogue through

- help to prepare labour legislation for contracts, layoffs and the settlement of disputes
- help to prepare legislation on health and safety at work
- help to implement the Labour Inspection Laws
- the study of ways of promoting social dialogue.

Under this component, Phare will also guide policy development at the Ministry, set up a Programme Management Unit, train its staff and purchase essential equipment.

Implementation

The various implementation bodies are listed at the beginning of this summary. The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Slovenian Government will provide counterpart and support staff and facilities. It also undertakes to take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the European Commission through regular work reports provided by the recipients. Biannual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.

Energy infrastructure development programme

Approved by the Phare Management Committee at meeting N° 37 on 5 July 1995.

| | |
|-------------------|---|
| Duration | to 31 December 1997 |
| EU contribution | ECU 4.4 million |
| Implementing body | Ministry of Economic Affairs Kotnikova 5/II, 61000 Ljubljana Tel (+386-61) 171 32 74 Fax (+386-61) 132 60 94 Mr Marjan Smonig, Programme Manager |

Main components

| | |
|--|----------------------|
| Energy Saving Fund | ECU 3 million |
| Setting up of the fund | |
| Financing of the fund | |
| Clean coal programme | ECU 550,000 |
| Development of a coal to gas conversion strategy | |
| Promotion of renewable energy sources | ECU 570,000 |
| Institutional strengthening and training | ECU 250,000 |
| Monitoring and evaluation | ECU 30,000 |

Background

The main problems facing Slovenia on the energy front are

- a very high energy intensity in industry, with many energy-intensive industries such as steel, aluminium and fertiliser plants
- low energy efficiency in industry and households
- pollution from the use of indigenous coal and lignite
- lack of investment capital.

However, there are potential resources to be exploited:

- renewable energy sources
- much room for energy conservation.

In fact, the latter point is likely to reduce Slovenian energy intensity by two per cent per year over the next ten years. Many studies have shown that the room for manoeuvre for energy conservation exceeds 30 per cent of current consumption. The key conditions that must be satisfied to exploit that potential are energy prices that

reflect true costs and capital to finance the necessary investment. While most fuel prices are already comparable to those in the European Union (EU) (before tax), electricity prices do not yet cover production costs. However, the Government is willing to see electricity prices rise in real terms by seven per cent per year to achieve cost coverage in four to five years. This commitment has already been confirmed by facts: real prices rose by over ten per cent during the last two years.

The Ministry of Economic Affairs is responsible for energy policy through its Energy Department. The Department has developed an Energy Strategy to encourage conservation through policy measures, specific programmes and fiscal measures. This strategy should be adopted by Parliament in the summer of 1995. To be effective, the strategy will need to be completed by operational programmes. An Agency for the Efficient Use of Energy was set up in early 1995. Its tasks still need to be defined clearly.

Programme objectives

The overall objective is to reduce energy intensity from the current 565 ton oil equivalent per million ECU (TOE/MECU) to 360 TOE/MECU by the year 2010. More specific objectives are:

To provide funds for energy efficiency investments.

To introduce integrated resource planning methods.

To help restructure the coal industry.

To promote the use of renewable energy sources (biomass, geothermal, solar).

To strengthen the Ministry, train its staff and help the Agency for Energy Efficiency.

Programme description

Energy efficiency

There are three barriers to increased investment in energy efficiency projects. The first is the lack of technical know-how, the second is lack of capital and the third is high interest rates. A previous Phare programme and other governmental initiatives are tackling the first barrier. This programme proposes to tackle the second and third by setting up a revolving Fund.

This Fund will be set up through a local bank (a study is under way to identify the right one) and will be co-financed with the EBRD. A feasibility study, to be financed from the present programme, will determine the practical modalities. The Fund will benefit from the experience gained with similar projects in other partner countries.

The size of the projects eligible for loans from the Fund will be between ECU 20,000 and ECU 200,000. Some promising projects have already been identified.

Integrated resource planning, first introduced in 1994, will be used to develop local energy concepts.

Clean coal programme

This programme will help the Ministry restructure the coal industry by

- providing support to develop a long-term strategy
- helping to restructure the coal companies and commercialise their operations
- helping individual mines to increase their productivity by introducing new technologies, negotiating long-term contracts with major clients and setting coal prices.

The project will be completed by a study on health and safety standards.

Renewable energy programme

The introduction of planned carbon taxes could make biomass attractive. There is geothermal potential in the north-east. Slovenia is well located for solar energy exploitation. This could be used as a source of supplementary heat for domestic water. However, its high initial investment costs have so far proved an effective barrier to take-up.

This component will make investment funds available to finance pilot projects to investigate the potential of each of these energy sources. It will determine the prospective project site and the size of the required investment, transfer the know-how and technology needed and set up the financing schemes.

Institutional strengthening and staff training

This component will provide

- advice on the efficient organisation of the energy sector
- advice for setting up the legal framework
- advice on pricing and tariffs
- expertise in financial engineering
- training of staff in management techniques
- training of staff on topics requested ad hoc
- study tours to the European Union (EU).

There is also a reserve for short-term assistance needs.

Implementation

The various implementation bodies are listed at the beginning of this summary. The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Slovenian Government will provide counterpart and support staff and facilities. It also undertakes to take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the European Commission through regular work reports provided by the recipients. Biannual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.

Economic reform programme

Approved by the Phare Management Committee at meeting N° 37 on 5 July 1995.

