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ON

THE IMPLEMENTATION OF COMMUNITY ASSISTANCE
TO THE COUNTRIES OF EAST AND CENTRAL EUROPE (PHARE)
IN 1991

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PREAMBLE

Community assistance to East and Central Europe moved into its second year of operation in 1991. It was a year characterised on the one hand by continuity of effort to manage the transition to a market economy in most of those countries already benefitting from Community assistance. On the other hand, it was a year marked by the dramatic changes further east in what was the Soviet Union, by the gradual disintegration of Yugoslavia and by the fall of the old communist regime in Albania, the last domino in Europe.

The Community's programme of assistance, to which the name of PHARE¹⁾ has stuck (despite the inclusion of many countries other than the original Poland and Hungary) has evolved and adapted according to changing circumstances - starting up aid to Romania in January 1991, suspending aid to Yugoslavia in the Autumn, expanding humanitarian aid to relieve distress in various parts of the Balkans, and opening up economic aid to Albania and the Baltic countries at the end of 1991.

In parallel to PHARE, the Community expanded and diversified its other forms of assistance to East and Central Europe during 1991, including balance of payments support, food aid, access to EIB and ECSC loans. During the year too the Europe agreement negotiations were concluded with Czechoslovakia, Hungary and Poland. None of these matters are referred to in this report which focusses exclusively on measures covered by Regulation 3906/89, and has been drawn up in accordance with Article 10 of that Regulation.

This second report builds on information given in the first report which sought to explain some of the procedures and philosophy of the PHARE programme. It presents the general context of 1991 assistance, then covers decision making - first on economic aid measures including regional cooperation then on humanitarian aid. It looks at the implementation of both 1990 and 1991 measures, and then reviews three specific issues of particular interest - aid coordination, PHARE support for Privatisation, Restructuring and Private Sector development and the civic society dimension of PHARE.

1) Poland and Hungary aid for reconstruction of the economy.

I. GENERAL CONTEXT FOR EC ASSISTANCE IN 1991

1.1 Legal basis

Council Regulation 3906/89, as amended by Regulation 2698/90 of 17.09.1991, remained the legal basis for PHARE assistance throughout 1991 until 23 December when the Council agreed a further modification¹⁾ to extend the PHARE programme to Albania and the Baltic states, on the basis of the Commission's proposal of 04.12.1991²⁾ and following an Opinion³⁾ as well as an earlier Resolution of the European Parliament on the subject⁴⁾.

Though Romania was included under Regulation 2698/90 in the list of countries eligible for PHARE assistance, it was only at the end of January 1991 that the Council gave its approval to the effective implementation of economic aid for that country, after the G 24⁵⁾ had reported on a satisfactory evolution of the economic and political situation in Romania.

As regards Yugoslavia, the situation became progressively more difficult for the implementation of assistance in the second half of 1991. The Council decided formally to suspend PHARE (economic) aid on 08.11.1991, and then later on 02.12.1991 to authorise such aid to the "Cooperating Republics"⁶⁾. This decision, falling at the end of the financial year, did not in practice impact on the 1991 budget which was virtually fully committed at that stage.

1.2 Financial framework

The initial financial perspectives for 1991 foresaw a budget of 850 MECU. After various deductions, notably for the Community contribution to the EBRD, and adjustments to take account of the fact that the GDR would no longer be a PHARE recipient, the total PHARE budget was finalised by the Budget Authority at 785 MECU. This amount covered "mini-budget" appropriations of 25 MECU under budget line B8-760 as well as 760 MECU on line B7-600. In its commentary on line B7-600, the European Parliament suggested humanitarian aid of 20 MECU to continue action in favour of children in orphanages (see below section III.), and support of 30 MECU for cooperation in science and technology along the lines of the "Let's Go East" scheme envisaged in the Resolution of the Parliament of 10.07.1990 (see below notably point 2.4).

1) Council Regulation 3800/91 of 23.12.91, O.J. L 357 of 28.12.91.

2) O.J. C 313 of 04.12.1991.

3) O.J. (to be published).

4) O.J. C 280 of 20.10.1991.

5) Group of 24 countries whose assistance to East and Central Europe is coordinated by the Commission.

6) Bosnia, Croatia, Macedonia, Slovenia (Montenegro was added later).

1.3 Policy orientations

To complement the general guidelines for aid drawn up in 1990 in accordance with Article 8 of Regulation 3906/89, the Commission began to define in more detail its approach to PHARE programming 1991/92 towards the end of 1990, discussing informally with various interested parties.

Building on the initial experience of programming in 1990 (explained in the 1990 Annual Report), the Commission intended in 1991/92 to achieve a clear focus on the prime vocation of PHARE which is to support the process of transformation from a centralised command economy to one based on market forces. Hence the emphasis on "core" aspects of the reform process, notably the restructuring and privatisation of public enterprise, the modernisation of financial services, the promotion of the private sector and the development of labour market mechanisms. Reference was also made to other priority sectors, from infrastructure to human resource development, where reforms and restructuring would also be required to ensure economic recovery and balanced sustainable growth.

In addition to the notion of "core" areas, the concept of regional cooperation, already much discussed in 1990, was also given formal recognition in the new programming approach. While the bulk (75-85 %) of PHARE resources would be used for national programmes, the idea was that 10-15 % of resources over 1991/92 were to be reserved for cross national or regional projects involving at least two PHARE partner countries.

A synthesis of the developing ideas on programming in the form of draft general guidelines 1991/92 was discussed and given a favourable opinion by the PHARE Management Committee on 21.02.1991, and later on formally adopted by the Commission on 15.05.1991 (annex 2).

1.4 Programming

Informal programming discussions between the Commission services and the national authorities, represented by the Minister responsible for aid coordination, began already in Autumn 1990 in Poland and Hungary building on their experience of PHARE in 1990 and profiting from the presence of the newly established Commission delegations in those two countries. A flexible planning framework ("indicative programme") for 1991 PHARE assistance was agreed with the Hungarian authorities on 14.12.1990 and with the Polish authorities on 18.12.1990. Similar indicative programmes were prepared and agreed with the relevant authorities of the other recipient countries during the first half of 1991: Czechoslovakia on 31.01.1991, Bulgaria on 08.02.1991, Romania on 01.03.1991, Yugoslavia on 12.06.1991.

Unlike those negotiated under the Lomé Convention or the Mediterranean protocols, the PHARE Indicative Programmes, though sometimes taken mistakenly to be formal binding agreements with the Commission, are working documents indicating sector priorities and providing a useful frame of reference especially for the recipient countries to enable the more detailed work of project identification and appraisal to begin. The indicative programmes¹⁾, (excepting that of Yugoslavia which was never implemented) are summarised in tables 1 and 2.

1) Made available for information on request.

These indicative programmes need to be considered in the light of sectoral allocations already made under the 1990 budget. Hence, for example, provisions for SME support in Hungary and Poland were essentially topping-up on the 1990 programmes whereas in Czechoslovakia a completely new SME programme was foreseen complete with credit line. In Bulgaria and Romania, where the legislative and financial environment for a SME programme still had to be developed, a much smaller provision for SMEs was foreseen.

In all countries, the area identified as requiring the most significant assistance was enterprise restructuring and privatisation. Agriculture, SMEs and environment remained important, whilst other sectors - energy, transport, telecommunications as well as labour market policy - began to figure as areas requiring assistance for far reaching policy reforms. Perhaps unexpectedly, the health sector was given particular prominence by three countries. Education figured essentially in the form of allocations for participation in TEMPUS.

In two countries, instead of large sector reform programmes, provision was made for a general technical assistance facility covering a series of small inputs of preliminary technical assistance to several sectors. The detailed sector breakdown was worked out during the course of the year (see below point 2.2).

In all the indicative programmes, the national authorities and the Commission agreed specifically on the importance of promoting, in the context of aid programmes, the development of civil society through the involvement of intermediate non-state bodies, associations and organisations with a view to assisting in the overall process of economic and political reform. An explicit action in the field of civil society and civic dialogue, reported on more fully in point 5.2 below, was foreseen in the Polish indicative programme.

The programmes all indicated provisional cost estimates to be subject to subsequent finalisation on the basis of detailed specifications for each sector programme. They also foresaw a mid-term review. This allowed the Commission to take stock of progress in implementing assistance and in June 1991 to confirm commitment forecasts for the year.

