



COMMISSION OF THE EUROPEAN COMMUNITIES
PROGRAMME OF ASSISTANCE FOR ECONOMIC RESTRUCTURING
IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

PHARE 1992

-

Summaries of programmes approved

by October 1992

Written & compiled by the PHARE Advisory Unit - October 1992

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This document contains summaries of all the programmes approved under the PHARE 1992 assistance programme until October 1992.

Updates of summaries for those programmes still to be approved in 1992 will be published in due time.

Although every care is taken to ensure the information contained in this compendium is correct, it does not constitute a legally binding document. The Commission of the European Communities cannot be held responsible for any errors of fact or omission to be found in this document.

The PHARE 1992 assistance programmes

INTRODUCTION

PHARE facts.....	4
The programme cycle	5

ALBANIA

General Technical Assistance Facility	7
Support of the transport sector	10

BALTIC STATES

General Technical Assistance Facilities.....	12
Support to SMEs and Privatisation	20

BULGARIA

Integrated SME/Regional Reconversion and Development Programme.....	24
Restructuring of the telecom sector	28
Nuclear Safety at the Kozloduy nuclear power plant.....	31

CSFR

General Technical Assistance Facility	33
Privatisation, restructuring & private sector development	36
Technical Assistance to the Energy Sector	40
Renewal of the Education System	42

HUNGARY

Agricultural Credit Channels support.....	44
Environmental sector programme.....	47
Employment and social development.....	50

POLAND

Export Development	53
Tourism Sector Development.....	55

ROMANIA

General Technical Assistance Facility	57
Privatisation & restructuring of the state sector	60
Development of the Financial sector	63
SME development programme.....	65
Privatisation of agriculture & agroindustries.....	68
Environmental Sector Programme	71

SLOVENIA

General Technical Assistance Facility	74
---	----

REGIONAL

Regional Environmental programme.....	77
Regional Energy Sector Programme.....	80
Regional Telecommunications programme	83
Regional Transport Programme	85
Industrial Property Programme	87
Regional Quality Assurance.....	89
TEMPUS.....	91

DEMOCRACY

PHARE Democracy Programme.....	93
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PHARE FACTS

PHARE - Poland and Hungary Assistance to the Restructuring of the Economy

Objective : Community assistance for the economic restructuring of the countries of eastern and central Europe. Designed to support the process of economic and social reform to help CEECs achieve market economies based on private initiative.

Legal basis :

Council Regulation 3906/89, 18.12.89 (OJ L375/89) on economic aid to Poland and Hungary
Amendment : Council Regulation 2698/90, 17.9.90 (OJ L257/90) extending PHARE assistance to Bulgaria, the CSFR, the GDR, Romania and Yugoslavia
Amendment : Council Regulation 3800/91 (OJ L357/91) extending PHARE assistance to Albania and the Baltic States
Amendment : Council Regulation 2334/92 (OJ L227/92) extending PHARE assistance to Slovenia.

Financing and Budget :

(From the EC annual budget and granted under Community Financial Regulations)

1990 -	ECU 500 million
1991 -	ECU 785 million
1992 -	ECU 1 000 million

Recipient countries (from August 1992) :

Albania	Estonia	Hungary	Slovenia
Bulgaria	Latvia	Lithuania	
CSFR	Poland	Romania	

Priority sectors for assistance :

Private sector development, restructuring and privatisation	Banking & the financial sector
Agriculture & rural development	Environment & nuclear safety
Social development, labour & health	Education, training, research & development
Infrastructure: energy, transport, telecommunications	Administration and systemic reform, incl. statistics, customs...
Integrated regional development programmes	

(there is also provision for some assistance in the form of humanitarian aid)

Nature of assistance :

- As a general rule, EC assistance is given as *non-reimbursable grants*. In the PHARE programme, grants are given for technical assistance, to finance preliminary studies, actions plans or outside expertise and policy advice, to provide professional training, start-up capital or the purchase of essential equipment of supplies.
- Emphasis is placed on *sector programmes* rather than the financing of individual projects.
- *Recipient States are responsible* for the work undertaken as PHARE projects. These can be either entirely PHARE-funded or co-financed by Member States, third countries, the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) or other multi-lateral organisations, or even funded by the beneficiary countries themselves.
- PHARE assistance is coordinated with the aid activities of other members of the G-24 Group.

Programme cycle :

- *Indicative Programmes:* these are agreed individually with each recipient State every year. Priority sectors, the kinds of actions required and the finances available are defined.
- *Sectoral Programmes:* specific projects for assistance are identified and necessary funding assessed. Programme Financing Proposals are put to the Management Committee of the EC Member States for approval. The Commission and recipient State then pledge the necessary funds by signing a Financing Memorandum.
- *Programme Implementation:* PHARE funds are used to finance the various components of a programme. Services, expertise and supplies are purchased through standard EC tender procedures (unless the sums involved are less than 50,000 ECU, in which case direct agreements may be entered into). Implementation responsibility rests with the Programme Implementation Units and the PHARE Operational Service.

Who implements PHARE ?

PHARE operates from both the Commission offices in Brussels and from each of the recipient States.

PHARE in Brussels : under the aegis of Directorate-General 1 for External Relations, PHARE Operational Service (PHOS) determines sectors for priority assistance at the start of each budgetary round taking into account the funds available. The programming cycle (see above) then begins.

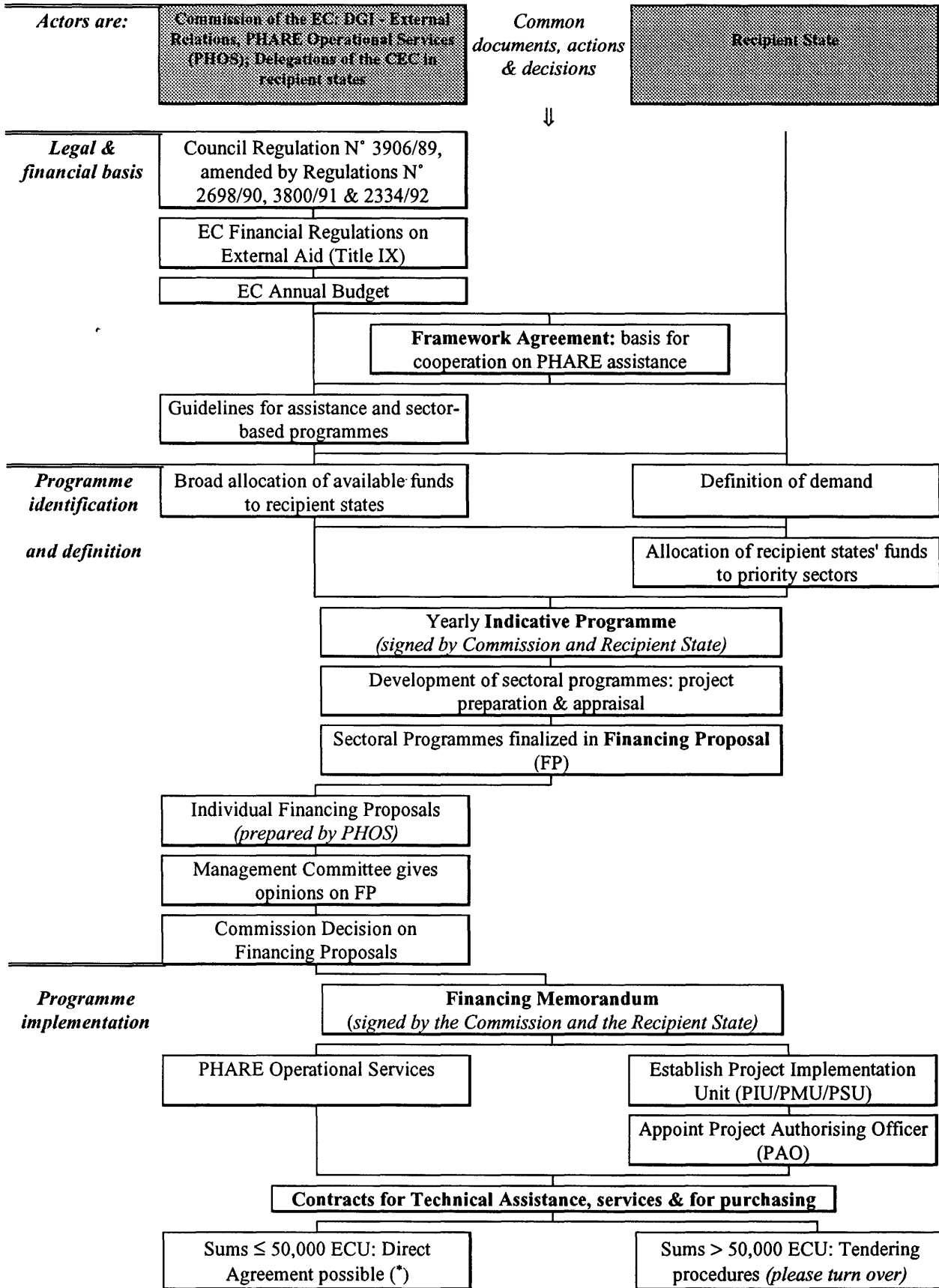
In-country personnel

- *National Coordinator :* high-level official appointed by the recipient State and responsible for providing a sector plan for PHARE priority assistance and for presenting it to the Commission at the beginning of each year.
- *Project Implementation/Support/Management Unit (PIU/PSU/PMU) :* set up in and staffed by relevant country authorities. The PIU/PSU/PMU is supported by PHARE-funded experts and draws on the resources and expertise of the relevant PHOS Unit. Its role is to guide the project to a successful conclusion.
- *EC Commission Delegations in the Central and Eastern European States :* Ambassadorial-level representations of the Commission. There are currently delegations in Belgrade, Budapest, Prague, Sofia and Warsaw, with more to be opened soon. There are some lower-level EC offices in other regional capitals.

Further information on PHARE's activities may be obtained from the PHARE Advisory Unit:

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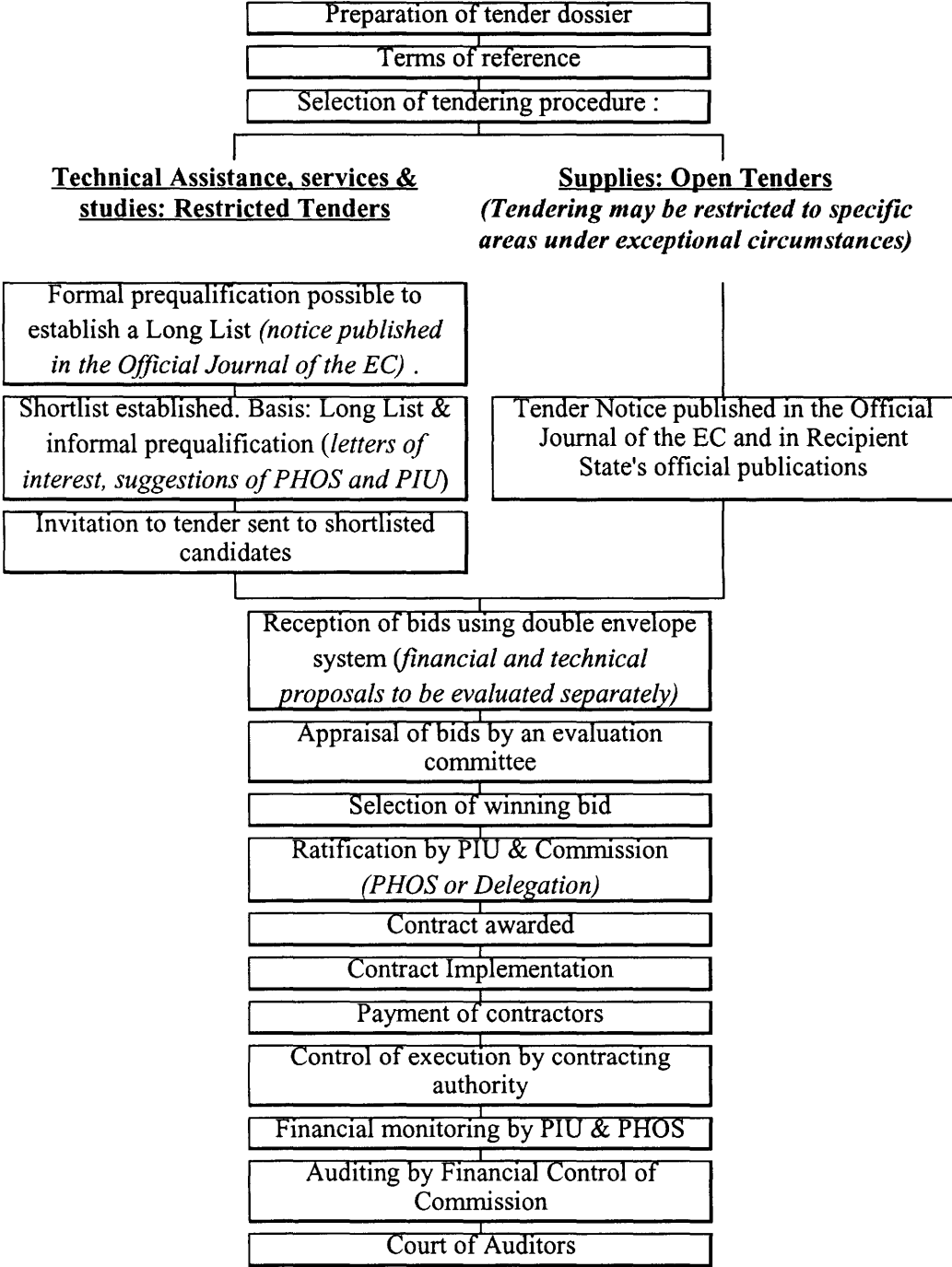
PHARE  **Assistance Programme Cycle**