Duration to 31 December 1998

EU contribution ECU 7.6 million

Responsible authority

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Mrs S Brzin, Advisor

Main components

Public sector industry programme

ECU 2.7 million

Maribor regional development
Training of local management consultants
Three sector studies

Public finance, banking and insurance programme

ECU 1.4 million

Support to tax reform, budget preparation and Finance Ministry
Support to insurance companies, regulatory measures and actuarial practices

Privatisation, restructuring and SME development

ECU 3 million

Further privatisation support
Post-privatisation support
Restructuring support
SME support measures and networks

Agriculture

ECU 500,000

Policy formulation support
European integration support
Project identification support

Background

Slovenia compares favourably with other economies in the region. Its per capita gross domestic product (GDP) is US\$ 6,600, its budget deficit less than 3 per cent and its public debt under 60 per cent (thus fulfilling more Maastricht convergence criteria than most European Union Member States). However, inflation was still high at over 18 per cent in 1994. On the other hand, growth was around 5 per cent.

Much of this progress is due to the Government's firm commitment to macro-economic stabilisation. The cost has been a sharp decline in output. It is now time to focus on structural reforms. The key elements of the Government's integrated strategy for structural reform are as follows, with the type of Phare support previously provided in brackets:

- privatisation of the remaining socially owned enterprises (know-how)
- promotion of SMEs (long-term advisor; support to a regional programme)
- rehabilitation and recapitalisation of banks (know-how)
- restructuring of the most financially distressed enterprises in the portfolio of the Development Fund (the SKLAD) (know-how and other help)
- support to improve the competitiveness of industry.

In addition to these elements, an export development and investment promotion agency is being set up with Phare support.

Agriculture

Agriculture accounts for less than 5 per cent of GDP. Only 12 per cent of farmers are described as full-time; the overwhelming majority either use it to supplement another source of income or are little more than 'Saturday farmers'. Altogether, farmers of all kinds

make up about 11.5 per cent of the active population. Land is being returned to original owners. An Agricultural Strategy was adopted in 1993.

State finances and tax services

The tax administration is divided between the new Agency for Payment, Information and Audit and the Internal Revenue Service. Both services are supervised by the Ministry of Finance. Legislation on tax procedures is before Parliament. Indirect taxes and changes to income tax are planned, as are more far-reaching tax reforms: the system will be unified at an as yet unspecified date.

The budget departments are being restructured and the Treasury was reorganised in 1993. Phare is helping to prepare for the unification of the tax system, and providing recommendations for the reorganisation to the Treasury.

Insurance

Insurance is a new field in Slovenia. There are 13 insurers, but the industry is dominated by one company, Triglav, which alone employs two-thirds of the country's insurance staff. The others are all very small. The Slovenian Insurance Bureau, the professional association for insurers, was founded in 1993.

Programme objectives

To restructure the industrial base and develop the private sector.

To modernise and restructure the financial sector.

To improve the efficiency of public finances.

To promote foreign trade and investment.

To restructure the agricultural sector.

Programme description

Economic reform

This component will finance a number of projects designed to promote the development of the private sector. Specifically, it will

- prepare an integrated regional development project for the Maribor area. This will concentrate on restructuring traditional industries and the development of new ones
- train local management consultants (extension of a previous project)
- prepare sector studies of the construction, electronics and machine-tool industries. The aim is to obtain

three sector strategies and recommendations that Phare will be able to implement. The findings will also be used to open a Centre for International Competitiveness.

Public finance

Phare will support fiscal policy in three ways:

- further support to the tax-reform process
- support for the preparation, execution and control of the budget
- institution-building support to the Ministry of Finance in the form of information technology, training etc.

Insurance and investment funds

Support to strengthen this new industry will be provided at three levels:

- help for the preparation of legislation and support to the insurance supervisory board at the Ministry of Finance
- carrying out a sectoral study to define ways in which to provide direct support to insurance companies, almost certainly focusing on staff development
- support to develop the actuarial industry (there are only four companies at the moment).

Privatisation and restructuring

This component will cover three areas:

- support to privatisation in the form of institutional help to the Privatisation Agency, screening work and the drafting of privatisation plans
- support to newly privatised companies through an awareness campaign to educate shareholders, financial and corporate management training for entrepreneurs and the setting up of a Post-Privatisation Facility to channel support directly to this group of companies
- support to SKLAD in the form of restructuring assistance.

SME development

The aim is to carry on with projects begun in previous years, taking into account the SME development strategy that is being drawn up. The component will boost regional bodies able to provide SME support services on a regional basis. This component will be coordinated with the Maribor project and will also devote particular attention to the Gorenjska region. A national SME network must be set up for this and support will be available.

Agriculture

Phare will help the Ministry to set up a Policy Advisory Unit. It will have three tasks:

- to help the Ministry formulate policy
- to help the Ministry implement the agricultural component of the Europe Agreement
- to identify projects for future Phare support.

Implementation

The various implementation bodies are listed at the beginning of this summary. The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Slovenian Government will provide counterpart and support staff and facilities. It also undertakes to take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the European Commission through regular work reports provided by the recipients. Biannual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.

Support for the Centre for Competitiveness will only be available if the Government clarifies its objectives, organisation, funding and resources. The SME development policy must be established before the SME support component can start. The actual support for SMEs should be provided by local or regional institutions.



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