As regards Yugoslavia, it became clear fairly soon after the 1991 indicative programme was agreed in June 1991 that conditions were not such as to enable project identification and appraisal to begin or to allow the agreed 1990 programme to be implemented. The only programme that could proceed was the Yugoslav participation in TEMPUS (6 mecu) since project submissions had already been received and processed in the first half of 1991. By the autumn 1991, it was necessary to make plans to reallocate the 59 mecu still earmarked for Yugoslavia in order to avoid the risk of non-committal at the end of 1991. A total of nearly 33 mecu was reallocated to the Humanitarian aid heading (cf. chapter III) so as to enable the Commission to respond positively to a range of unforeseeable urgent needs including the problem of refugees and displaced persons in Yugoslavia. The remaining 26 mecu was reallocated between various sectors where there were specific needs and where rapid commitment without special preparations was possible. These included the multidisciplinary facility, the environment and private sector in Poland, as well as an additional impetus at regional level for research and environment in response to the particular interest shown by the European Parliament in this matter.

II. 1991 MEASURES (economic aid)

2.1 Preparation and decision making

The total number of PHARE financing decisions on the 1991 budget was 75. This included 14 decisions under the heading of humanitarian aid in addition to 44 national sector programmes and 11 regional cooperation programmes, and also two global authorisation for small scale multidisciplinary actions. TEMPUS, which is part national part regional, was the subject of four separate decisions during the year.

The PHARE management committee met on six occasions and gave a favourable opinion on all financing proposals. In addition, its opinion was given by written procedure on one occasion for the urgent proposal (regional cooperation on nuclear safety) for technical assistance for the Kozlodui nuclear plant in Bulgaria.

Informal discussions and information exchanges with the management committee covered such issues as humanitarian aid, counterpart funds, tendering procedures, eligibility criteria etc. Most of these issues are dealt with under separate headings in this report.

2.2 National Programmes and Sectors

The national and sector breakdown of 1991 national programmes is presented in Tables 3 and 4. Table 3 also shows the pacing of decisions through 1991. Table 4 shows the sector breakdown in comparison with 1990. These tables illustrate how by 1991 all five recipient countries were using PHARE assistance in a broad, roughly similar, range of sectors. Poland and Hungary chose to build on actions started particularly in enterprise restructuring, SME support, environment and in agriculture. The other countries, necessarily late starters with PHARE assistance in 1990, also developed large scale programmes in all these sectors, establishing special programme implementation units (PIUs) in the line Ministries concerned, to manage the programmes according to the decentralised advance payment system described in the first Annual Report.

To simplify the organisation of initial technical assistance and training for a range of government authorities, both Czechoslovakia and Romania opted for a multidisciplinary framework decision to set up a general technical assistance facility (GTAF) managed from the centre. In the case of Czechoslovakia, a special team (PIU) was set up to manage the GTAF on the basis of an advance payment system. Table 4 includes a sectoral breakdown of these two general funds which in Table 3 are presented globally.

Quite apart from the GTAF, the pattern of national programmes in 1991 is very different according to sector, with very large scale global programmes in sectors such as enterprise restructuring, agriculture and environment contrasting with the range of separate small scale technical assistance programmes for policy reform in energy, telecommunications and transport. Within the social/employment and education/research sectors there is equally wide variety and sector proliferation, with large scale sector programmes for health and labour market restructuring contrasting with a range of small scale programmes of technical assistance and innovation such as the civic dialogue/NGO programme in Poland. It should be noted moreover that some of the social sector programmes foreseen during programming such as labour market development in Hungary and health restructuring in Bulgaria were postponed until 1992, giving way to the claims of those sectors where programmes could be finalised more rapidly.

In the education/research sector, the TEMPUS scheme continued to be the priority area for assistance. Though the major financing decisions were not taken until June 1991, in practice all the grant applications had been received much earlier in the year and analysis and evaluation by the TEMPUS office already well advanced. For further information on TEMPUS reference should be made to the separate report on TEMPUS 1990-91 produced by the Commission in February 1992¹).

2.3 Multidisciplinary measures

In addition to the sectoral programmes, a commitment of 10 MECU for "multidisciplinary technical assistance" was agreed in two successive tranches as in 1990. This is the enabling device giving a global authorisation to finance, within given parameters, small-scale operations such as feasibility studies and technical assistance without requiring a specific committee opinion and Commission decision on each operation. Of more than eighty separate contracted operations, fewer than 20 % were of more than 100.000 ecu in value.

In 1991, the multidisciplinary facility was used to finance much of the identification, appraisal and auditing work for sector programmes. Planning studies were also financed for instance for telecommunications, transport, business innovation and management training as were major industrial restructuring studies for the steel, armaments and pharmaceutical sector in Czechoslovakia.

The multidisciplinary facility was particularly useful to finance the first phase of assistance (1.5 mecu) to Albania on enterprise restructuring, SMEs and support for the Minister for Aid Coordination.

Certain small-scale projects were financed in this way including support for the new Centre for European Studies in Sofia as foreseen in the Bulgarian Indicative Programme 1991/92. Certain study trips and scholarships were also financed including stages in the Commission for Polish, Hungarian and Czechoslovak officials, and scholarships at the College of Europe.

1) SEC(92) 226 of 12.02.1992.

2.4 Regional Cooperation

The concept of regional projects involving preferably three or more countries eligible for PHARE assistance was developed gradually during the course of 1991 following the initiative of the Commission late in 1990 to establish a support programme for joint ventures with EC-based small and medium sized enterprise without making any predetermined subdivision between the East European countries concerned.

A similar rationale for regional projects - the indivisibility of assistance - was used to justify the financing of the technical assistance/management costs of the TEMPUS programme, which in 1990 had simply been divided on a 2:1 ratio between Poland and Hungary.

A different rationale for regional projects emerged during national programming when it became clear that several countries were interested in receiving the same kind of technical assistance and training in areas like customs and statistics modernisation and that this could be managed most effectively through a common delivery system. A similar reasoning was behind the standards/quality assurance programme developed in liaison with the European Standards Organisation (CEN/CENELEC) co-financed by EFTA, and the public administration reform programme (SIGMA) to be managed through the public management service (PUMA) of the OECD. Regional cooperation between the countries concerned will also be pursued in the context of these programmes though that is not the prime objective. (Table 5 gives an overall overview.)

The concept of joint or transfrontier projects was developed more specifically in the context of the regional environment programme, and the R&D infrastructure support project (COSINE), as well as in the recourse to regional funds to top-up national TEMPUS allocations by financing joint European projects involving two or more PHARE countries.

As well as giving their approval to these various programmes, the national aid coordinators were invited to put in their ideas and proposals for regional projects. In practice, however, there was little time for new project ideas to be thought through ab initio and the Commission was left to take much of the initiative on budget planning. In particular it turned to the regional funds in June to finance the emergency nuclear safety programme for Bulgaria after the deep international concern expressed about the Kozlodui plant, and to complement this with a smaller programme more specifically for Czechoslovakia.

The 1991 experience of regional projects was considered at length by the five national aid coordinators at their meetings in Brussels in November and December 1991. Seeking to shift the initiative eastwards in 1992, they agreed, with strong Commission support, to set up their own procedures for a more systematic regional programming process with a rotating annual chairmanship of one of the coordinators starting with Bulgaria.

III. HUMANITARIAN AID

A first priority for PHARE humanitarian aid in 1991 was to complete the financing of the emergency operation for children in Romania begun in 1990¹⁾ consisting on the one hand of crash heating and refurbishment assistance for orphanages and a medico-nutritional support action on the other (7.8 mecu). Preparations were also made for a follow-up programme (12.2 mecu) for further refurbishing of orphanages particular for sanitation facilities and assistance to the government to develop a medium-term strategy focussing on staff training and alternatives to institutional care. This brought to 20 mecu the aid for Romania in this sector as requested by the European Parliament.

The remaining amount available for PHARE humanitarian aid within the ceiling of 5 % of the total PHARE budget as agreed by Commission and Council in 1990, was immediately earmarked for urgent assistance for basic medical imports to Bulgaria and Romania, both of which were facing dramatic constraints of foreign exchange. Identification missions were organised in liaison with the WHO. The 10 mecu operation for Romania was organised by a European level procurement agency, liaising with the technical assistance team already supervising the medico-nutritional programme. In Bulgaria, the 10 mecu operation was handled by two NGOs who established a network of local pharmacists on the spot to supervise distribution and sale. Counterpart funds deriving from receipts from sales of drugs were established in both countries in accordance with the general protocols agreed with the Commission (see below point 4.4)

As 1991 progressed, it became increasingly clear as a result of a sequence of unforeseeable events that additional humanitarian assistance was required - first the floods in Romania, secondly the events in Albania, then later the civil war in Yugoslavia, crop failures in Romania and the interruption of energy supplies in Bulgaria following the emergency closure of one of the Kozloduy nuclear reactors. In order to make an adequate response the Commission had to exceed the indicative 5 % ceiling (this was later formalised with the Council and raised to 10 % on the occasion of the adoption of the second amendment to Regulation 3906/89 - see above point 1.1). A series of additional humanitarian aid operations were financed on this basis using resources originally earmarked for the Yugoslav national economic aid programme which were in effect progressively reallocated as and when urgent needs arose (see above point 2.1). The final total of PHARE humanitarian aid 1991 came to 72.7 mecu. The overview of humanitarian aid in 1991 is given in Table 6.