* According to Article 7 of Council Regulation N° 3906/89. Other possibilities according to Articles 116 & 118 of Financial Regulation

PHARE TENDERING PROCEDURES

*Legal basis and internal documents for tendering:
EC Financial Regulation - Title IX, External Aid; EC standard texts*



NOTE: For contracts required to implement a programme awarded by the Commission on its own behalf, or awarded by a PIU in co-operation with the Commission, the same procedures apply.

General Technical Assistance Facility

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 9 July 1992 at Management Committee meeting N° 17

Country:	Albania
Programme:	General Technical Assistance Facility
Duration (years)	1½
Year:	1992
EC Contribution:	4.4 MECU ¹
Sector classification:	Multidisciplinary
Responsible authority:	Ministry of Economy and Finance

2. SUMMARY

Background

Albania is probably the country that suffered most under communist rule, as the inherent inefficiency of central planning was compounded by a dash for autarchy that shut down the country's links to the outside world for decades. The problems faced by the present administration are thus very grave indeed and cover practically every single aspect of Albanian life.

This is the first major economic structuring PHARE project in Albania since it was included in the PHARE programme in December 1991. Previous Community assistance to this country had been of humanitarian or emergency nature (see table). The use of the GTAF as a flexible financing mechanism allows a variety of problems to be tackled with speed.

Programme objectives

Reform strategies are to be developed in the areas of SMEs, privatisation and restructuring, the financial sector, tourism, customs and health.

Programme description

SME component (1.3 MECU)

The PHARE Programme will provide the SME sector with short and medium term solutions to current problems. Earlier this year PHARE put into action an 0.8 MECU pilot project (from the 1991 multidisciplinary fund) to set up pilot Business Advisory Centres which would function in co-operation with the Chamber of Commerce and provide access to a credit facility (0.3 MECU of the 0.8 MECU) to import raw materials, spare parts, and small machinery for newly privatised SME.

¹ million European Currency Units

ALBANIA



GTAF

ALBANIA



GTAF

The initial steps of this pilot measure were considered successful and so the Albanian authorities, in consultation with the SME Unit in charge, have decided to go on with reform in this sector. The GTAF programme will finance the continuation of this project, continuing with the above micro-loan facility and establishing a new credit line for 0.8 MECU. An external credit expert will provide managerial technical assistance (0.1 MECU) and an SME expert will assist in building institutions and designing the regulatory framework necessary to achieve growth (0.2 MECU). The Business Advisory Centres will also be supported through the supply of essential equipment and the development of training resources (0.2 MECU).

Privatisation component (0.8 MECU)

A PHARE-financed report (1991) containing recommendations on the strategy for Privatisation and Restructuring in Albania has been approved by the Ministry of Economy and Finance, which has overall responsibility for privatisation programmes. It is likely that the privatisation of Albanian state enterprises will be by traditional methods. Mass privatisation was recommended, given the current state of the economy, but plans have yet to be finalised. Privatisation will take place in strategic sectors which will be identified by future PHARE-financed sectoral studies.

The privatisation component will oversee the restructuring of certain companies which can be made viable and which can gain export markets. This should result in at least some flow of foreign currency. The financing of management contracts for some state-owned enterprises and the training of managers of selected companies will also be financed by the privatisation component.

Technical assistance will be provided to the National Agency for Privatisation to revise the legal framework of privatisation and preparatory steps for pilot privatisations will be overseen.

Financial sector component (0.5 MECU)

Policy advice and long term expertise have been requested by the Ministry of Economy and Finance in the fields of taxation, accounting, and assistance to the Bank of Albania.

Taxation: in order to meet the rising costs of public expenditure, increasing demands will be made upon Albania's system of revenue collecting. Reducing the role of the State while opening the economy will also lead to the emergence of potentially large numbers of private sector taxpayers.

PHARE will assist (in consultation with other international financing institutions, notably the IMF) by providing experts on tax administration, turnover tax and training of tax officials (up to 18 man months)

Accounting: using the French "Plan Comptable" as an exemplar, the Hungarian and Bulgarian authorities have been re-drafting their Accounting Laws. The results will be adapted for Albanian use. PHARE will provide further drafting assistance and advice in the development of training programmes.

Banking: in the former Albanian State bank, there was no separation of responsibility between central and commercial banking functions, nor a proper mandate for a central bank.

Currently, the IMF is co-ordinating a programme of technical assistance to transform the State Bank of Albania into a fully fledged central bank, one step towards which was the recent law establishing the Bank of Albania as a Central Bank. Following the recommendations of the IMF (which were developed by a team of consultants from 6 Western European Banks), PHARE and the UNDP will each provide one resident expert for the Bank. PHARE's expert will be known as the Monetary, Foreign Exchange and Banking Operations Facilitator (supervision and training).

Tourism component (0.2 MECU)

Following the results of two studies begun in May 1992, one concerning the improvement of the legal and institutional framework for tourism development in Albania (EBRD funded) and the other concerning strategic guidelines for the environmentally sensitive development of coastal sites (PHARE and EBRD-funded expert), the EC financed a second expert to identify the training needs of the tourism sector, and a third expert to assist in the evaluation of offers from potential investors.

The tourism component of the GTAF programme will fund a complementary study on guidelines for the development of non-coastal sites, promotional activities and training for managers and staff. Some training activities working on the results of the above study are foreseen.

Administrative equipment,(0.7 MECU)

Globally speaking the situation concerning equipment in almost all sectors is fairly critical. PHARE will finance the supply of basic office equipment to the Ministries as work is seriously hampered by the lack of the most basic tools - things like pencils. This programme will supply fax machines, photocopiers and PCs in addition to the basics.

Customs equipment (0.2 MECU)

The opening of the borders will increase Albania's vulnerability to smuggling, drugs, and fraud at border posts, reported a PHARE fact-finding mission in February 1992. Customs officers at present have no equipment for the detection of drugs, no communication facilities and no transport.

PHARE will provide this vital equipment to act as the practical complement to the theoretical, organisational and legislative changes proposed by the PHARE Regional Customs Co-operation Programme.

Health equipment (0.7 MECU)

A survey of medical equipment made by the World Health Organisation in July 1991 found that the average age of the medical equipment in Albania is 25 years old, and that purchasing activities in the sector fall dramatically short of needs.

PHARE will provide basic equipment for the main hospitals in Tirana as a complement to the technical assistance to the Health Ministry already being undertaken.

PHARE is the major importer of finished and unprocessed pharmaceutical products to Albania .

The Ministry of Economy and Finance will be responsible for the management, installation and proper use of the equipment provided under this component.

3. IMPLEMENTATION

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

ALBANIA



GTAF



Support of the transport sector

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 30/7/1992 at Management Committee meeting N° 18

Country:	Albania
Programme:	Programme for the support of the transport sector
Duration (years)	2
Year:	1992
EC Contribution:	4.4 MECU ²
Sector classification:	Transport
Responsible authorities:	Ministry of Finance, Ministry of Transport

2. SUMMARY

Background

Road transport accounts for two thirds of both freight and passenger transport.

- **Urban & interurban passenger transport:** 1700 old buses of different makes have been accumulated *ad hoc*. About one third of those have exceeded their wear rate and have run more than 2 million kilometres. Those who break down are being withdrawn from service as the maintenance workshops operated by the Ministry of Transport are unable to work properly, mostly due to a lack of spare parts, equipment and trained personnel. The breakdown rate is increasing as the buses have to work in difficult conditions: worn-out road surfaces, extreme weather conditions etc. As the private ownership of cars was not permitted until 1991, these buses still represent the only urban transport system for the vast majority of the active population. The state of the passenger transport system is seriously hampering economic development, as an increasing proportion of the working population has no choice but to walk to work.
- **Freight and Cargo :** A truck fleet of about 15,000 units exists; two thirds of which is over 20 years old and consequently fully depreciated. One third is about 10 years old and 60% of these units are fully depreciated. Maintenance problems are similar to those of the bus fleet. These trucks are expected to maintain essential food distribution throughout Albania.

The situation of the transport sector in Albania has to be seen to be believed. Roadsides are littered with the carcasses of defunct and abandoned vehicles. Since the previous regime prevented the importation of tools or spare parts, all existing technology (in all fields) is long past its sell-by date.

Programme objectives

The programme will assist the Albanian Government in the transformation process and promote the economic efficiency of the transport sector. Specifically, PHARE will:

- assist the authorities and operators in maintaining basic passenger and goods transport services;
- support the restructuration and privatisation of the transport sector; and

² million European Currency Units

- reinforce the Ministry of transport's capacity to conceive and implement reform programmes.

Programme description

Under its emergency supplies programme, the Commission has been able to respond to the immediate needs of the Albanian government by granting 30 MECU this year for the critical importation of spare parts which will keep selected industries ticking over and the labour market in employment.

The present transport sector programme is in addition to this 30 MECU supply programme aid and aims to keep basic transport services running, whilst at the same time preparing to implement the necessary reform plans for the transformation of the transport sector.

1. Procurement

International tender will be used to supply:

- trucks, second-hand buses (2.5 MECU);
- maintenance equipment (0.4 MECU); and
- spare parts (0.8 MECU)

This equipment will be used directly by the public transport enterprises belonging to the Ministry of Transport.

A new MOT maintenance workshop will also be financed. Key equipment will be funded by PHARE, whilst local installation costs are to be borne by the Albanian government.

2. Technical Assistance (0.7 MECU)

PHARE will also provide Technical Assistance to the Ministry of Transport for Institution building, policy making and the groundwork for the eventual privatisation of urban transport. Inter-city passenger transport is virtually non-existent at the moment. Therefore, a strategy to get the private sector involved from the start is being followed.

3. IMPLEMENTATION

The Ministry of Economy and Finance will be responsible for overall management of the programme. It will implement the programme in close co-operation with the Ministry of Transport and the Commission's services.

Procurement of buses, trucks, tools and spare parts will be by international open tender unless a restricted consultation procedure is justified by the cost or technical characteristics of the supplies. A Procurement Agent has been appointed in order to speed up the procurement of supplies.

Technical Assistance will be procured by restricted tender, except where the nature of the services or their costs justify a direct agreement. Small expenditures may be the subject of direct agreements.

Present status

Following a commissioned study it was decided that 60 buses would be sufficient to cover Tirana's public transport needs. Accordingly, 60 second-hand Van Hool buses from the Société des Transports Intercommunaux Bruxellois (STIB) have been purchased by the Ministry of Transport, of which 40 were financed by PHARE. The contract includes spare parts and maintenance crew training. By October 1992, 45 of these buses had been delivered.