1) Points 4.1 and 4.2 of the 1990 Annual Report.

IV. IMPLEMENTATION OF 1990 AND 1991 MEASURES

Once the financing decision has been taken, the normal procedure as explained in the 1990 Annual Report is for a financing memorandum to be signed by both the Commission and the Implementing Authority, usually the line ministry in the country concerned, specifying the respective responsibilities for management of both parties. As a general rule the use of decentralised implementation systems continued in 1991 with line ministries being required to set up programme management units, designate an authorising officer, open a bank account and draw up a detailed work plan and cost estimates for the first six months.

To speed up this necessarily rather slow start-up period, various improvements and innovations have been made during 1991. Where possible, given existing contracting procedures, greater continuity of technical assistance was achieved, by supplying some "bridging" assistance beyond the finalisation of the initial programme proposal, and by advancing as far as possible the tendering for long-term assistance.

4.1 Tenders and Contracts

In accordance with Commission Regulations Technical Assistance contracts are normally awarded after restricted invitation to tender, i.e. on the basis of a selection of a limited number of firms (shortlist) which are asked to submit a proposal. The criteria for the final choice rely strongly on quality and to a lesser extent on price. For smaller TA contracts (below + 50,000 ECU) the contract can be negotiated by direct agreement. Only for supply contracts, of which there are not very many under PHARE (see table 7), there is an open invitation to tender in the Official Journal of the EC.

All contracts can be awarded under either of two different implementation systems used by PHARE:

- the direct implementation where contracts are awarded and managed from Brussels on behalf of the recipient countries;
- the decentralised implementation system where contracts are approved and managed under a "work programme/advance payment" system by the recipient country.

Under both systems the same procedures have to be used, and under the decentralised implementation system the Commission monitors the respect of these procedures by the recipient institutions.

Since data on contracts awarded under decentralised implementation reach the Commission only with some delay, the information given in the table below is still essentially based on contracts awarded under the direct implementation system. They show that about 550 contracts have been awarded in 1991 of which less than one half were awarded after restricted tendering. Over one half, being smaller TA contracts, have been awarded without formal tendering.

It is difficult and somewhat misleading to give a breakdown by nationality. The table below attempts to do this for contracts awarded from Brussels. In an international market many firms operate from several countries, and international partnerships are frequent among consultancy firms, with whom PHARE does most of its business.

For this reason a large share in the table below is taken up by "international organisations", "other" or "unclassified" by nationality. Simplifying assumptions have been made for the rest which may also somewhat distort the picture. It should finally be borne in mind that these contracts do not include those awarded under the decentralised implementation system. Information on these contracts will be available only later and may substantially change the picture.

With these reservations, one should read the table with much caution. Still, it seems that during 1991 Belgian and French firms have been doing exceptionally well, while Italy, Spain, Portugal and Greece are scoring low. The Commission is following the situation, and figures will be completed and updated regularly.

REGARDING CONTRACTS SIGNED IN 1991

1. No. of cases : 546 contracts
2. Total volume of contracts : 214,992,383 ECU
3. National % in terms of volume :

COUNTRY	ECU	in %
Belgium	26 129 213	12.2 %
Germany	1 628 552	5.4 %
Denmark	4 756 206	2.2 %
Spain	2 572 100	1.2 %
France	35 445 399	16.5 %
Greece	116 634	0.1 %
Ireland	2 608 803	1.2 %
Italy	5 774 584	2.7 %
Netherlands	14 276 395	6.6 %
Portugal	30 840	0.0 %
United Kingdom	15 920 379	7.4 %
PHARE countries	700 754	0.3 %
Int. Org. & Others	63 515 193	29.5 %
Unclassified	31 517 331	14.7 %

TOTAL	214 992 383	

In late 1991 the Commission started to create a new single consultancy register which will include all firms and experts expressing an interest to work under PHARE and the CIS programmes and which is specially tailored to the needs of these programmes. A standardised database is being developed which we hope will be universally used in all Programme Implementation Units in the recipient countries and which will facilitate reporting and monitoring of all contracts and financial data.

The Commission created a small general information service which is available for interested consultants who seek advice on how to become involved under PHARE programmes.

We hope to gradually improve this service so consultants can obtain more focused information on upcoming contracts.

4.2 Payments

At the end of 1991 the disbursement rate on 1990 programmes was 61 % on average (an overall view of disbursements is given in table 8). The disbursement rate was particularly high on TEMPUS and on Humanitarian Aid (97 % and 94 % respectively), which can be explained by the specific character of these programmes. TEMPUS limits commitments to annual grants which are then renewed year by year.

Within the global figures for disbursement, the largest single item is national programmes (exclusive of TEMPUS), which showed a disbursement rate of 52 %. Included in this figure are some rather quick disbursing import programmes which were among the initial PHARE activities in Poland. Taking into account the multi-annual character of the typical nation (and regional) PHARE programmes, a disbursement rate of 52 % is quite satisfactory. The typical life cycle of these programmes requires a certain lead time for preparation before funds can be committed for contracts and disbursements can be made during contract execution over several years. This explains why disbursements increase considerably in the second year, as the table demonstrates.

These typical characteristics of the programme life cycle also explain why disbursements on 1991 national and regional programmes were still low at the end of that same year (8 % for national programmes). Most programmes had only been approved and finalised in the second half of the year, and the bulk of disbursements can only be expected to start in the next year. High rates of disbursement on 1991 programmes were, of course, achieved for TEMPUS, for the humanitarian aid supply operations agreed early in 1991, and for the two supply programmes for Romania for agricultural inputs and basic drugs.

One particular aspect of the PHARE implementation system is reflected in the table under the heading of "Advances to PIU's" i.e. to Programme Implementation Units. These advances account for 35 % of 1991 disbursements on 1990 and 1991 national programmes.

They refer to the decentralised implementation procedure, under which the recipient countries are given a share of responsibility for execution. The recipient institution in charge (PIU) receives an advance payment based on an estimated work plan and budget for the six month period ahead. This advance enables the PIU to conclude contracts and to make payments, provided certain Commission approvals are given.

While this implementation system is very desirable because it shifts responsibility increasingly to the PHARE recipients, it also takes more time to set up the local units including the EC technical assistance which usually lead to accelerate disbursements once the local institutional capacity has been established, which is usually only in the second year of the programme cycle.

4.3 Monitoring and Evaluation

Under the decentralised implementation system the Commission agrees with the recipient institution on a business plan ("work programme") in advance for a six months period. The work programme lists all the steps and measures to be undertaken during this period, and estimates their cost. Once the work programmes is agreed by the Commission, this cost is then advanced to the implementing institution to enable it to actually execute the work programme and pay for it. For this purpose we usually agree with the recipient institution to designate a local team that is in charge of the implementation ("Programme Implementation Unit"), including the Head of that team who has special authority to make decisions and to spend PHARE money. In many cases this team is assisted by consultants from the EC to help them with the implementation of the programme. So under the decentralised system it is this team that has to award all contracts and make all payments.

At the end of 1991 the Commission had in 7 cases made a second advance payment under the decentralised implementation system. That means in 7 cases a progress report for the first 6 months period of implementation and a 2nd work programme for the next 6 months period had been received.

As the decentralised implementation system is reaching its cruising speed the Commission will monitor its functioning. From the first cases we have learned that a more systematic concept is needed for the monitoring of implementation under work programmes. We need to build up a stronger advisory capacity at headquarters so we can reach out to the implementing institutions and assist them, especially with the procedures for awarding contracts and with financial management.

We intend to standardise to some extent the flow of information, the presentation of work programmes and of progress reports so they are mutually compatible and easy to monitor.

In the longer term we hope to have an evaluation system which in addition to the monitoring of implementation, procedures and financial aspects will tell us about the actual impact of the programme in reaching its intended objectives. This is a much more demanding proposition, and its feasibility is being examined since late 1991 by PHARE in conjunction with a team of specialised consultants. Ideally the evaluation system will be based on the "logical framework" method and will deliver indicators of project achievements to the implementing institutions and to PHARE task managers.

Monitoring and controlling functions are, of course, also assumed by the Financial Control department of the Commission, who visited Poland, Hungary and Czechoslovakia in 1991 and by the Court of Auditors who also visited these three countries and who report annually to the European Parliament about their findings.