ALBANIA



TRANSPORT

General Technical Assistance Facilities

- a PHARE assistance programme -

1. IDENTIFICATION

Decisions taken 8 July 1992 at Management Committee meeting N° 17

Country:	Estonia, Latvia, Lithuania
Programme:	General Technical Assistance Facilities
Duration (years)	
Year:	1992
EC Contribution:	Estonia: 9.0 MECU ³ Latvia: 13.5 MECU Lithuania: 9.0 MECU
Sector classification:	Multidisciplinary
Responsible authority:	Commission of the European Communities and national authorities

2. SUMMARY



Background

The three Baltic States secured international recognition as independent states in September 1991. Due to their similar size and history they share similar problems in the scope of economic reconstruction, and the GTAF programme developed for each shares enough similarities with those of neighbours to be presented in a single update.

Nevertheless, the programmes described are independent national programmes, and must not be confused with regional programmes.

Programme objectives

The GTAF has proved to be an invaluable enabling device in development finance. Its flexibility permits the financing of short and medium term technical assistance to core areas and of limited exploratory studies in other sectors.

The general objective of the General Technical Assistance Facility in all three states is to assist the authorities to develop appropriate sectoral reforms in areas where market-oriented legislative policies and appropriate institutions are required and where the necessary amount of PHARE support does not justify a separate system of management.

An emphasis on creating opportunities for co-financing and complementary donor assistance will be high on the agenda for all three GTAF.

³ million European Currency Units

Programme descriptions

Banking and Financial Sector reform

in these sectors is crucial to ensure effective privatisation, SME development and investment promotion programmes.

Banking sector reform

In all three countries, Central banks of all EC Member States are expected to play a prominent role.

LITHUANIA (1.6 MECU)

Representatives of the banking profession in Lithuania will receive from PHARE technical assistance in order to:

- (i) establish a training programme for the National bank of Lithuania (long term), and focus on the short term needs to "train the trainers" in some of the Central and Commercial banks and help the authorities concerned to identify options for their restructuring requirements;
- (ii) develop a legal framework for the codex of accounting rules for the banking sector. Legal consultants will be provided to ensure the legal texts and codes are developed in a manner which is both coherent and which allows recourse to EC experts. The legislation should be inspired by similar EC legislation. A review of accounting standards and their future will take place.

Co-ordination of this component with the IMF will be assured, especially with regard to the bank accountancy project.

LATVIA (1.5 MECU)

This component's description is identical to the Lithuanian Banking Sector programme described above.

Additionally, the Latvian Investment Bank, established last year with the help of Community assistance to provide long term credit for SMEs, will continue to receive support on an *ad hoc* basis.

Other Donors for this component are the Nordic Investment Bank and the EBRD.

ESTONIA (1.1 MECU)

This component addresses the same elements as the Lithuanian banking sector programme parts (i) and (ii).

Estonian banks will also be encouraged to forge links with European banks.

Other Donors are the IMF and the EBRD.

Financial sector reform

In all three countries, the setting up of the Treasury offices will draw upon the expertise of the national finance administrations of the EC Member States.

Provision for basic training equipment and the design of relevant data systems (long term) for information exchange between taxation, customs and the budget Departments as well as Ministries are foreseen in the Taxation component.

LITHUANIA (1.5 MECU)

With special regard to the introduction of a national currency, PHARE Assistance will concentrate on the establishment of a Government Treasury and the introduction of fiscal reform. The Treasury will be geared up to monitor foreign debt obligations and to control public expenditures.

A new fiscal policy will be required to decelerate inflation and keep public expenditure within targets. The tax administrations will also have the difficult

BALTIC STATES



GTAFF

BALTIC STATES

task of maintaining levels of tax collection whilst introducing more market oriented taxes such as VAT as well as winding up the traditional state enterprises tax base.

LATVIA (1.2 MECU)

This component's description is identical to the Lithuanian financial sector component.

Other Donors: the IMF.

ESTONIA(1.2 MECU)

This component's description is identical to the Lithuanian financial sector component.

Another element is the Estonian government's expressed wish to boost the human resources of the tax administration. The programme consequently includes elements for organisational changes and staff motivation.

Other Donors are the IMF and the EBRD.

Privatisation and small & medium-sized enterprises

For a general summary of the projects considered, please see the attached Lithuanian SME Project Summary. In addition, this component includes:



LITHUANIA (0.5 MECU)

In addition to the 9 MECU committed for the Lithuanian GTAF.

LATVIA (3.5 MECU), ESTONIA (4.5 MECU)

Promotion of foreign investment

LITHUANIA (1 MECU), LATVIA (0.5 MECU), ESTONIA (0.2 MECU)

Foreign investment could play a vital role in providing capital, technology, management, know-how and access to international markets. These factors will in turn facilitate privatisation of state enterprises, and accelerate overall modernisation and expansion. Due to the comparatively small size of the countries and their previous total dependency on the former USSR (90 % of their current trade) it is imperative that they develop individual economies which are outward and internationally oriented. The Baltic states have many advantages, but one major disadvantage which they suffer from in comparison with their older PHARE colleagues (which were Soviet satellites rather than part of the Union) is that they lack national institutions and their accompanying frameworks. All this has been noted by the foreign investor and so even though all three Governments have been active in liberalising price control, protecting foreign and domestic investment and enacting foreign investment laws, certain unknown risks stalk the interested international business community. To examine the foreign investment climate in accordance with the wishes of the governments of Lithuania, Latvia and Estonia, the PHARE GTAF programme will provide advisory assistance in the following areas:

GTAF

- (i) Policy Framework
- (ii) Investment Promotion
- (iii) In Latvia and Lithuania only: Trade Development (Tourism)

These three diagnostic studies should identify impediments on the FDI climate, and present recommendations for any future advisory and technical assistance.

(i) Policy framework.

A study for the development of a Foreign Exchange policy to facilitate foreign currency transactions including foreign trade and repatriation of capital and profits; the policy of ownership of equity and land; a trade policy to support access to human resources; the access to local financing; fiscal and incentive policies which will attain national economic development and industrial objectives and stimulate private investment; safeguards against expropriation for the investor and the protection of intellectual property rights are examples of the kind of policies which will be studied. PHARE will assess policies and regulatory and administrative frameworks as they are relevant to the FDI climate in each state, placing the Baltic states within the context of the global economy.

(ii) Investment Promotion.

A National Investment Promotion effort should encourage FDI in privatisation, trade diversification and industrial modernisation. PHARE will examine the current facilities available and ascertain through the individual government agencies their intended objectives. Recommendations will be made, bearing in mind the experience of other countries, as to which promotion activities are most suitable and what roles the government and private sector should play in the future. The varying financial commitments allocated by each country reflects its own government priority as well as geographical area.

(iii) Tourism.

Additionally, Latvia and Lithuania have set aside 150,000 ECU to support improvements in hotels and the training of travel agents.

BALTIC STATES



Labour market development

There are a growing number of people in the Baltic states who are experiencing social hardship as a result of the changes taking place in their economies, in particular with the restructuring of industry and the various privatisation measures. The Governments of the Baltic states wish as a matter of priority to remain abreast with the increasing unemployment resulting from the change in economic practices and to enhance the employment opportunities of entrants to the labour market. For the most part the projects of the three countries in these field (labour, health, social security) are similar but where the Lithuanian government has decided to target certain specific disadvantaged groups in order to provide social services, the Latvian and Estonian governments are developing elements of a national social security system.

LITHUANIA (2 MECU)

The Lithuanian Ministry of Labour will receive from PHARE technical assistance to design policies and strategies which will enable it to restructure its labour market and its training (secondary vocational schools) and retraining (unemployed) systems, which are currently linked to state-owned institutions. The PHARE programme will also seek to guide and supervise the development of an effective labour market administration drawing on a network of labour exchanges, staff training for placing, the promotion of job mobility, career counselling

GIAF



services and the implementation of active employment measures. Lastly, specialist measures such as local job creation initiatives and local welfare programmes are foreseen for specific groups (the handicapped or those with obsolete skills) and/or those in areas of Lithuania which are especially badly hit.

LATVIA (0.7 MECU)

For most of this component the measures to be initiated under the 1992 PHARE programme are identical to those of the Lithuanian PHARE/LMD programme above. Additionally, the design and implementation of an appropriate data processing system for the network of labour offices and staff training for those using it is foreseen. Social security reform to ensure e.g. unemployment benefit, and other social protection schemes will also be considered.

ESTONIA (0.6 MECU)

Labour Market Development (300,000 ECU):

May 1992 saw some 10,000 unemployed Estonians being handled by a network of 20 local labour offices supported by only one central office. Forecasts say that this figure could rise to 70,000 - 80,000 by September. The programme will initiate similar measures to improve the Labour Market network as those proposed for Lithuania and Latvia.

Social Security Sector (300.000 ECU):

With the assistance of PHARE a new employer/ employee contribution scheme (inter alia) will be introduced to finance the new measures and benefits aimed (initially) at those groups which have been hit the hardest by the changes in industry and privatisation initiatives.

Public Administration

Over a limited domain, notably Public Administration and Environment (see next section), the priorities of the governments of Latvia and Estonia diverge from those of the government of Lithuania. Both the PHARE Regional Customs and Statistics programmes (which have been in progress in the other PHARE countries for some time) were extended to the three states in December 1991 shortly after their inclusion into the PHARE programme.

The objectives of the customs and statistics components under the Latvian and Estonian 1992 GTAFs will be to complement the assistance given under the Regional Programme, particularly in the field of staff training by supplying limited amounts of audio-visual, and inspection equipment; "There is clearly some difficulty to be encountered when training a Customs official to use a complicated X ray machine when he has never seen one; and little sense in doing so unless he is going to have access to one" This is the type of equipment which will be provided. The Departments of statistics will receive equipment for data processing and collecting and for general training.

LATVIA (1 MECU):

The breakdown is as follows: Customs(400,000 ECU), Statistics (500,000 ECU) and Public Procurement (100,000 ECU)

The Latvian government has also asked PHARE for technical assistance to enable the development in Latvia of rules and systems for public procurement which conform to international and EC standards. The establishment and concept of financial accountability is also introduced under this component.

ESTONIA (0.7 MECU):

The breakdown is as follows: Customs (350,000 ECU), Statistics (350,000 ECU)

Environment

LATVIA (700,000 ECU)

Technical assistance will be provided to the Ministry of Environment for a global national policy and staff training. Several pilot studies are foreseen.

ESTONIA (250.000 ECU)

The Estonian Ministry of Environment aided by its 19 local environmental boards is currently responsible for environmental protection and the management of minerals, water, fisheries and forestries, with an independent Chief Inspector of Nature and Environmental Protection to identify environmental problems. The institutions have no overall regulating framework so that standards vary considerably between units. PHARE Technical Assistance to the Ministry of Environment will provide policy advice, restructure the staff training system and identify opportunities for environmental protection, testing the policies eventually by means of pilot projects.

Health sector

LITHUANIA (1.0 MECU)

Advice assimilated under the 1991 PHARE programme will be elaborated and continued by means of studies and technical assistance in the areas of: reorganisation of the health sector, development of a national health policy and management strategy, health insurance and other financing mechanisms, and drug policy (legislation pricing policy pharmaceutical control, distribution strategy).

LATVIA (600,000 ECU)

A similar component to that of Lithuanian Health . In particular PHARE Assistance to the Latvian Health sector will especially focus on finding a strategy for suitable ways to finance and implement a "HEALTH For ALL" concept. Of note, health insurance will consider contractual relations between providers of health care and the consumer.

Agriculture

LITHUANIA (0.6 MECU)

This will consist of national agricultural and food reform strategies which make use of domestic and imported resources in an open market. Wherever possible, private farmers and rural enterprises will be eligible to receive advisory and financial assistance under the SMALL AND MEDIUM ENTERPRISES DEVELOPMENT PROGRAMME and possibly from PRIVATISATION INITIATIVES. Pilot projects which cover cadastration requirements provision of business and technical advisory services for private farmers.

LATVIA (700,000 ECU)

Activities concentrate on the promotion of agricultural productivity, improvement of farmers' access to financial extension and technical services and to foreign currency for imports of agricultural inputs and machinery. Studies under the

ALIC STATES



GIAF

BALTIC STATES

Energy

TAUSSR 1991 programme included the introduction of the rural banking structures, de monopolisation of equipment supplying industries, development of a market in farm land and review of the current food production and distribution chain. These studies will be continued under the PHARE LATVIAN component of 1992. Furthermore, provision will be made for additional studies of the reform of the agricultural extension services and implementation of a market in land.

LITHUANIA (0.6 MECU)

Lithuania has no significant natural energy sources and relies heavily on imports, mainly from the CIS. For electricity, it is integrated in the electricity grid of the North West of the CIS and actually has a generating capacity double that of domestic demand. Lithuania is therefore a major exporter of electricity. TAUSSR & PHARE Assistance in 1991 developed a national energy strategy (in particular cost pricing based on demand and supply investigations) and provided technical assistance to the Ministry of Energy which will be continued under the 1992 GTAF in order to strengthen its implementation capacity and provide requisite training. A safety assessment study of the Ignalina Nuclear Power plant was also initiated. Short term strategy work based on securing energy supplies for the forthcoming winter will also form part of this programme.

LATVIA (500,000 ECU)

EC funded experts were seconded to the Ministry of Economy in 1991 for the purposes of strategy planning. This component has similar objectives to the LITHUANIAN component and particular attention will be given to the application of the findings of the studies on energy saving and restructuring in the sector. Supplies for the forthcoming winter will similarly form part of this programme.

ESTONIA (300,000 ECU)

PHARE funded studies for the Ministry of Industry and Energy will concentrate on energy planning, efficiency and diversification of energy sources can be launched with special emphasis given to the use of oil shale reserves and district heating systems. In general, this component is similar to the Lithuanian and Latvian energy components

Other co-ordinators for all three states: EBRD and the EC's THERMIE programme.



Transport

GTAF

LITHUANIA (0.3 MECU)

In 1991 a preparation for the formation of a master plan for reorientation of the function and organisation of the Lithuanian ports was financed as was technical assistance for a study on the reorganisation of the railways. Institutional support to the Ministry of Transport where a PIU was set up last year, will continue in 1992 for the implementation of these preliminary studies.

LATVIA (800,000 ECU)

Activities and studies under the 1991 programme will be continued notably in the privatisation of the transport system and in the provision of expert support to the Ministry of Transport to, inter alia prepare a master plan and a priority investment programme for the ports. Complementary sectoral studies e.g. on the Current and future traffic flow in Latvia are foreseen.

ESTONIA (300,000 ECU)

Transport is a key priority for the Estonian government. PHARE assistance under this component, will develop a parallel maritime plan (see LI and LAT supra), and a master plan which covers similar issues to those under the Latvian component.

Foreign aid coordination

LITHUANIA

Long term economic assistance will be provided to the Ministry of International Economic Relations to develop the institutional basis and capacity for the formal co-ordination of aid programming, sector and project monitoring and co-ordination of management and training of counterpart staff.

LATVIA

Two PHARE funded EC specialists will be seconded to the Ministry of Foreign Affairs in Latvia to perform and assist in the same or similar tasks as outlined under the Latvian component for Foreign Aid co-ordination. The GTAF will also provide long-term technical assistance to the Ministry of Economy to develop aid coordination.

Implementation: The Ministry of International Economic Relations will be responsible for the overall management of the programme with specific implementation carried out by the counterpart ministries.

PHARE FOLLOW UP TO 1991 MEASURES IN LITHUANIA;

In November 1991 in response to the EC recognition of the independence of Lithuania, the EC committed 6 MECU for technical assistance in agriculture, energy, transport, and health in the main and some limited early steps for privatisation and aid co-ordination. LATVIA received 6 MECU for similar purposes. Follow up actions will continue under the 1992 GTAF.

3. IMPLEMENTATION

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

BALTIC STATES



GTAF



Support to SMEs and Privatisation

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 8 July 1992 at Management Committee meeting N° 17

Country:	Estonia, Latvia and Lithuania
Programme:	SMEs and privatisation
Duration (years)	3
Year:	1992
EC Contribution:	Estonia: 3.5 MECU ⁴ (financed via the Estonian GTAF programme)
	Latvia: 4.5 MECU (financed via the Latvian GTAF programme)
	Lithuania: 9.5 MECU
Sector classification:	Private sector development
Responsible authority:	Estonia: Department of State Property
	Latvia: Ministry of Economic reform
	Lithuania: Ministry of the Economy

2. SUMMARY

Although describes together for convenience's sake, these are not regional programmes but separate national programmes.

Programme objectives

The objectives of the Programmes are to promote and stimulate the emerging private sector in the three Baltic states, by strengthening production methods, encouraging competition and giving practical help wherever possible to small businesses. This will take the form of advice, training, small amounts of start-up capital, investment services and encouraging foreign investment.

The Programme aims to do this by concentrating on three main areas:

- SME development;
- privatisation through Institutional support for the Ministry responsible for Privatisation to encourage the development of an efficient framework for promoting SME development and establishing privatisation methodology and mechanisms; and
- foreign investment.

Background

Lithuania

Since 1990 Lithuania has pursued economic reforms, adopting important legislation to regulate private ownership, the privatisation of state property, foreign investment and taxation. Within the last six months, most prices have been liberalised. Macro-economic stabilisation procedures are being pursued with the IMF's help in preparation for the introduction of a national currency. Until now,

⁴ million European Currency Units

privatisations have been by voucher and concerned mainly small enterprises in the service sector. Large scale privatisations are simply too complex in the context of the current administrative and legal structure.

The small businessman is "ready and willing" to emerge, but to date his operational ability in terms of know how and capital is weak. Most new SMEs have not really taken off. It is hoped that the PHARE 1992 privatisation programme in Lithuania can address some of these issues, building on the technical assistance seconded to the Department of Privatisation under the 1991 TAUSSR⁵ measures.

Latvia

As in Lithuania, small enterprise did not feature in the everyday life of the Latvian citizen under the Communist Soviet government. By now however, some important economic legislation has been passed. For example, on the 26 September 1991, the Law on Entrepreneurial Activity was passed. This law defines and regulates limited liability companies, which will clearly facilitate conditions in the SME sector. A Privatisation Law has been drafted with the help of an EC funded team which will clarify the institutional structure and give a mandate to the Ministry of Economic Reform to supervise the process. The law on privatisation of small government enterprises was passed in November 1991, at the same time as a law on the transfer of state property which allows foreigners to invest in Latvia with only limited trade restrictions (on media, fishing and port management). Latvia has taken the step under the GTAF of allocating 300,000 ECU specifically to draft, harmonise and train in the practice of new economic legislation.

Estonia

Estonia is more advanced in terms of SME development, this having begun before the break-up of the Soviet Union. The Business Acts of 1986 and 1987 permitted SMEs. Although in theory these SMEs were state owned, in practice the law protected them from state interference.

The Companies Act in early 1990 proved important, and prompted an increase in the registration of small businesses (34 in 1986, 3000 by December 1989 and continuing at a rate of 300 per month). Support thus needs to be given to the businesses already set up, and the skills and attitudes necessary for entrepreneurs to operate successfully must be provided. Start up capital is obviously crucial here as in Lithuania and Latvia until such times as the financial sector is stabilised.



Programme description

Privatisation and restructuring of companies in the state sector

Lithuania

An organisational and legislative stream-lining of the Department of Privatisation, (responsible for transfer of ownership of state controlled enterprises), and the supervisory Central Privatisation Committee (which delegates to District Privatisation Committees) which in turn organises and conducts small scale privatisation for citizens is foreseen to maximise transparency, methodology and environmentally sustainable development.

Some supply of essential equipment is foreseen under this component;

Estonia and Latvia

Estonia and Latvia have similar programmes for this component which will thus be described as one. The institutions that are to receive the majority of the technical assistance will be the Ministry of Economic Reform in Latvia and the Department of State Property and the Ministry of Economy in Estonia.

Diagnostic studies and Pilot Privatisations: in all three countries, varied sector studies (overview), diagnostic studies (as a pre-cursor to possible individual restructurings), and a small number of pilot transactions will help formulate industrial policy, give impetus to the privatisation process and improve the

⁵ TAUSSR: Technical Assistance to the USSR, responsible for assistance to the Baltic States until 1991. Now named TACIS: Technical Assistance to the Commonwealth of Independent States.



legislative framework . To give some idea of the scale of operation envisaged in Latvia there will be 5 Diagnostic studies (100,000 ECU), 2 Pilot transactions (500,000 ECU) and 2 Sector studies.(300,000 ECU).

A1.1.3 Management Training: Estonia has a component aiming to teach new management skills. This service is aimed at senior managers and Board members. Modular training courses will be designed with PHARE assistance.

SME development

Lithuania

Policy Advice to the Lithuanian Ministry of Economy: one PHARE-financed expert will be seconded to the Lithuanian Ministry to advise on SME strategy, industrial policy, legislative deficiencies and promote a general enterprise culture.

Business advisory centres will provide advice on how to capitalise, on the de monopolisation of state enterprises, etc. in terms of developing a small business. Hands on assistance in screening projects, short term professional training, and developing and identifying foreign partners will be the type of experience to be offered by the PHARE funded expertise who will work with local consultants (private wherever possible) in a PIU set up outside the Ministry. In this way, independent professional or entrepreneurial societies can influence the operational aspects of the project.

Financing Scheme: The financing institutions are still adjusting from the effects of their severance from the Central Banking system of the USSR. Furthermore, inflation has affected the value of personal savings very badly, substantially reducing the amount of capital available to SMEs. PHARE will set up a 3 MECU financing scheme offering credit facilities to rural SMEs. The scheme will be run by the Lithuanian Investment Bank (other banks may participate) which is currently receiving PHARE technical assistance under the 1991 programme. An expert from Nordic bank will be seconded to the LIB to oversee the operation.

Latvia

Activities similar to the ones described above will take place. The Ministry of Economic reform in Latvia will receive one long term expert. The Latvian SME financing scheme will receive 1 MECU. It will be operated by the Latvian Investment Bank, currently receiving technical assistance financed under the 1991 TAUSSR programme.

Estonia

The programme is similar to the Lithuanian one described above. In addition, the Estonian PIU will identify selection criteria for the identification of suitable advisory bodies and enterprises or policy areas requiring central assistance for the development of policies. It will develop consultation procedures which enable private enterprise to make its views known to the government and its agencies. The Estonian SME financing scheme will receive 1 MECU. It will be operated by the Estonian Investment Bank, currently receiving technical assistance financed under the 1991 TAUSSR programme.

Foreign investment promotion

Diagnostic studies will be under taken in this sector and, on the basis of the results, an assessment of some of the factors hitherto unknown to the foreign investor should be available. Long term Government policies will then be formulated.

For further detail please refer to the "Promotion of foreign investment" section in the Baltic states' GTAF programme summary.

Lithuania: (1 MECU)

Latvia: (0.5 MECU)

There is a further aspect to the Latvian component whereby, in order to offer more attractive legal conditions for foreign and national investments and to enhance harmonisation between its commercial laws and those of the EEC, thereby facilitating business, the Latvian parliament and government will receive technical

assistance. This will provide advice on drafting texts and will organise a training programme for policy makers, legal administrative staff, magistrates and company lawyers. This will impart know-how about drafting economic legislation and enforcing economic regulations .

The Programme will be implemented through a framework agreement with a law institution or company.

Estonia: (0.2 MECU)

3. IMPLEMENTATION

Lithuania

No PIU is to be set up. The Ministry of Economy will be responsible for overall co-ordination of the line ministries and agencies. The SME Advisory Council is to be set up to guide overall SME policy in Lithuania and involve the relevant institutions, such as Ministries, Chambers of Commerce, etc.

The Lithuanian Programme is open to other donors, such as the Nordic bank.

Latvia, Estonia

For implementation of Latvia and Estonia please refer to the BALTIC GTAF facility under which the Privatisation and SME sectors are financed in these two countries.

General

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

BALTIC STATES



SMEs & PRIVATISATION



Integrated SME/Regional Reconversion and Development Programme (REDEV)

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 30/7/1992 at Management Committee meeting N° 18

Country:	Bulgaria
Programme:	REDEV: Integrated SME/Regional Reconversion and Development Programme
Duration (years)	2½
Year:	1992
EC Contribution:	22.5 MECU ⁶
Sector classification:	SMEs
Responsible authority:	Ministry of Industry

2. SUMMARY

Background

Several regions in Bulgaria are affected by high unemployment as they struggle to diversify their agricultural and heavy industries. Small and Medium-sized Enterprises (SMEs) are now widely recognised as having a critical role in both the global growth of market economies and the transformation of the Bulgarian economy.