4.4 Counterpart Funds

Following the model established with Poland in 1990¹⁾, agreements were drawn up with the governments of Albania, Bulgaria and Romania for the management of counterpart funds generated from the sale of products supplied in the context of PHARE-financed import programmes.

For Albania, counterpart funds will be collected following the sale of breadmaking wheat and medicines supplied in the context of 1991 humanitarian aid. For Bulgaria, both the medical and energy import programme financed in 1991 as humanitarian aid give rise to counterpart funds to be managed by the Ministry of Finance, together with receipts from the 1990 agricultural inputs programme. In Romania, the Counterpart Fund which is managed by the Romanian Development Agency includes receipts from early non-PHARE food aid operations (used to co-finance the programme for children in orphanages) and will also collect receipts from the three 1991 supply programmes (agricultural, agro-industry and transport) as well as the humanitarian (medical) and food aid operations.

In all three cases, the responsible national authority is due to prepare an indicative programme for the allocation and disbursement of counterpart funds over an initial period in 1992 in accordance with the principles of the Memorandum of Understanding each has agreed with the Commission.

In Poland, the counterpart funds generated from the programme of sales under the 1990 agriculture supplies have been collected and banked over the course of 1991 and managed by the Cooperation Fund. Disbursements until now have been authorised on an ad hoc basis essentially for minor costs connected with aid coordination and management. Extensive discussions have been held during 1991 with the Minister responsible for Aid Coordination regarding the indicative programme for the use of counterpart funds in accordance with the Memorandum of Understanding signed in December 1990. An outline 4-month programme was agreed by the government in December 1991 which, apart from providing complementary resources for existing PHARE programmes, will be used to finance various measures connected with the development of European studies in Poland. At end 1991, the counterpart funds amounted to 40 billion PLZ (about 30 mecu).

1) Point 2.6 of 1990 Annual Report.

V. SPECIFIC ISSUES

5.1 Aid Coordination

As explained at length in the 1990 Annual Report, aid coordination has been a major preoccupation for the Commission since the beginning of the PHARE programme. During 1991, it has continued its efforts to achieve complementarity of aid, particularly by assisting the national authorities which are recipients of aid to establish a coherent policy framework within which the efforts of various donors can be situated.

Table 9 attempts to summarise the types of aid coordination which have taken place during 1991. This makes clear that there is great variety in the nature of coordination but that some form of coordination is evident in all sectors, indeed for most programmes. Though the key partner is very often the World Bank, a great variety of other bilateral and multilateral bodies have been involved.

Cooperation with the World Bank, and, depending on the sector, with EIB and EBRD, continues to be of great importance, given the need to ensure convergence of advice and ideas on medium-term policy objectives and a clear division of labour regarding long term technical assistance, feasibility studies etc. This has been the case particularly with regard to privatisation and enterprise restructuring, to environment, health and certain infrastructure sectors.

Clearly the more donors interested in a particular sector/country, the more scope there is for setting up specific coordination mechanisms most often situated within the relevant national Ministry or implementing agency, sometimes based on a PHARE financed Programme Implementation Unit. A striking example of this is the Hungarian SME programme, managed by the Hungarian Foundation for Enterprise Promotion, which has succeeded in creating a "pole of attraction" for donors and a coordinated framework within which bilateral donors have been able to sponsor individual local enterprise agencies across the country.

A similar process of aid coordination has been carried out by the Polish Foundation for the Support of Local Democracy which channels a range of bilateral support down to the regional network of local government training centres.

Given the small size and limited flexibility of much G24 bilateral aid, it is, generally speaking, much easier to associate these donors once a PHARE sector programme has started up, set up its programme implementation unit and established a plan of work. A very precise division of labour can then be defined taking account of the sometimes highly specific nature of a bilateral input for instance in the form of specialised expertise, training seminars, study visits etc. For this reason, Table 9 can give only a very preliminary view of aid coordination implications of the programmes referred to. As implementation proceeds, there is a high chance that other G24 assistance will become associated with the various PHARE programmes launched in 1990 and 1991.

Co-financing in the form of a common fund remains extremely rare, precisely because of the different constraints, particularly as regards procurement, that donors place on their assistance (including the EC).

One very interesting example however of a co-financed programme is the regional programme on industrial standards which is co-financed by EFTA in the proportion 14 % EFTA 86 % EC and is implemented by CEN (the Comité Européen de Normalisation) which is made up of the national standards institutes of the Twelve and the EFTA countries.

A different form of co-financing is implicit in the TEMPUS programme, in the sense that grants for JEPs rarely cover the full cost of the projects and the EC universities themselves usually make up the difference. Universities in non-EC countries also participate in JEPs. As regards Youth Exchange projects under TEMPUS, only 50 % of the EC participation costs is paid through TEMPUS, which automatically implies a form of co-financing whether through public bilateral aid or other sources.

5.2 Privatisation, Restructuring and Private sector development

The restructuring and privatisation of state enterprises and the complementary development of the private sector is central to the process of economic reform in Central and Eastern Europe, and thus a major area for PHARE assistance in 1991.

For restructuring and privatisation the initial measures undertaken in 1990 in Poland and Hungary focussed primarily on strengthening the institutions managing the process (the SPA in Hungary, the Privatisation Foundation - later Ministry in Poland) and some in-house expertise. In 1991 these were extended into major medium-term sector programmes, covering mainly technical assistance, training and preparatory work related to restructuring and privatisation (diagnostic studies, enterprise evaluation, sector studies, privatisation advisory services, training, privatisation transactions). Similar programmes were financed in the CSFR, Bulgaria and Romania. The contents of the individual programmes were tailored to the particular requirements of the countries concerned, based on their policies, strategy and the stage reached in the reform process. In Poland, Hungary and the CSFR the basic policy and legal framework were largely established prior to or during 1990. PHARE support in these countries therefore comprised expertise to review methodology and procedures, and assist in managing the restructuring and privatisation programme, and funds for staff training and financing the enterprise or sector related studies and consultancy referred to above. In Romania and Bulgaria assistance also covered policy formulation, legislation and methodology, in addition to the operational activities indicated earlier. Given their relatively late admission to PHARE, some specific advisory services and studies were financed in 1991 for Albania and the three Baltic republics, aimed at providing the basic policy and legislative framework, with the intention of building on these for a larger programme of assistance in 1992.

As an indication of the operations undertaken in 1991, in Poland financing was provided for long-term advisors (including for mass privatisation and legal issues), for 21 enterprise evaluation and several sector studies (component industry, packaging, cement industry), for major restructuring operations and privatisation transactions (ORBIS, FSM URSUS). In the CSFR sector studies were financed for the pharmaceutical and steel industry, and armaments reconversion, with long-term advisory services for screening potential enterprises for privatisation. In both Bulgaria and Romania assistance was provided for review of basic legislation, policy and the institutional structures required to manage industrial restructuring and privatisation. In

Bulgaria. some sector studies and major privatisations are under consideration. In Romania assistance was provided for setting up the ownership structure for state enterprises (State Ownership and Private Ownership Funds) and finalising the arrangements for distributing 30 % of state assets to the public through share certificates, for restructuring studies of major state enterprises (electricity distribution underway, with steel and petrochemicals under preparation) and for 10 pilot privatisation projects. In addition, in Hungary, direct support to the process of industrial restructuring was under preparation in the form of equity financing for a Restructuring and Privatisation Investment Company (RPIC), which would have the task of taking over selected state enterprises with a view to turning them into profitable entities prior to sale.

The above operations were carried out in cooperation with other donor organisations notably the EBRD and the World Bank. A total of nearly 150 MECU were committed to these specific activities in 90/91 (excluding Yugoslavia).

Measures aimed at promoting foreign direct investment, a vital element in the development of the private sector and essential to the success of privatisation, were also supported in 1991. A major programme of investment promotion and export development was approved for Hungary, covering policy and strategy formulation, institution building and proactive promotional operations (identifying potential investment opportunities and targets, marketing, in-ward and outward missions, and investment seminars). For the CSFR, Bulgaria and Romania, the basic preparatory work was carried out during 1991, with a view to financing substantive operations in 1992, with a similar operation started in Albania.

The growth of a strong SME sector is also an important element of the reform process, as it provides employment opportunities for manpower displaced by restructuring, as well as contributing to the creation of a competitive market oriented economic environment. The rapid increase in small privately owned small enterprises has been one of the characteristic features of the reform process in Central and Eastern Europe. Measures to support the development of SMEs were therefore continued and expanded in 1991. Major sector programmes had already been approved for Poland and Hungary in 1990, and extensions of these were made in 1991. New programmes were instituted for the CSFR and Bulgaria, with one for Romania expected in early 1992. A pilot project was financed in Albania, with an extension anticipated in 1992. A substantial part of these programmes covers the creation and strengthening of a network of local enterprise agencies or business centres to provide basic advisory services to small businesses, including training, information, general support, and reinforcing national or local SME institutions. The second main element covers the provision of finance either in the form of two-stage loans through selected banks or credit guarantee schemes. Support is also normally provided to strengthen the capacity of the banks concerned to process credit for small businesses, including staff training, standard documentation and procedures. In certain cases, notably Bulgaria, Romania and Albania, support is also being provided for SME policy formulation, basic institutional structures, and legislation where appropriate. A total of 95 MECU were committed to this sector in 90/91.