The two pilot regions selected are Smoljan and Burgas, on the basis that their experiences could be transferable to other regions in Bulgaria which are also facing the restructuring and rationalisation of state enterprises and large job losses in the future. The Burgas region represents a classic case of a region undergoing industrial reconversion with an agricultural hinterland, while the Smoljan area is a typical underdeveloped area with rural development potential. Both regions need to diversify their economic bases, enhance their human resources and build up their institutional structures in order to help arrest the increases in unemployment that will result from the rationalisation of the large state enterprises.

Under PHARE, an SME Financing Scheme and the Pilot Regional Reconversion and Development Scheme (REDEV) will help SMEs to get credit and will initiate pilot regional reconversion and development programmes in the two areas. Although these initiatives are in principle separate, there are many common factors that provide links between the two which should help to promote the success of the programme.

Programme Objectives

Specific objectives are :

for SMEs :

- to establish and strengthen mechanisms and rules which will facilitate SMEs' access to finance through appropriate financial institutions;
- to provide financial means for small entrepreneurs;

⁶ million European Currency Units

- to strengthen the existing SME Fund and create the structure for long-term SME financing to pass principally through the banking system.

for REDEV:

- to promote new economic activity and employment, particularly in SMEs, in regions affected by high concentrations of actual or potential unemployment arising as a consequence of the restructuring of large state enterprises.

Programme description

The programme is based upon two components which each contain a number of key elements: the SME Financing Scheme and the REDEV component.

1. SME Financing Scheme : 15 MECU

The 1991 programme allowed several actions to take place, such as an assessment study of the emerging private sector, 2 feasibility studies for the establishment of Business Support Centres, the training of local consultants and a study of financing facilities for SMEs.

Private business in Bulgaria was officially permitted under Decree 56, adopted in January 1989. Since then, over 200,000 enterprises have registered, although very few of these have used banks, preferring instead to use savings or loans from friends or the family. The problems of raising finance led to the creation of an SME-Fund in 1991 controlled by a national SME Council under the chairmanship of the Ministry of Industry and Trade.

The resources of the SME-Fund are to be used for producers and by means of interest subsidies on new loans, repayment of interest, provision of capital and expenses. As the single most immediate constraint for SMEs relates to difficulties of access to finance, the key element of the PHARE programme is support for Credit, Credit Guarantee and Equity Schemes.

ECU 1 million will be allocated to set up the PMU

ECU 14 million of the PHARE contribution will be placed into a Fund for the establishment of appropriate credit, credit guarantee and equity schemes. An indicative allocation of 9 MECU will be made to a Loans Scheme offering "soft" terms of credit to small enterprises to purchase equipment abroad, or for working and investment capital. This facility should be operated by designated bank branches or other competent locally-based institutions, which will receive the necessary training and back-up following agreement between the Ministry of Industry and the individual banks setting out the rules and procedures. Of the 9 MECU, an indicative allocation of 7 MECU will be made available for lending through the banks. The scheme will be operated primarily in regions where other PHARE initiatives for the support of SMEs are located, particularly Business Services Centres such as Plovdiv and Varna. Initially, the lending process will be funded by the SME fund and supported by an indicative allocation of 2 MECU.

The Credit Guarantee Scheme will receive 3 MECU in order to facilitate the supply of credit to small enterprises. This contribution has to be matched to one of a similar size by the state authorities. The financial institutions, who will be operating the Scheme, will be selected by the Ministry of Industry in consultation with the European Commission, as will the precise rules and mechanisms of the Scheme.

The Equity Scheme is only likely to start up after the other credit mechanisms have been established and the banking and financial system is more stable. An indicative allocation of 2 MECU will be made for the initial operation of an equity fund, to be run on an independent basis with private sector participation.

BULGARIA



SMEs & REGIONAL
RECONVERSION & DEVELOPMENT



2. *Reconversion and Regional Development (REDEV): 7.5 MECU*

A wide number of actions is envisaged which must be undertaken at a high level of co-operation between local and national actors. Co-ordination, inter-linking and integrated implementation of individual projects is essential as is the development of the appropriate institutions with the capacity to set up and sustain regional priorities and the implementation of the projects.

The Smoljan region is remote with problems of access and limited communications infrastructure. There is serious pollution in areas occupied by the mining industry, as well as a general lack of business know-how and a shortage of finance for investment in businesses and infrastructure. The rationalisation of the mines and other businesses dependent on mining, coupled with the job losses in other industries, is already creating difficult economic, social and political conditions for the region's development.

The Burgas region is well located geographically, with strong development potential residing in the port, a free trade zone and two universities. However, the region's four municipalities are quite different in terms of overall strength and development potential. Unemployment is at 10% and rising, concentrated among women and young people, and further reductions in the workforce are expected following the restructuring of the region's economy. Again, limited know-how, lack of resources for training and retraining and limited municipal budgets for economic development are characteristic of the problems that the region is facing.

2.1 *Regional Development Agencies*

A Regional Development Agency will be established in each region. The agencies' functions include the co-ordination of reconversion and development policy, the promotion of human resource development schemes, promotion of rehabilitation schemes for the reconversion of sites for business and training purposes.

Each Agency will have an autonomous status and will play a central role in mobilising resources available through other national or local schemes. A Regional Development Forum/Council representing the major private and public interests of the region will oversee each agency and provide their strategic orientations.

PHARE will support the agencies through in-house technical assistance, the provision of short-term expertise, staff training, funding for studies and other related measures. Furthermore, a close co-operation with the PHARE labour market and SME programmes will be stressed. The agencies will also be able to draw resources and support from other parts of the present programme.

2.2 *Labour Market and other regional actions*

PHARE aims to support training and employment development by promoting actions including youth training, re-training and generic skills training, as well as funding studies on the reconversion and development of the two regions from a number of different perspectives including the labour market. PHARE has also made an indicative allocation of 500,000 MECU for training and support of Trade Unions as a major social partner involved in the REDEV Integrated Programme.

2.3 *Regional SME Development*

The growth of a strong SME sector in these regions is essential to generate new jobs and economic activities. Both regions intend to establish locally-based Regional Investment Funds to provide emerging local SMEs with access to sources of non-debt financing. Ownership of the Funds will be on a share holding basis, while management will be carried out on a profit basis. Before the Regional Investment Funds (RIFs) have been set up, their functions will be carried out through the national SME Fund with a special

allocation of 500,000 ECU for this purpose. Counselling and business advisory services will also complement the financing operations carried out by the RIFs either through a special unit or a separate business advisory centre. PHARE will provide a full range of support measures to this component including management and technical assistance, as well as some capital and training services.

3. IMPLEMENTATION

SME Financing Scheme : the implementing Agency for the SME Financing Scheme will be the Ministry of Industry, in whose name a Fund will be established with an appropriate bank and denominated in ECU. The Fund will be managed by the PMU. After an initial advance of 1 MECU has been made into the SME Fund, payments will be made in the form of advances established on the basis of the work programme and cost estimates submitted to the Commission for prior approval.

Regional development : this component will be run by each Regional Development Agency. An annual review will be carried out by the Inter-ministerial Advisory Committee, and any adjustments agreed between the Ministries of Industry, Labour and Social Affairs and Regional Development, Housing policy and Construction and the European Commission.

Procurement :

Technical assistance will be obtained either by restricted tendering or by direct agreement with the Commission, depending on cost and nature of the services.

Procurement of goods will be by international open tender. Minor purchases may be made by direct agreement.

BULGARIA



SMES & REGIONAL
RECONVERSION & DEVELOPMENT

Restructuring of the telecom sector

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 3/7/92 at Management Committee meeting N° 18

Country:	Bulgaria
Programme:	Assistance for the construction of a modern telecommunications service - stage II
Duration (years)	18 months
Year:	1992
EC Contribution:	3 MECU ⁷
Sector classification:	Telecommunications
Responsible authority:	Committee for Posts and Telecommunications (CPT)

2. SUMMARY

Background

The Bulgarian postal and telecommunications sectors are currently undergoing a massive restructuring programme. This includes changes in the legal and regulatory frameworks, in strategic and policy planning and in organisational and managerial structures in addition to fundamental infrastructural improvements. Assistance to this project will shortly be available from International Financing Institutions.

The first stage of PHARE assistance to this sector, worth 3 MECU, was approved in late 1991 and started in early 1992. All interested parties⁸ collaborated in the elaboration of a "Technical Assistance Work Programme". This allowed the preparation of a series of reports outlining the various investment strategies available to the three banks. It also looked at issues of policy, regulation, privatisation, management and organisation, human resources, accounting and financial matters, and information and computing systems.

These services have resulted in the following series of concrete measures:

- the separation of regulatory and operational activities into the "Committee of Posts and Telecommunications" and the "Bulgarian Posts and Telecommunications Ltd.";
- a draft Telecommunications Act, soon to be submitted to Parliament;
- the adoption of new policies and strategies in line with EC policies and the recommendations outlines in the Green Paper;
- the definition of guidelines in order to divide the operator into two new postal and telecommunication companies;
- the compiling of the data needed by the banks for loan appraisal and for tender preparation.

The 2nd stage of the telecom assistance programme will carry on the work of the programme's first stage, shifting the emphasis of assistance where necessary.

⁷ million European Currency Units

⁸PHARE, EIB, EBRD, World Bank, CPT



Objectives

The overall objective remains the adaptation of the postal and telecommunication services to the requirements of a competitive market. To achieve this, the operators of the postal and telecom branches are going to receive organisational and managerial support during the separation stage and thereafter. The political and regulatory functions of the Administration will be strengthened. The promotion of the most efficient use possible of existing resources will be complemented by the introduction of modern communication infrastructure. Last but not least, procedures and regulations will be harmonised on the basis of EC experiences and standard industry practice.

These goals will be pursued by:

- assisting the personnel responsible for setting up the new operators by providing support in creating the new corporate structure as well as in financial, technical and personnel management;
- providing training in regulatory, legal, financial and commercial matters;
- setting up in-house training and retraining facilities, emphasis being laid on the use and maintenance of modern systems;
- developing short- and medium-term investment programmes.

Project description

The project will run under three headings: restructuring, staff training and technical assistance for commercial issues.

Restructuring

The very ambitious restructuring plan defined by the Administration must be implemented over a short period of time: the operators are to be separated before the New Year. Consequently, technical assistance drawing on pan-European experiences will be provided to achieve the following three undertakings:

- * to consolidate the CPT in the tasks of policy/strategy definition and regulatory work, including policies for investment promotion, staff efficiency and regional or transnational co-operation;
- * to assist both post and telecom operators during and after the operator's separation. Reorganising management is the key issue here; accordingly, close attention will be paid to strategic planning, accountancy, debt, tax and general financial planning, contracts, marketing and service.
- * to prepare the creation of financially responsible subsidiaries in both the postal and telecommunication fields. The ultimate aim is to terminate telecom-to-post cross-subsidies.

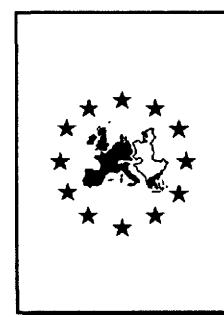
Staff training

Specific short-term training sessions will be organised mainly by EC-based telecom operators and consultants in Bulgaria, although on-the-job training in the EC is being considered. Target audiences are senior and middle managers as well as in-house training staff. Subject matter will respond to the specific needs of the Bulgarian operator and will cover legislation, structural and financial management. These sessions will, wherever possible, complement the management training modules offered under the 1992 regional technical assistance programme.

Assistance to commercial issues

This component will cover *ad hoc* consultancy services for the procurement of equipment funded by IFOs and for the preparation of technical and commercial dossiers. In particular, feasibility studies for the introduction of modern systems needed by the business user (mobile phones, data networks etc.) will be financed, as will advice on joint ventures, licensing agreements and foreign cooperation. Pilot projects to create Management Information Systems (for accountancy and financial data) are to be established. Independent experts will be hired to evaluate tenders on their technical, financial and economic qualities.

BULGARIA



TELECOMS

BULGARIA



TELECOMS

3. IMPLEMENTATION

Overall responsibility for the programme rests with the CPT. The existing Programme Implementation Unit will manage the programme and ensure proper coordination with other projects in the telecom sector. The PIU will conclude contracts with retained contractors selected according to the usual competitive selection procedures:

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

Main contractors may subcontract selected services. Tender evaluation will be carried out by the Bulgarian authorities in collaboration with PHOS in Brussels. Progress reports are to be produced on a six-monthly basis. In addition, independent experts are to monitor both progress and performance of the project.

Nuclear Safety at the Kozloduy nuclear power plant

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 8 July 1992 at Management Committee meeting N° 17

Country:	Bulgaria
Programme:	Continuation of the PHARE 1991 nuclear safety programme at the Kozloduy nuclear power plant
Duration (years)	
Year:	1992
EC Contribution:	3.5 MECU ⁹
Sector classification:	Nuclear safety
Responsible authority:	Energy Committee of Bulgaria, Committee for the Peaceful Use of Atomic Energy

2. SUMMARY

Background

The subject of nuclear safety in Central and Eastern Europe has been extensively discussed at international fora of late. A number of orientations are expected to crystallise from these meetings which will influence the future actions not only of PHARE but of all the organisations involved in the field.

Bulgaria shares similar energy problems to the rest of the CEEC¹⁰. They are compounded by her dependence on nuclear energy. Soviet-designed VVER 230 reactors running at Kozloduy are reputed to be the world's most dangerous. Poor design (such as the lack of containment structures) is worsened by shoddy maintenance, a lack of spare parts, of skilled staff and even a lack of comprehensive operating manuals. As these reactors provide about 40% of the national energy supply, the most obvious solution to these problems - an immediate shutdown of the affected reactors - cannot be envisaged. Bulgaria will need something like 4 to 7 years to develop alternative energy supplies. In the short term, the Bulgarian authorities hope to put Unit 2 of Kozloduy back on stream in safeish conditions to satisfy electricity needs this winter. The PHARE programme, which committed 11.5 MECU last summer to Kozloduy, is actively assisting the authorities in running the plant as safely as possible, by providing a variety of services. The programme also sees to it that the "house is being kept in order" and is encouraging a modern safety culture. Additionally and concurrently, a PHARE energy programme for 10 MECU helped to set up a High Level Advisory Unit in the Committee for the Peaceful Use of Atomic Energy. This unit aims to determine energy policy, diversification of supplies and the possible conversion of Kozloduy to a clean gas supply unit. The unit must also consider alternative methods of disposing of the nuclear waste previously shipped back to the former USSR.

Programme objectives

⁹ million European Currency Units

¹⁰ Central & Eastern European Countries

BULGARIA



NUCLEAR SAFETY



The Kozloduy project, due initially to run for six months, has taken a year to overcome initial organisational difficulties. It is well on target to finish by November 1992. This component aims to build on the results achieved so far.

Programme description

The 1992 programme will have two main components:

Housekeeping and outage tasks

The WANO with the assistance of PHARE will second an Outage Assistance Team (OUT) of about 18 Western experts to Bulgaria. Six will go to ENERGOPROJECT, a nuclear design institute in Sofia and the rest will reinforce the nuclear operators who are implementing Phase I (1991) of the assistance programme in Kozloduy. OUT's programme will include maintenance and housekeeping activities to restore the initial physical conditions of the equipment and buildings in Kozloduy and the up-grading of the safety level by implementing design modifications, improvement of plant management and organisation, as well as operating and maintenance procedures.

WANO, with the assistance of PHARE and TACIS, is co-ordinating and exchanging information with the similar programmes operating in the CSFR and the CIS where similar reactors are operating.

WANO will also arrange a twinning scheme between Kozloduy and the Bugey nuclear power plant (France). This will heighten the Bulgarian operators' awareness of international operational standards, whilst taking into account local conditions so that the concept of a safety culture can be cultivated. Maintenance and operating procedures, particularly for emergencies and abnormal operations, are to be developed. In the main, permanent experts will be seconded to Bulgaria but visits to Bugey are also envisaged by Bulgarian operators.

The WANO six months programme

Through this component, the competent Bulgarian authorities will be reinforced by a consortium of 4 Western regulatory bodies, selected by an international bidding process. The objectives are to improve the regulatory framework and the capacity of the regulatory authorities to enforce safety regulations and grant or withhold operating licenses

The Consortium, in co-operation with the Committee for the Peaceful Use of Atomic Energy, will evaluate the WANO outage programme.

3. IMPLEMENTATION

WANO has been contracted by PHARE to set up a Programme Implementation Unit geographically balanced between its Paris Centre and Sofia to assist in the overall co-ordination and contract management. The Commission-initiated steering committee has representatives from Member States and relevant international organisations.

General Technical Assistance Facility

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 20 May 1992 at Management Committee meeting N° 16

Country:	Czech and Slovak Federal Republic
Programme:	General Technical Assistance Facility part II
Duration (years)	
Year:	1992
EC Contribution:	30 MECU ¹¹
Sector classification:	Multidisciplinary
Responsible authority:	Bureau for the Coordination of Foreign Assistance

2. SUMMARY

Programme objectives

The general objective of the GTAF II/92 is to assist the authorities to develop appropriate sectoral reforms in areas where market-oriented legislative policies and appropriate institutions are required and where the necessary amount of PHARE support does not justify a separate system of management.

GTAF II is a flexible fund which will be used for financing short and medium term technical assistance measures in the areas of finance and banking, transport, trade, health and social security, public administration and agriculture. The funds may also be used to cover the foreign exchange costs of equipment required by the projects.

An asterisk (*) denotes projects which build on the projects launched under part I of the GTAF.

Programme description

() Financial Sector (5 MECU)*

GTAF I provided expertise and support to carry out feasibility and design studies in the fields of banking staff training, export guarantee schemes, banking supervision, accounting etc. Permanent support is foreseen for some of these areas in GTAF II.

Under GTAF II, a State Treasury will be introduced to improve the Ministry of Finance's capacity to manage state expenditures and to improve the information systems. New training structures will be set up for insurance companies.

() Transport (2MECU)*

GTAF I carried out studies in transport management, human resources, the organisation of the Ministry of Transport and transport legislation. Projects that could be commercially financed, such as pre-investment and user charges systems in road transport, were studied in collaboration with other IFIs¹²

¹¹ million European Currency Units

¹² International Financing Institutions

CSFR



GTAF

CSFR



GTAF

GTAF II will restructure and, where appropriate, privatise the major state enterprises for transport (rail, road, intercity, urban) and consider infrastructural priorities for investment planning (feasibility studies and environmental impact evaluations).

Trade Promotion, including assistance to customs, UN/EDIFACT, Chamber of Commerce, Standardisation, Industrial Property protection and Statistics. (8 MECU)

- UN/EDIFACT (Electronic Data Interchange for Administration, Commerce and Transport): most transactions in the CSFR are currently paper-based. GTAF II will ensure the coherence and integration of Electronic Data Interchange (EDI) in the CSFR with the current Western European approach as defined by TEDIS (Trade Electronic Data Interchange System) and implement and disseminate the results of a number of pilot projects (in particular to SME's).
- (*) For customs, GTAF II will work on the results of the feasibility study undertaken under GTAF part I in 1991 and set up a data processing system which includes the procedures for import and export, customs automatization, and the application of combined nomenclature and integrated tariff structures as used in the EC. (this programme is linked to the Regional Programme for customs co-operation 1991).
- The Czechoslovak Chamber of Commerce (CCCI) is setting up a network of regional offices throughout the country for which GTAF II will provide support in the form of planning and devising an appropriate communication system.
- (*) In line with the Association agreements GTAF II will provide for voluntary and mandatory standardisation to improve compatibility with the international community and hence export prospects and at the same time protect the consumer and the environment. Proposals include the purchase of hardware, software and related training for processing standards and disseminating them efficiently. Key equipment for testing laboratories for export quality will also be provided. (Linked with the 1992 Regional Programme for Quality Assurance).
- Industrial property problems will be dealt with by the Federal Office for Inventions (FOI) in conjunction with the European Patent Office. A five year modernisation plan linked to a detailed investment schedule is currently being drawn up. The new industrial property Laws of 1991 will result in the eventual accession of the CSFR to the Patent Co-operation Treaty. The resultant, considerable modernisation of equipment and training which will be required by the FOI will be provided by GTAF.
- Technical Assistance and training are provided for the design and implementation of statistical techniques, methodologies and information technology (hardware, software, training) under the Regional Programme for Statistical Co-operation. Following recommendations from the Eurostat office, the GTAF will (i) convert the present system, (ii) extend and develop the system hardware and (iii) set up a training programme. A steering group will be set up for this component.

Social Sector development: Health (4 MECU)

New legislation on the broad framework of reforms has been adopted and efforts are concentrated on the implementation of the financing of a new system including health insurance and a new management structure. The GTAF II will also concentrate on providing a network of advisory centres for primary health care and developing information systems for health promotion. Health insurance systems will also be monitored.

SME loan facilities will be accessible to General Practitioners to allow the setting up of private practices.

() Social Sector development: Social Security (2MECU)*

This sector is well supported by the GTAF I which has been used to develop social security systems; their computerisation at republic and district level, the design of a family benefit and social assistance system and other topical issues.

GTAF II will establish appropriate financing mechanisms and support institution building in the sector.

Public Administration (1 MECU)

Following the regional SIGMA programme, basic civil servant policy is being redesigned and reformed. GTAF II will provide further national Technical Assistance in the form of study visits, seminars etc., and in particular envisages setting up a public administration training system.

Local Government (1 MECU)

GTAF II will extend and intensify the training system and continue to assess the needs set up and exposed by the GTAF I

Agriculture (3 MECU)

In the main, GTAF II will set up a wide-ranging sector study to find alternative activities to agriculture in the unprofitable marginal areas and reduce ecological damage to soil, food and water. Following this, there will be a regional planning study for diversification in the marginal areas; assistance in the "greening" of agriculture and the development and implementation of a training programme.

3. IMPLEMENTATION

The Federal government in December 1991 set up the Bureau for Foreign Aid Co-ordination which forms the liaison secretariat for the two republics and the International Financial Institutions. The Council is currently chaired by Mr Vladimir Dlouhy, Federal Minister for the Economy.

For the purposes of PHARE the Bureau houses a special GTAF Programme Management Unit which will be responsible for the overall management of the GTAF programme.

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

CSFR



GTAF

Privatisation, restructuring & private sector development

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 3/7/92 at Management Committee meeting N° 18

Country:	Czech and Slovak Federal Republic
Programme:	Privatisation, restructuring and private sector development
Duration (years)	3
Year:	1992
EC Contribution:	31 MECU ¹³
Sector classification:	Industry - Restructuring & privatisation
Responsible authority:	Federal Ministry of the Economy

2. SUMMARY

Background

The privatisation programme in the CSFR is amongst the most successful in the region. It is being pursued despite the constitutional changes affecting the country and is following a two-pronged approach.

Under the Small Privatisation Act, 50,000 small businesses are being sold in two rounds. The first round has been completed. The second round will continue into 1993. More than 20,000 units had been privatised by the end of 1991, the last date for which figures are available.

The sale of medium and large enterprises is governed by a voucher scheme established in the summer of 1991. After identifying those enterprises which, for a variety of reasons, were unlikely to be privatised over the next five years, the target businesses were prepared for privatisation in two waves. The first wave of privatisation is at present underway. Shares are allocated to voucher holders according to their wishes in a computer-run, market-driven fashion. Vouchers and shares may be traded, although as yet there are no comprehensive securities laws. The interest generated has nevertheless been great and has led to the organic rise of a large number of private investment funds. This encouraging development makes the concentration of ownership possible and keeps the market liquid, thereby at one stroke creating the most important conditions for an efficient allocation of capital resources. An idea of the scale of the programme can be gained from the following table:

	First wave	Second wave	No privat. for five years	Liquidated	TOTAL
Czech rep.	1176	1170	439	41	3426
Slovakia	624	562	665	35	1886
TOTAL	2400	1732	1104	76	5312

¹³ million European Currency Units



Both the hard and soft aspects of enterprise restructuring¹⁴ are now the main challenges facing the CSFR. Capital finance for hard aspects are expected to come from sources such as the international development banks and the commercial capital markets. PHARE assistance will concentrate on soft aspects.

The industrial profile of the CSFR is still dominated by heavy industries, although their present decline is accelerating. As such industries tend to cluster in certain regions, the social impact of their decline can be severe. PHARE allows for this by including regional factors in its programming.

The mobilisation of foreign capital is the third major factor that will influence the success of economic restructuring programmes. PHARE will take an active role to promote investments.