Finally a modern banking and financial sector is essential if the market economy and the emerging private sector are to operate effectively. For this reason PHARE is supporting banking reforms in the countries of Central and Eastern Europe aimed at the establishment of a two tier system, with a separation between a Central Bank as a monetary and regulatory authority and commercial banks offering the normal range of services to clients. The support includes technical assistance for policy and institutional strengthening, bank audits, evaluation, training. Finance is also being provided in the field of accounting, auditing, taxation, insurance and capital markets to cover inter alia policy, the legal and regulatory framework, standards and procedures and information systems. Particular attention is being paid to compatibility with Community standards and regulations. A total of 53 MECU was committed to these activities in 90/91. In designing these programmes close cooperation has been maintained with the other major donors involved.

5.3 Civic Society dimension

All the Indicative Programmes for 1991 PHARE assistance contain a commitment to take account, in both the preparation and implementation of PHARE programmes, of the need to enhance the role of non-state bodies, such as small business associations, trade unions, professional associations and other non-governmental organisations (NGOs). This commitment reflected the growing acknowledgement, by recipients and donors alike, that without a thriving independent non-state sector or "civic society", neither economic nor political reform could fully succeed. The strengthening of civic society, as an integral part of the process of policy reform, has thus gradually become a regular feature of many PHARE programmes.

Direct support to NGOs to act as instruments of policy implementation figures particularly in PHARE sector programmes concerning SMEs, environment, social and employment policy. In all the SME programmes, for instance, key importance is attached to the strengthening of intermediary bodies, such as chambers of commerce, and small enterprise associations, to serve as relays and multipliers of technical support towards individual entrepreneurs. In the various environment sector programmes, there is also a developing role for NGOs to be involved in organising environmental education and awareness-raising activities, working in partnership with the public authorities. In the field of social policy reform, where the emphasis is on decentralisation and promoting self-help, NGOs are encouraged to become active agents of social welfare in the place of the state. This is the focus of the 1990 social welfare programme in Hungary and a key component of the 1991 SED programme in Poland which aims to strengthen and professionalise NGOs. The same Polish programme, together with the 1991 labour market programme for Bulgaria, also put emphasis on local employment initiatives bringing local authorities into partnership with local NGOs, employers and trade unions.

A very different kind of direct support for initiatives from outside the public sector is the grant aid for joint projects in the context of the TEMPUS and ACE programmes for cooperation in higher education and in economic research. The initiative in these cases lies with individual university departments or institutes, which, though they may not have the same kind of autonomy as NGOs, usually have considerable independence of action (depending on progress in higher education reform) making them an important constituent of civic society.

The most significant PHARE initiative concerning civic society in 1991 has been the 3 MECU Polish "Civic Dialogue" programme foreseen explicitly by the Polish government in the 1991 Indicative Programme, and prepared during the course of 1991 by means of extensive debate with Polish NGOs to ascertain needs and priorities. The resulting programme, as agreed end 1991, aims to strengthen the role of NGOs generally and their participation in Polish society and economic life. It provides project grant aid, together with support for training in management, public relations, fund raising and for improving the legislative framework for NGOs. One aim of the programme is to prepare for a national NGO agency representative of the Polish NGO community. This agency would take over management of the Civic Dialogue programme which is temporarily in the hands of the Cooperation Fund, an independent foundation attached to the Polish Bureau for Foreign Assistance.

Independent foundations, in so far as they already exist, are frequently chosen to have implementing responsibility for PHARE programmes, in preference to Ministries or government bodies which tend to have less flexibility and which may have no specific technical competence in the area of activity in question. Examples include the Hungarian Foundation for Enterprise Promotion, which manages the PHARE SME programme; the Polish Telephones Foundation, which manages the rural telecommunications programme; the Hungarian Foundation for Local Social Networks which runs the social welfare programme; the Polish Foundation in Support of Local Democracy and the Czech and Slovak Associations of Municipalities all of which manage the local government support programmes. Specific components of PHARE programmes may also be contracted out or managed in close liaison with NGO partner bodies such as the Bulgarian Union of Private Farmers or the Hungarian Association of Vocational Training.

Support for civic society is a two-way process. In so far as independent bodies exist and can demonstrate a sufficient degree of representativity and technical competence, PHARE programmes can frequently provide them with an opportunity to take over some operational responsibilities, giving them further technical and administrative support in the process. A different type of relationship with NGOs may also be developed, focussing on dialogue and consultation by government. Such is the case for instance in the modernisation of policies on energy and telecommunications where the views of consumers have to be considered with particular care. Advisory committees or steering groups to represent consumer interests are thus foreseen in the context of the relevant PHARE programmes.

Similarly, in the context of training and employment policy, the involvement of trade unions and employers associations is built into the Hungarian and Czechoslovak labour market reforms. In the CSFR for instance, a tripartite Labour Market Advisory Council will oversee the implementation of the 1991 PHARE programme. In other areas of activity supported by PHARE in CSFR, such as the industrial restructuring studies and work on a new wage determination system, consultation procedures with trade unions and employers are relatively well established and could well provide an example elsewhere.

VI. COMMISSION ORGANISATION

During 1991, the work load of the PHARE Operational Service (PHOS) more than doubled, its tasks including the implementation and follow up of 1990 measures amounting to 500 mecu, together with the planning, preparation and implementation of 1991 measures amounting to 775 mecu. A large "mini-budget" of 10 mecu was used for a variety of staffing and equipment requirements connected with PHARE assistance and aid coordination.

Though still far from commensurate with the work load, staffing of PHOS increased during 1991 as follows:

	end 1990	increase during	end 1991
a) <u>Officials</u> (all grades incl. secretarial staff)	35	3	38
b) <u>Non-statutory staff</u> (all grades incl. secretarial staff)	9	36	45
Total	44	39	83
	—	—	—

Staff is organised into four units essentially on sectoral or functional lines:

1. Agriculture; environment; infrastructure (energy, transport, telecommunications); nuclear safety.
2. Enterprise restructuring and privatisation; SMEs; investment promotion; banking and financial sector development.
3. Employment, social policies and health; public administration and infrastructure (customs, statistics ...); humanitarian aid and NGOs; country coordination and programming.
4. Administration and finance; secretariat of the PHARE management committee.

A small information unit was also created during the year.

As indicated in the 1990 report, in spite of substantial recruitment of additional non-statutory staff on a temporary basis, constraints on staffing levels and the deteriorating proportion of statutory officials within the total staff have been a major preoccupation, compounded by major problems regarding office space (exacerbated by the Commission's requirements for new premises to replace the Berlaymont building).

VII. PERSPECTIVES FOR 1992

The 1991 financial year has been particularly satisfactory from the point of view of the growing understanding and expertise of the national authorities in the recipient countries about foreign assistance in general and PHARE in particular. Their capacity to plan and manage assistance will to a very large degree determine the overall effectiveness of PHARE. It will also reflect to a large extent their capacity to manage national policy reforms more generally. For these reasons, continuing attention and support will need to be given to institutional development - technical assistance and transfer of management skills linked with specific programmes but also more generally for structural reform and training of public administration at both national and local level.

The 1991/92 policy orientations and general guidelines will undoubtedly remain valid in 1992 but with growing differentiation between countries. The newly eligible countries will require technical assistance in a broad range of sectors, including policy and the setting up of the legislative, institutional framework required for a market economy. Others, that are either well into or have passed the initial stage of structural adjustment covering price and trade liberalisation and macro-economic stabilisation, will need more flexible forms of assistance tailored to the needs of the more complex and longer-term stage aimed at the restructuring of production capacity and rehabilitation of essential infrastructure. This could include measures to stimulate and mobilise private investment, more direct assistance to enterprises being restructured to contribute to their reorganisation and initial capital costs, and in the case of countries most seriously affected by the process of adjustment appropriate import support programmes in the initial period. In some cases this may require a regional focus.

After a first year of regional cooperation, special efforts will be made to enable the recipient countries to play a more active role in planning and managing regional programmes, building on the agreement reached at the meeting in December 1991 of the national aid coordinators.