Programme objectives

Specific objectives are:

- to further the privatisation of selected enterprises;
- to develop planning and management capacities in the processes of industrial reconversion and development in two selected regions; and
- to strengthen the institutional capacity to promote investment and inward capital flows.

Programme description

The programme will include three components: privatisation & restructuring, regional reconversion (including SME development), and investment promotion.

1. Privatisation and restructuring: 11 MECU

The 1991 programme followed a two-pronged approach:

- support for policy and strategy formulation, training, project management and other short-term needs; and
- technical assistance to enterprises for essential preparatory tasks required prior to privatisation.

Sixty to eighty interventions were covered. While this is clearly insufficient, given the number of businesses involved, the newly apparent pressing need for assistance to soft aspects of restructuring will be the priority concern of the programme this year. Nevertheless, about 5 MECU of the allocation will be made available for preparatory work similar to last year's programme.

A Soft Restructuring Facility (SRF) will be set up to assist the implementation of selected companies' soft restructuring plans. In addition to providing help in tackling the whole gamut of subjects related to soft restructuring, the SRF will act as a pump priming instrument, designed to help enterprises attract investment and loans through better project preparation, seminars etc. Special consideration will be given to those sectors where an overall restructuring policy was developed with PHARE assistance in 1991¹⁵. The facility will be financed by a cost-sharing formula, with the funds being fully repaid should the assisted company reach a state of full profitability. These reimbursed sums will finance a revolving fund facility available for further assistance measures in the field of enterprise restructuring.

¹⁴ Hard aspects: capital, investment, modernisation of plant and machinery etc.;

Soft aspects: organisation, management, personnel, training, process management, marketing, research and development, design...

¹⁵ steel, coal, defence and pharmaceuticals

CSFR



PRIVATISATION & RESTRUCTURING



2. regional reconversion and development: 16 MECU

Two regions have been selected by the federal authorities for support under this scheme: *Ostrava* in the Czech Republic and *Horne Povazie* in Slovakia. The regions are contiguous with each other and with the Polish "black country" centred on Katowice. Both areas rely excessively on mining and heavy industries, suffer from high unemployment and show growing signs of social degeneration.

2.1 Regional Development Agencies

A Regional Development Agency will be established in each region. The agencies' functions include the co-ordination of reconversion policy, regional and local reconversion planning (including environmental aspects), the promotion of human resource development schemes, assistance in turning idle land and buildings into premises for new businesses, and the promotion of external investment.

Each Agency will have an autonomous status and will play a central role in mobilising resources available through other national or local schemes. A council representing the major public and private interests of the region will oversee each agency and provide their strategic orientations.

PHARE will support the agencies through in-house technical assistance, the provision of short-term expertise, staff training, funding for studies and other related measures. Furthermore, a close co-operation with the PHARE labour market and SME programmes will be stressed. The agencies will also be able to draw resources and support from other parts of the present programme.

2.2 SME development

This component will be run in the two regions identified above. The growth of a strong SME sector in these regions is essential to generate new jobs and economic activities. PHARE will therefore help local institutions to implement measures essential to SMEs, such as business advisory services and the promotion of financial access. The 1991 programme of credit and loan guarantee schemes will be extended in both regions through local banks.

As access to non-debt finance is the biggest hurdle facing the developing SME sector, the guarantee programme will be complemented by locally-established SME Funds. These Funds will be commercially managed and are expected to show a profitable return. The directors will report back to a board nominated by the shareholders¹⁶. The Funds will provide seed financing, subordinated loans and other non-debt financing to commercially and socially appraised SME projects. Involvement with any SME will cease once commercial viability has been achieved. The money involved will be rolled over into new projects.

Business advisory services may be provided either by the Funds or by the National SME programme. The duplication of efforts will be avoided through close co-operation between the institutions involved.

PHARE will provide a full range of support measures to this component, including management and technical assistance for up to two years, some capital, and training services. Considering the scale of the problem, PHARE support can only be an initial contribution. Therefore, the Funds will seek to mobilise other sources of national and international capital.

3. Investment Promotion: 4 MECU

This component, which will be run on both republican and regional levels, is being implemented in three steps.

¹⁶ Shareholders will be national, republican and local government, local banks and local major industries.

Firstly, the strategic, organisational and institutional details of the operation are to be finalised.

Secondly, the operational plan will be implemented over a thirty-month period. This will provide for strategic planning, co-ordination with other ministries and interested institutions, running promotional and marketing plans, market research, training, etc.

Thirdly, all steps are being taken to create the most effective long-term institutional structure possible for investment promotion. This involves the continuing assessment of requirements and the definition of the precise role of the various agencies involved.

3. IMPLEMENTATION

Privatisation & restructuring: this will use the organisational framework established under the 1991 PHARE privatisation & restructuring programme.

Regional development: this component will be run under the aegis of the Republican Ministries of the Economy until the regional agencies and SME funds are operational.

Investment promotion: the Federal Agency for Foreign Investment is the overall co-ordinator. The Czech Ministry of Economy and the Slovak Ministry for International Relations are responsible for the Republican components of the project.

Procurement:

Technical assistance will be obtained either by restricted tendering or by direct agreement, depending on cost and nature of the services.

Procurement of goods will be by international open tender. Minor purchases may be made by direct agreement.

CSFR



PRIVATISATION &
RESTRUCTURING

Technical Assistance to the Energy Sector

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 8 July 1992 at Management Committee meeting N° 17

Country:	Czech and Slovak Federal Republic
Programme:	Technical Assistance to the Energy Sector
Duration (years)	to summer 1994
Year:	1992
EC Contribution:	4 MECU ¹⁷
Sector classification:	Energy
Responsible authority:	Federal Ministry for the Economy

2. SUMMARY



Background

The 1991 PHARE Energy programme to the CSFR provided technical assistance from a policy advice unit (which was based in the Federal Ministry of Energy) in order to develop an Energy Policy concentrating on increasing efficiency and developing environmentally sound practises. Past energy policy and subsidised energy prices led to the rise of inefficient, energy intensive heavy industries and a very high consumption of dirty carbon based fuels such as lignite, both of which gave rise to serious environmental problems.

Aspects of the Energy Policy reflect the principles of the European Energy Charter to which the CSFR is a signatory.

Programme objectives

The policy advice unit will continue to assist the government of the CSFR to implement the Energy Policy and to elaborate further energy policy formulations. Particular attention will be paid to:

- regulatory measures and the division of administrative responsibilities in the energy sector. The Programme will look at management structures, regional bodies and staff training programmes;
- the development of a pricing and taxation policy which takes into account market conditions and the possible collapse of certain enterprises; and
- the examination of the future structure of the coal and mining industries.

The Federal Energy Agency will supervise the progress of energy efficiency measures in accordance with detailed policies and goals agreed upon in accordance with the Energy Policy.

¹⁷ million European Currency Units

Programme description

Diversification of energy supplies

Two major EC financed studies will:

- (i) consider the optimal configuration of energy imports (oil and gas) into the CSFR in the future, and analyse the potential for future energy grids, bearing in mind that the CSFR is very suitable for energy transit;
- (ii) study techniques of bonification and gasification of coal. The shut-down of power plants burning dirty fuels will be considered. The economic impact of these results will be assessed in order to reduce dependence on brown coal

Regional Energy Planning

Under the PHARE 1991 energy programme, analyses of energy planning in different sectors were carried out in the following regions: Most, in North Bohemia, whose economy is characterised by chemical industry and coal mining, Ostrava, in North Moravia, whose main industries are iron and heavy engineering, and Ziar n Hronom in Central Slovakia, dependent on aluminium smelting. Further action will be taken under PHARE 1992 depending on the study's results.

This year, the regions of Prague and Bratislava will be examined and close attention will be paid to coal substitution, district heating, and the transformation of heat only plants to co-generation plants.

Training

Seminars and traineeships will be provided for selected personnel in the energy sector.

Energy Efficiency

The EC/PHARE studies on energy efficiency in Buildings and Industry begun under the 1991 programme will continue.

- (i) Buildings: the pilot projects will continue in selected schools and hospitals. These focus on decreasing energy consumption by improving technique and organisation in these important sectors. The results of the 1991 energy audits will be included.
- (ii) Industry: this component will concentrate on high impact/low expenditure projects which result in substantial energy savings. Particular attention will be given to the energy efficiency of drying technologies.

3. IMPLEMENTATION

The Project Implementation Unit was set up in March 1992 under the 1991 programme.

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

CSFR



ENERGY



Renewal of the Education System

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 30/7/92 at Management Committee meeting N°18

Country:	Czech and Slovak Federal Republic
Programme:	Renewal of the Educational System
Duration (years)	4
Year:	1992
EC Contribution:	10 MECU ¹⁸
Sector classification:	Education
Responsible authority:	Ministry of Education, Youth and Sports of the Czech Republic, Ministry of Education, Youth and Sports of the Slovak Republic

2. SUMMARY

Background

Although many changes have taken place in the education systems of both constituent Republics of the CSFR, there are still severe problems resulting from the 42-year long state and communist party command structure. Education is not yet 'central' in the country's overall effort towards renewal, and there is no coherent set of policies aimed at identifying priority needs and actions necessary to meet problems. Existing bottlenecks lead to a low numbers of secondary school leavers, narrow curricula and little contact with businesses and future employers who have no apparent interest in education and training. Current teaching methods do not favour individual development or a receptivity to change and there is a lack of appropriate basic educational materials.

Programme objectives

The programme will support the renewal and modernisation of the country's educational systems within its transition to a pluralistic democratic society and market economy by :

- developing reform policies for the different educational sectors and their interaction;
- improving the quality of primary and secondary education;
- enhancing foreign language teaching and learning;
- strengthening decentralised management and administration of schools; and
- diversifying higher education.

Programme description

1. Education policy development : 1 MECU

The programme is aimed at providing technical and financial assistance for education policy development and at proposing concrete measures with a view to implementing these policies and strategies.

¹⁸ million European Currency Units

2. *Priority actions: 8 MECU*

Specific policy recommendations are expected to cover new or amended legislative frameworks for the different educational sectors as well as the future decentralisation and development of school autonomy. Similarly, the development of a comprehensive educational information system will be teamed up with recommendations to changes in institutional structures, curricular reforms and teacher training.

There are a number of selected priority actions which cover the key areas for reform :

2.1. *Improvement of basic and secondary education 3.5 MECU*

This area targets three sub-projects involving curriculum development and teaching materials preparation; education for citizenship and European studies; and an innovation fund. Short and medium-term Technical Assistance will be provided for the organisation of seminars and working groups, while the innovation fund is directed at supporting local initiatives aimed at innovation and improvement of primary and secondary school education. The PHARE contributions will complement national Funds, the principles of which have already been adopted by the Ministry of Education of the Czech Republic.

2.2 *Foreign language teaching and training : 2 MECU*

PHARE will provide short and medium-term technical assistance and financing for the development of "short-cycle higher education studies"; the creation of separate foreign language teacher training colleges; curriculum development; and intensive training seminars for the teachers and directors of the new sections and colleges.

2.3 *Management and Administration of schools : 0.5 MECU*

PHARE will provide support for the development of new school management and administration methods in the context of the overall decentralisation of the education system. PHARE will provide technical and financial assistance for the setting up of Resource Centres in each Republic to collect information on legislation and proposed policies. Also envisaged is the preparation and distribution of a handbook on school administration and self-management, short-period (1-3 month) placements of lecturers and intensive training seminars.

2.4 *Development of non-university higher education: 2 MECU*

The PHARE programme will support the development and introduction of new short-cycle courses and provide technical assistance for seminars and study visits.

3. *Joint Steering Committee and Programme Management Unit funding: 1 MECU*

3. IMPLEMENTATION

The management co-ordination and implementation of the programme will be effected by the secondment of 2 long-term technical assistants, the provision of short-term expertise to the Republic PMUs together with the financing of equipment. A Joint Programme Steering Committee (JSPC) will be set up by the two Ministers of Education of the two Republics. It will be in charge of the overall supervision and co-ordination of the programme and of the distribution of the funds. The heads of the Republic Programme Management Units (RPMU) established within the two Ministries of Education implementing the programme will act as the Programme Authorising Officers.

Technical assistance will be recruited either by restricted consultation or by direct agreement.

Procurement of equipment will be by international tender or restricted tender, while small contracts are subject to direct agreement.