Continuing uncertainty, notably in connection with the troubled dismantling of Yugoslavia, will require great flexibility from the PHARE programme. As in 1991, economic reform and restructuring has to remain the principal vocation of PHARE, with humanitarian aid being used if possible only for essential relief and welfare measures for target populations rather than for large scale import supply programmes.

Despite calls from some quarters for rapid disbursement of PHARE funds, appropriate only in the case of import programmes and short term grant schemes such as TEMPUS, PHARE will need to continue its focus on medium-term policy objectives, which entail multiannual programmes of assistance and investment and decentralised management.

A gradual shift away from technical assistance is to be expected, as absorption capacity for this form of aid diminishes and needs develop for other forms of grant assistance to support the process of policy implementation and to promote investment in the private sector. Patterns of PHARE assistance may thus change, with growing emphasis - building on experience gained in 1990-91 - on the development of local training capacity on promotional schemes for innovation and local initiative, on targetted support for regional development and SMEs, on incentive schemes for energy saving and environmental investment...

Mechanisms for delivering PHARE assistance may also need to be adapted, to simplify and further decentralise administration and enhance management capacity in the recipient countries, whilst at the same time improving the Commission's role in monitoring and evaluation of assistance.

TABLE 1

SYNTHESIS OF NATIONAL INDICATIVE PROGRAMMES 1991/1992

	MECU
<u>BULGARIA 1991/92 (2 year forecasts)</u>	
Enterprise restructuring, privatisation and promotion of the private sector	30-40
Accompanying technical assistance measures and other priority activities	10-15
Agriculture	40
Energy	10
Environment	15
Health care	30
Human resources (TEMPUS and ACE)	8-10
 <u>CZECHOSLOVAKIA (1991)</u>	
<u>I. Key areas for the reform of the economy</u>	
Restructuring and privatisation of public enterprises / phase I	20-25
Development of SMEs	20-25
Labour market restructuring	15
 <u>II. Other priority sectors</u>	
Environment and energy / phase I	8-10
Telecommunications	10
Human resources	5
 <u>III. General Technical Assistance Facility</u>	 10-15
 <u>HUNGARY (1991)</u>	
<u>Economic Restructuring</u>	
Enterprise restructuring and privatisation (phase I) including Agriculture	40-50
Labour Market restructuring (phase I)	10-20
Accompanying measures	5-10
 <u>Sustainable Development</u>	
Trade infrastructure and promotion customs computerisation, Investment and trade promotion	10-12
Higher education and research TEMPUS / ACE	12
OFMB research linkages	5-10
Environment (complement to existing programme)	5-10
Energy (phase I)	5
Provision for other technical assistance	8

TABLE 1 continued

POLAND (1991)

I. Core areas for the reform of the economy

Restructuring of enterprises, demonopolisation and privatisation	50
Financial sector	16
Unemployment and labour	18
Private sector development	6

II. Sectoral development needs

Agriculture	15-25
Education	15
Civic society	12
Environment protection	30-40
Healthcare system	20
Energy, Transport and Telecommunications	10

Reserve for above programmes 8

ROMANIA (1991)

General technical assistance	15-20
Sector import programmes (agriculture, agro-industry, transport and health)	50-70
Human Resources	8-10
Reserve	7-10

TABLE 2

PROVISIONAL BREAKDOWN BY SECTOR OF MAJOR NATIONAL PROGRAMMES (1)
1991/92 FORESEEN ACCORDING TO INDICATIVE PROGRAMMES.

	COUNTRY	AMOUNT (M.ECU)
<u>ECONOMIC RESTRUCTURING</u>		
Enterprise restructuring/privatisation	P	50
Enterprise restructuring/privatisation	B	30 - 40
Enterprise restructuring/privatisation	CS	20 - 25
Enterprise restructuring/privatisation	H	40 - 50
Financial sector	P	16
SME	P	6
SME	CS	20 - 25
<u>AGRICULTURE</u>		
Import/sector programmes	R	34
Import/sector programmes	B	40
Import/sector programmes	P	15 - 25
<u>INFRASTRUCTURE</u>		
Energy, transport, telecommunications	P	10
Transport	R	9
Energy	B	10
Energy	H	5
Energy and telecommunications	CS	10 - 15
Statistics, customs, standards	ALL	(15)
Customs/trade promotion	H	10 - 12
<u>ENVIRONMENT</u>		
Environment	P	30 - 40
Environment	B	15
Environment	CS	5
<u>HUMAN RESOURCES</u>		
Education (TEMPUS etc .)	ALL	(56)
Labour market/training	CS	15
Labour market/training	P	18
Labour market/training	H	10 - 20
Health	R	25
Health	P	20
Health	B	30
Science and Technology	H	10
ACE (economic research)	ALL	(5)
Civic Society	P	12
<u>DIVERSE TECHNICAL ASSISTANCE</u>		
	H	10 - 15
	R	22
	B	10 - 15
	CS	10 - 15

(1) Not including Yugoslavia.

SCHEDULING OF FINANCING PROPOSALS (NATIONAL PROGRAMMES)
ON 1991 BUDGET

COMMISSION DECISIONS	24/04	19/06	17/07	09/10	27/11	17/12	TOTAL
COUNTRY/SECTOR							Mio ECU
BULGARIA	23.0	15.0	25.0	9.5	2.5	0.0	75.0
Enterpr restructur SME	20.0						20.0
Telecom	3.0						3.0
Financial sector		10.0					10.0
Tempus		5.0					5.0
Private agriculture 2			25.0				25.0
Energy				2.0			2.0
Environment 2				7.5			7.5
Labour					2.5		2.5
HUNGARY	3.5	70.0	31.5	0.0	9.0	0.0	114.0 (1)
Nat firm registr/inform syst	1.5						1.5
Transport	2.0						2.0
Energy		5.0					5.0
Enterpr restruct & privatisation		40.0					40.0
Restructuration agriculture 2		13.0					13.0
Tempus		12.0					12.0
Customs			8.0				8.0
Environment 2			10.0				10.0
Investment promotion			5.0				5.0
Science & technology			5.0				5.0
SME 2			3.5				3.5
Financial sector					9.0		9.0
POLAND	7.0	84.0	46.0	3.0	34.0	23.0	197.0
Telecom	5.0						5.0
Transport	2.0						2.0
Agricultural/rural TA 2		17.0					17.0
Enterpr restruct & privatisation		50.0					50.0
Municipal development & training		3.5					3.5
Tempus		13.5					13.5
Environment 2			30.0		5.0		35.0
Fin sect + Polish Dvlp Bank			16.0				16.0
Energy				3.0			3.0
Health					20.0		20.0
NGO's					3.0		3.0
Private sector dvlp (sme.inves. exp....)					6.0		6.0
Education						1.0	1.0
Labour						18.0	18.0
Public administration OMEGA						4.0	4.0
ROMANIA	25.0	35.0	22.0	0.0	18.0	0.0	100.0
Agric (supply)	25.0						25.0
Health		25.0					25.0
Tempus		10.0					10.0
Technical Assistance Fund			22.0				22.0
Agro-industry (supply)					9.0		9.0
Transport (supply)					9.0		9.0
CZECHOSLOVAKIA	20.0	15.0	25.0	24.0	15.0	0.0	99.0
Technical Assistance Fund	20.0						20.0
Telecom		6.0					6.0
Tempus		9.0					9.0
Energy			5.0				5.0
SME			20.0				20.0
Environment 2				5.0			5.0
Enterpr restruct & privatisation				19.0			19.0
Labour					15.0		15.0
YUGOSLAVIA	0.0	6.0	0.0	0.0	0.0	0.0	6.0
Tempus		6.0					6.0
TOTAL NATIONAL PROGRAMMES	78.5	225.0	149.5	36.5	78.5	23.0	591.0

(1) The final commitment figure for Hungary was 115 mecu as a result of a 0.5 mecu commitment delayed from 1990 and a 0.5 commitment advanced on 1992.

TABLE 4

Sector breakdown 1991 compared with 1990

		1991	1990
1. <u>Economic Restructuring / private sector development</u>			
ALB	Enterprise restruct/SME**	(1.0)	
BLG	Enterprise restruct/SME	20.0	
HUN	Enterprise restruct/privatisation	40.0	5.0
	Nat. firm registrat.	1.5	
	SME	3.5	25.0
	Investment promotion	5.0	
POL	Enterprise restruct/privatisation	50.0	13.0
	Private sector (SMEs)	6.0	21.0
	Investment promotion		2.0
ROM	Privatisation/restructuring*	4.9	
CZ	Enterprise restruct/privatisation	19.0	
	SMEs	20.0	
	Investment promotion*	1.0	
REG.	Joint ventures	20.0	
	Standards/quality assurance	4.3	
TOTAL		195.2	66.0
2. <u>Financial sector modernisation</u>			
BLG	Financial sector	10.0	
HUN	Financial sector	9.0	
POL	Fin. sector/Polish Develop. Bank	16.0	5.0
ROM	Fin. sector reform*	6.6	
CZ	Fin. sector reform*	7.0	
TOTAL		48.6	5.0
3. <u>Agriculture development and reform</u>			
BLG	Support for private agriculture	25.0	16.0
HUN	Restructuring of agriculture	13.0	20.0
POL	Agriculture/rural development	17.0	100.0
ROM	Agriculture supplies	25.0	
	Agro-industry supplies	9.0	
	Agriculture restructuring*	5.0	
TOTAL		94.0	136.0
4. <u>Social/Employment sector reform</u>			
BLG	Labour market / Health	2.5	5.0
HUN	Health Social welfare	---	3.0
POL	Labour	18.0	
	Civic dialogue/NGOs	3.0	
	Health	20.0	
ROM	Health	25.0	
	Labour market*	2.0	
CZ	Labour market	15.0	
	Social security/health*	2.5	
TOTAL		88.0	8.0

TABLE 4 continued

5. Education, training, research

BLG	TEMPUS	5.0	
HUN	TEMPUS	12.0	7.0
	Vocational Training	---	1.5
	Higher Education reform	---	3.0
	Research infrastructure and cooperation	5.0	3.0
POL	TEMPUS	13.5	15.0
	Vocational Training	---	2.8
	Education/training reform	1.0	
ROM	TEMPUS	10.0	
CZ	TEMPUS	9.0	4.0
	Science and technology*	0.5	
YUG	TEMPUS	6.0	
REG.	TEMPUS	20.6	
	ACE	5.0	1.5
	Research infrastructure (COSINE)	2.5	
TOTAL		90.1	37.8

6. Environment/Nuclear Safety

BLG	Environment monitoring	7.5	3.5
HUN	Environment sector development	10.0	25.0
	Budapest regional centre	---	2.0
POL	Environment sector development	35.0	22.0
ROM	Energy/environment policy*	2.5	
CZ	Environment sector development	5.0	30.0
REG.	Danube, dirty triangle etc.	20.0	
	Nuclear safety (Bulgaria)	11.5	
	Nuclear safety (CSFR)	3.5	
TOTAL		95.0	82.5

7. Infrastructures (transport, telecoms, energy, etc.)

BLG	Energy	2.0	
	Telecom	3.0	
HUN	Energy	5.0	
	Transport	2.0	
POL	Energy	3.0	
	Telecom	5.0	6.0
	Transport	2.0	
ROM	Transport supplies	9.0	
CZ	Energy	5.0	
	Telecom	6.0	
	Transport*	2.0	
TOTAL		44.0	6.0

Table 4 continued

8. Public administration/infrastructure

HUN	Customs infrastructure	8.0	
	Foreign trade infrastructure	---	1.3
POL	Statistics	---	1.5
	Foreign trade infrastructure	---	8.5
	Public administration reform OMEGA	4.0	
	Local government support	3.5	
CZ	Local government support*	1.6	
	Customs, standards, statistics*	3.0	
REG.	Customs	5.0	
	Statistics	3.0	
	Public Administration (SIGMA)	3.0	
TOTAL		<u>31.1</u>	<u>11.3</u>

9. Other

ROM	other general TA*	1.0	
CZ	other general TA*	2.4	
TOTAL		<u>3.4</u>	

<u>689.4</u>	<u>352.6</u>
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* Provision within a General Technical Assistance Programme (Czechoslovakia and Romania).

** Financed from the 'Multidisciplinary facility'.

TABLE 5

P H A R E REGIONAL PROGRAMMES 1991

Sector/Programme	MECU	date decision	Characteristics
<u>Industry</u> Joint ventures Standards	20.0 4.3	01/91 09.10.91	Four co-financing facilities Jointly provided TA/training, co-financed by EFTA organised through CEN/CENELEC
<u>Public admin/infrastructure</u> Customs Statistics Public administration	5.0 3.0 3.0	19.06.91 24.05.91 17.12.91	Jointly provided technical assistance, training, Jointly provided TA and training organised through CESD/EUROSTAT Jointly provided technical assistance (SIGMA) managed through OECD/PUMA
<u>Human resources</u> ACE R&D infrastructure TEMPUS - TA phase 1 phase 2 TEMPUS (regional JEPs) Information (DG X)	5.0 2.5 3.0 2.6 15.0 1.5	24.04.91 17.12.91 21.02.91 09.10.91 17.07.91 	Grants for joint economic research organised by Commission on SPES model TA and equipment to assist COSINE computer networking Financing of TEMPUS Office of the EC Complementary financing (extension of operations and duration) Joint European projects involving two or more PHARE countries
<u>Environment/nuclear safety</u> Environment Nuclear safety (phase 1) (phase 2)	20.0 11.5 3.5	27.11.91 06/91 27.11.91	Five component programmes, including Danube, Dirty Triangle, air pollution research, COSINE application Training/TA for Bulgaria - organised in liaison Training/TA for the CSFR - with WANO
<u>TOTAL</u>	99.9		

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PHARE - HUMANITARIAN AID 1991

Table 6

Country	Nature and Operation	Commission's Decision	Amount (Mecu)
Albania	- Emergency food aid (triangular with Hungary)	-	5.0
"	- Urgent medical aid and NGO support	-	5.0
ALBANIA TOTAL			10.0
Bulgaria	- Urgent basic medical supplies	15/5/91	10.0
"	- Support for short term energy imports	17/12/91	10.0
BULGARIA TOTAL			20.0
Romania	- Continuation emergency and orphanages	4/1/91	7.8
"	- Urgent basic medical supplies	10/1/91	10.0
"	- Medium Term orphanages/children's programme	19/7/91	12.2
"	- Emergency and flood victims	12/8/91	0.3
"	- Emergency food aid	17/12/91	4.0
ROMANIA TOTAL			34.0
Yugoslavia	- Peace monitoring (CEC contribution)	31/7/91	0.4
"	- Relief measures for displaced persons	29/11/91	8.0
YUGOSLAVIA TOTAL			8.4
			TOTAL 72.7

COMMUNITY FOOD AND OTHER HUMANITARIAN AID

TO EAST AND CENTRAL EUROPE IN 1991

Country	Nature and Operation	Commission's Decision	Amount (Mecu)
1. <u>Food aid</u>			
Albania	- Food aid - Council Regulation (FEOGA) 2938/91 (1.10.91) 100.000 Tonnes (wheat)		(PHARE '92)
Bulgaria	- Food aid - Council Regulation (FEOGA) 597/91 (5.3.91)	27.2.91	27.2 MECU
Romania	- Food aid - Council Regulation (FEOGA) 597/91 (5.3.91)		52.8 MECU
2. <u>Other emergency and humanitarian aid</u>			
Albania	- Emergency aid for refugees in Greece and Italy Budget line	January and March '91	1.5 MECU
	- Emergency aid/ basic needs - Budget line	July 1991	1.0 MECU
	- Basic medical supplies - Budget line B 75001	August 1991	1.5 MECU

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OPEN SUPPLY TENDERS PUBLISHED IN THE OFFICIAL JOURNAL OF THE EUROPEAN COMMUNITIES	Date of Official Journal	Number of Notices	Country
Equipment for dredging and reed-harvesting works in Lake Balaton and Lake Velencei.	23/01/91	15 C 15 p. 16	HUN
Inventory of Ground Water Pollution Sources	23/01/91	15 C 15 p. 17	HUN
Supply of Animal Feed to Bulgaria	24/01/91	16 C 16 p. 14	BUL
Rural Telecommunication No 1	31/01/91	21 C 24 p. 07	POL
Rural Telecommunication No 1	31/01/91	21 C 24 p. 08	POL
Recomputerization and Supply of Machine-Tools for RAFAKO	16/02/91	33 C 40 p. 12	POL
Supply of Emission Monitoring Equipment for the State Inspectorate for Environmental Protection, for the Central Laboratory for Environmental Monitoring and the Volvodship Environmental Testing and Control Centres	16/02/91	33 C 40 p. 13	POL
Hybrid Maize Seeds	19/02/91	34 C 43 p. 06	BUL
Crop Protection Chemicals	19/02/91	34 C 43 p. 07	BUL
Farm Accountancy System	23/02/91	38 C 47 p. 09	HUN
Animal Health Products	06/03/91	45 C 57 p. 17	BUL
Crop Protection Chemicals	06/03/91	45 C 57 p. 18	BUL
Good Agricultural Practices	21/03/91	56 C 76 p. 10	HUN
Food Additives and Skimmed Milkpowder Replacer	27/03/91	60 C 82 p. 08	ROM
Soybean Meal	27/03/91	60 C 82 p. 09	ROM
Animal Feed	16/04/91	73 C 99 p. 05	POL
Agricultural Extension Training	08/05/91	89 C 122 p. 13	HUN
Modernization of the Emission Monitoring Network - Air 101/A	08/05/91	89 C 122 p. 14	HUN
Computer and Communication Equipment for NFRIS (National Firm Registration and Information System) Ref. No H 9107	08/05/91	89 C 122 p. 15	HUN
Quality Control of Food Products	24/05/91	99 C 134 p. 07	HUN
Development of the Hungarian Information Infrastructure System	05/07/91	125 C 174 p. 12	HUN
Polish Central Statistical Office and the EEC Upgrading of the Informatic System of the Polish Central Statistical Office Phase 1: Multi-user UNIX-based minicomputer systems	06/07/91	126 C 175 p. 09	POL
Computerisation of Land-Offices	11/07/91	128 C 180 p. 17	HUN
Supply of Computer Equipment for the Ministry of Ownership Changes and International Foundation for Capital Market Development and Ownership Change in the Republic of Poland - Centre for Privatisation	25/07/91	139 C 194 p. 28	POL
Computer System for the State Bank of Czechoslovakia T 9107	03/09/91	166 C 228 p. 08	CSFR
Fluidized Bed Installation at Ajka Thermal Power Station	15/10/91	194 C 270 p. 06	HUN
Sectoral Studies - Call for Expression of Interest from Firms regarding Preselection for the Carrying out of Studies on Economic Sectors and/on the Restructuring or Assessment of Enterprises under the PHARE Programme	22/10/91	199 C 275 p. 12	BUL CSFR HUN POL ROM YUG
Computer System for Budapest Stock Exchange	31/10/91	206 C 284 p. 06	HUN
Foreign Trade Infrastructure	05/11/91	208 C 287 p. 16	POL
Medical Equipment No. B9107	07/11/91	210 C 289 p. 08	BUL
Computer Equipment for the Customs Administration of the CSFR	09/11/91	212 C 292 p. 10	CSFR
Modernisation of the Air Quality Monitoring Network	16/11/91	217 C 297 p. 11	HUN
Animal Feed	26/11/91	224 C 306 p. 10	ROM
Installation of Monitoring System	10/12/91	233 C 319 p. 05	HUN
Installation of Monitoring System	24/12/91	243 C 333 p. 08	HUN
Supply of Computers to the National Land Council	24/12/91	243 C 333 p. 09	BUL
Topographic and Informatic Equipment for the Ministry of Agriculture and Food	28/12/91	245 C 334 p. 19	ROM
Air Quality Monitoring Network	28/12/91	245 C 334 p. 20	BUL

General Overview of PHARE payments as on 31.12.1991

TABLE 8

All sums in MECU

Year of Commit.	Category	Total Commit.	Direct Payments from Brussels to contractor			Advances to PIUs			Total 1+2	Tot/Commit
			1990	1991	Total 1	1990	1991	Total 2		
1990	National Programmes-TEMPUS	5.00	4.64	0.00	4.64	0.00	0.00	0.00	4.64	92.70%
	National Programmes-Others	393.58	52.57	32.32	84.89	38.01	80.81	118.82	203.71	51.76%
	Regional Programmes-TEMPUS	20.00	19.29	0.44	19.72	0.00	0.00	0.00	19.72	98.61%
	Regional Programmes-Others	1.50	0.02	0.95	0.97	0.00	0.00	0.00	0.97	64.99%
	Total TEMPUS	25.00	23.92	0.44	24.36	0.00	0.00	0.00	24.36	97.43%
	Humanitarian Aid	15.52	9.18	5.38	14.54	0.00	0.00	0.00	14.54	93.67%
	Others	64.40	47.29	12.03	59.32	0.00	0.00	0.00	59.32	92.11%
	Total 1990	500.00	132.96	51.12	184.08	38.01	80.81	118.82	302.90	60.58%
1991	National Programmes-TEMPUS	55.50		55.50	55.50		0.00	0.00	55.50	100.00%
	National Programmes-Others	536.52		25.99	25.99		16.09	16.09	42.08	7.84%
	Regional Programmes-TEMPUS	20.59		17.76	17.76		0.00	0.00	17.76	86.22%
	Regional Programmes-Others	79.30		1.59	1.59		2.65	2.65	4.24	5.34%
	Total TEMPUS	76.09		73.26	73.26		0.00	0.00	73.26	96.27%
	Humanitarian Aid	72.70		30.41	30.41		0.00	0.00	30.41	41.82%
	Others	10.39		1.93	1.93		0.00	0.00	1.93	18.56%
Total 1991	775.00		133.17	133.17		18.73	18.73	151.90	19.60%	
Grand total	1275.00		132.96	184.29	317.25		99.54	137.55	464.80	35.67%

TABLE 9

Summary of specific instances of aid coordination

as at end 1991

<u>Sector/programme</u> Year	M.ECU Phare	Nature of Linkage	Donors involved
<u>Environment</u>			
POL 90 + 92	57	Joint PIU + regional PIU Feasibility studies	WB WB EBRD
CZ 90 + 92	35	Design/Feasibility studies PIU as aid coordination focus	WB (all)
ROM 91 (GT)	2	Joint strategy development	WB US
BLG 91	7.5	Joint strategy development	WB
HUN 90	2	Co-financing of regional centre	US NL DK J
REG 91	20	Black triangle co-financing Danube programme co-financing	D WB UNDP UNEP EBRD NIB EIB
<u>Agriculture</u>			
BLG 90	16	Jointly planned supplies	US
BLG 91	25	Jointly planned strategy	WB
(M 91 (GT)	5	Coordinated TA and training	WB F
<u>Social sectors</u>			
<u>Health</u>			
POL 91	20	Jointly designed programme	WB WHO (+DK)
ROM	25	Jointly designed programme	WB WHO
<u>Labour market / training</u>			
POL 91	18	Complementary to sector programmes(s)	WB(+ various G-24)
BLG 91	2.5	Jointly designed/complementary to sector	UK/WB
ROM 91 (GT)	2	Complementary TA	WB
<u>Social security/welfare</u>			
HUN 90	3	Core finance brings wider support	A UK
CZ 91 (GT)	1	Joint strategy development	ILO
<u>Education and training</u>			
HUN 90	1.5	(NIVE) Complementary to sector programme	WB
HUN 90	3	(CEF) Complementary to sector programme	WB
POL 90 + 91	3.8	(VET/UPET) various co-financing	G-24
TEMPUS 90/91	(100)	Vehicle for various G-24 involvement	G-24
<u>Public administration and infrastructure</u>			
<u>Standards</u>			
POL 90	(3.5)	} Co-financing and coordination through CEN/CENELEC	EFTA
HUN 90	1.3		
REG 91	4.3		
<u>Statistics</u>			
ROM 91 (GT)	2.5	Co-financing of equipment and TA	WB F
POL 90	1.5	Co-financing of TA	F
<u>Public administration/local government</u>			
POL 90	3	Common coordinator (FSLD)	UK F US C
REG 91	3	Co-financing and coordination	OECD/G-24
<u>Financial sector</u>			
HUN 90	5	Complement to sector programme	WB
HUN 91	9	Joint planning of key components	UK
ROM 91 (GT)	6.2	Joint planning and cooperation	WB EBRD F ...

Enterprise Restructuring / SME

BLG	91	20	Joint strategy/implementation Co-financing of TA	WB (+EBRD) NL
HUN	90 + 91	28.5	(SME) Co-financing of Local Enterprise Agencies	A F IT T SF UK / WB
HUN	91	5	(Investment promotion) joint preparation	IR CA
HUN	90 + 91	45	(Restructuring) co-financing of TA	WB CA F UK US
POL	90 + 91	27	(SME) Joint operations (Chambers of Commerce) Sharing PMU facilities	F UK IR WB
POL	90 + 91	50	(Restruct.) Joint strategy/Implementation	WB EBRD FR UK
POL	90	2	(Equity finance) Joint project	EIB
ROM	91	4.9	Co-financing	WB

Infrastructure

<u>Energy</u>				
BLG	91	2	Co-financing studies	US
POL	91	3	Co-financing central TA team	US UK WB (ESMAP)
<u>Transport</u>				
POC	91	9	Co-financing joint strategy	WB
<u>Telecommunications</u>				
BUL	91	3	Joint planning	EIB(lead) EBRD WB
POL	91	5	Joint planning	EIB WB
<u>Nuclear Safety</u>				
REG	91	11.5	Joint strategy	WANO/IAEA (+ G24)
REG	90 - 91	5	Joint strategy	WANO/IAEA (+ G24)
/CZ				

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