CSFR



EDUCATION

Agricultural Credit Channels support
- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 30/7/92 at Management Committee meeting N° 18

Country:	Hungary
Programme:	Agricultural Credit Channels
Duration (years)	2½
Year:	1992
EC Contribution:	5 MECU ¹⁹
Sector classification:	Agriculture
Responsible authority:	Ministry of Agriculture (National Federation of Savings co-operatives)

2. SUMMARY

Background

Most Hungarian villages do not have access to financial services. Likewise, credit facilities are not available to rural agricultural entrepreneurs. Nevertheless, the restructuring of co-operatives, the increase in private farming enterprises and the land fragmentation effect of compensation claims are leading to a rapid increase in the demand for such financial services.

This problem can be alleviated by restructuring and strengthening the existing savings co-operative network. There are currently 260 savings co-operatives with 1800 branches grouped in a National federation (NFSC). In addition there is a large, private sector Apex Bank, the Takarekbank, controlling 20% of the deposit market. The Takarekbank and the NFSC have set up a Joint Committee to produce a credit strategy.

The NFSC requested PHARE assistance to its restructuring and development efforts. This request forms the basis of the present programme.

Programme Objectives

The Programme aims to:

- strengthen agricultural and rural retail credit channels; and
- promote the development of rural financial services.

Programme description

This is a programme which can be of very high potential benefit for the Hungarian rural community and one which enjoys much support from international and national institutions. It benefits from highly visible progress monitoring indicators, notably the movements in the savings co-operatives.

This programme is a good example of the way that PHARE funds can pave the way for other international financing institutions. The EBRD is planning a loan for rural restructuring which will use the co-operative banking channels for disbursement of agricultural credit and contribute to the enhanced capitalisation of the savings co-operatives through the PHARE capital development facility. Additionally, the proposal



¹⁹ million European Currency Units

itself works on the recommendations of the Joint International Mission on Savings Co-operatives and their importance to rural finance.

The PHARE programme will support the establishment of an efficient banking network by assisting capital mobilisation efforts and the development of agricultural and rural lending capacity. The programme will consist of technical assistance of 2MECU and a revolving capital assistance of 3MECU.

1. *Technical Assistance (2 MECU)*

The Technical Assistance component will provide three experts to

- produce a plan of action for the NFSC.
- screen and advise the stronger savings co-operatives on their ability to disburse EBRD or other IFI²⁰ credit.
- prepare implementation of the PHARE 1992 programme in two stages:
 1. set up and administer the capital assistance mechanism; and
 2. develop human resources and training; and computerise loan operations.

2. *Capital Assistance (3 MECU)*

Capital assistance from PHARE will be delivered through the Capital Development Facility (CDF) which should attract other institutions to use the co-operatives as credit channels. The National Steering Committee of the CDF will use objective criteria for the selection of beneficiary savings co-operatives. Preconditions for qualification include a commitment to the integrated savings co-operative network, compliance with minimum equity holding criteria in the other tier of the network, adequate levels of own financial contribution and a reasonable assistance-to-deposits ratio. The CDF will provide capital through quasi-equity holdings in either individual savings co-operatives or in groups such as regional apex banks. The beneficiaries will repay the capital contribution once they are profit making, either by buying back the equity held by the development facility or by converting the equity into a medium-term bond or loan repayable at not more than commercial rates.

More specifically, PHARE will provide the basic capital:

- for the Savings Co-operatives to meet the legal minimum capital requirements²¹ and to increase their equity bases;
- for the establishment of a Common Deposit Insurance Scheme, which will spread risks and thus reduce the minimum capital requirement by 50%, which should in turn reduce the number of Savings co-operatives which require capital contribution from the Capital Development Facility; and
- for the restructuring of the Savings Co-operatives network: for example, by setting up regional apex banks.

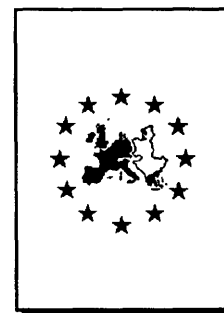
The responsibility for raising proprietary capital will rest with the savings co-operatives which will be obliged to take action such as recruiting additional members, converting deposits to capital and allocating a proportion of each loan to capital wherever possible in order to repay the capital contribution made by the CDF.

The training component of the programme will be institutionalised at the Training Centre for Consumer and Savings Co-operatives. It will be closely co-ordinated with other PHARE training programmes, notably in the SME and financial sectors.

²⁰ International financing Institutions

²¹ legal requirements for minimum capital defined in Act 69/1991

HUNGARY



AGRICULTURE

HUNGARY



AGRICULTURE

3. IMPLEMENTATION

The implementation of the programme is governed by the Framework Agreement concluded between the Commission and the Hungarian Government in September 1990.

Overall co-ordination and financial responsibility for the programme will rest with the Ministry of Agriculture. The existing PHARE PMU in the Ministry of Agriculture will assist the Ministry and deal with interim measures in advance of tenders for the Technical Assistance component.

Short term technical assistance is available to call on experts when needed. World Bank expertise will also be used. Co-operation with other institutions is encouraged.

The programme will be implemented under the guidance of the National Steering Committee of the CDF, supported by the CDF Secretariat. Disbursement proposals will be prepared by the Secretariat.

Complementary agreements with bilateral donors are encouraged. Agreements for the provision of additional expertise have already been completed with the Dejardins co-operative banking network of Canada and the Caisse Centrale de la Coopération Economique of France.

Technical Assistance will be recruited through the usual PHARE restricted tender procedures. Procurement tenders will be open and international. Minor expenditures may be dealt with by direct agreement.

Environmental sector programme

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 30/7/1992 at Management Committee meeting N° 18

Country:	Hungary
Programme:	Environmental Sector Programme Part III
Duration (years)	36 Months
Year:	1992
EC Contribution:	10 MECU ²²
Sector classification:	Environment
Responsible authority:	Ministry for Environment and Regional Policy

2. SUMMARY

Background

The command economy has left Hungary with a catastrophic environmental legacy which will take years to right. Various aspects of past policies directly contributed to severe environmental degradation, notably the forced development of large input-intensive industries like metallurgy, chemical plants and engineering in a poorly planned regulatory environment. The artificially low price of energy and other industrial inputs encouraged waste and inefficiency.

As a result, industrialized areas suffer from very high levels of air, water and soil contamination leading to severe hazards to human health. The average life span is reducing and pollution-linked child disease are spreading. 93 plant and animal species have become extinct and a further 1130 are threatened. Furthermore, the state of Hungary's environment may affect its competitiveness in international markets.

Progress has been made over the last two years and enactment of a law based on the "watchdog concept" is expected at the end of 1992. Laws on the "Polluter Pays" principle are being considered. However, the domestic revenue available is small in comparison to the tasks in hand and the whole system of current fines (through which the CEPF is funded) will have to be reviewed. In addition, levies may be imposed based on the concept of environmental factors being used as resources: this could take the form of emission, product or user charges. A fuel tax bill has been passed, earmarking the raised funds to air pollution control programmes.

Programme Objectives

The 1992 PHARE Environmental Sector support programme comes about as the fruit of a steady transition from the "shopping list" approach of 1990 (25 MECU) and the classic short- and medium-term technical assistance approach of 1991 (10 MECU) to a proposal which is designed to channel external support directly into the Hungarian Environmental protection scheme. The programme is to be implemented by the Central Environmental Protection Fund (CEPF) which was established under the 1990 programme. Grants and loans are to be awarded by the Ministry of Environment and Regional Policy through a special account administered by the CEPF according to published criteria. This represents a transitional stage before a more efficient system of government mobilisation of domestic and external resources is evolved. During this transitional phase, PHARE funds will be limited to some pilot projects. Particular emphasis will be given to those projects which concentrate on improving human health by regulating industrial processes; input

²² million European Currency Units

HUNGARY



ENVIRONMENT

HUNGARY



ENVIRONMENT

efficiency; liquid, solid, gaseous and particulate waste management and transportation problems.

The overall objective is to assist the Government of Hungary in implementing a policy of sustainable development taking into account relevant environmental factors. This will be achieved by supporting:

- the implementation of its Environmental Action Programme; and
- the integration of sustainable development objectives in industrial sectoral policies.

Specifically, the 1992 programme will:

- support specific projects to assist the CEPF's institutional abilities in the selection, implementation and evaluation of projects;
- assist the raising of environmental awareness in the Administration and the general public;
- assist the CEPF in finding both local and foreign resources;
- develop policies aimed at limiting the harmful effects on human health of production processes, consumption and transport, with a particular emphasis placed on air pollution, waste management and water resource protection;
- promote energy efficiency measures;
- promote sustainable management practices in selected biotopes; and
- assist the Government's implementation of international conventions and commitments pertaining to the environment.

Programme description:

PHARE funds will be made available via the CEPF in three action windows.

Window I: Environmental Protection

The support here will be provided by the CEPF as a grant to the final beneficiary. Support will be given to governmental, public and non-profit making private sector initiatives such as:

- environmental education, increasing public awareness;
- development of monitoring and enforcement tools and bodies, including the development of new legislation to meet new private sector ownership structure, definition of the roles of the relevant government officials and developing effective working procedures;
- development of CEPF policy and management methods (including project selection, cost-benefit analysis; environmental audit, impact assessment, and contractual procedures);
- nature conservation and watershed protection;
- policy formation; and
- investment preparation (including feasibility studies).

Window II: Environmental investments

PHARE can finance up to 30% of the total costs of the project proposed and then only as part of a total financing package in selected sectors. In the case of non-profit making investments (public or private) the facility may be provided as either a grant or a loan, depending on the potential environmental benefits. Concessionary loan terms can be accepted if justified. Interest and capital payments on loans are to be retained by the CEPF. Sectors especially worthy of support include:

- energy saving (focusing on buildings and district heating systems);
- reduction of emissions from transport (following the 1991 transport sector programme);
- protection of water resources by the development of policy instruments and improvement of drinking water through restrictions on the private sector, and financial, technical and legal measures for its improvement;

- solid and hazardous waste management (complementary to the household solid waste projects run under the PHARE 1991 environmental programme);
- reduction of VOC²³ and CFC²⁴ (policy formulation, pilot project to monitor the effects on health)

Window III: Commercial loan support

For a transitional period, this facility will be used to support commercial loans to those firms able to absorb the full costs of investment in pollution abatement measures. PHARE may finance up to 30% of total project costs as part of a complete financing package. Market rates will be charged. This facility's maximum outlay may not to exceed 1 MECU.

3. IMPLEMENTATION

The Ministry for Environment and Regional Policy is responsible to Parliament for the CEPF. An inter-ministerial Committee will select projects according to the criteria applied by the CEPF and acting on the advice of the Ministry of the Environment and Regional Policy. Evaluation criteria shall be:

- technical and economic feasibility;
- environmental impact;
- consistency with Government policies;
- applicant's financial viability;
- economic and social impact; and
- institutional feasibility.

The Ministry shall be the implementing authority until the CEPF is up and running. Both the Ministry and the CEPF will rely on the expertise, assistance and administrative skills provided by the PHARE Management Department (PMD) set up in 1990.

HUNGARY



ENVIRONMENT

²³ volatile organic compounds

²⁴ chloroflurocarbons

Employment and social development
- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 30/7/92 at Management Committee meeting N° 18

Country:	Hungary
Programme:	Employment and social development
Duration (years)	3
Year:	1992
EC Contribution:	20 MECU ²⁵
Sector classification:	Employment & education
Responsible authority:	Ministry of Labour

2. SUMMARY

Background

The economic changes are leading to a rapid increase in unemployment, particularly amongst blue-collar workers and the young. The 1991 Employment Act includes provisions for unemployment benefits and a range of related measures. The present system of specialised vocational education, designed to generate manpower for heavy industry, is unresponsive and unable to produce the flexible skilled labour that new conditions demand. This leads to a strong imbalance in the demand and supply of skills, particularly in Budapest.

The authorities are encouraging employers, employees and other social partners to act together to develop an employment and training policy acceptable to all. To this effect, tripartite bodies such as the National Council for Conciliation (NCC) have been set up or thoroughly reformed. The regulatory framework of bipartite industrial relations bodies has been created. However, the lack of an industrial relations strategy and organisational weaknesses are hampering progress.

The other major donor in this area is the World Bank, with its US\$ 150 million loan on a wide range of human resource development activities. Other donors are active with micro projects.

Programme objectives

Attention will be paid to policy reform assistance in the following areas:

- the introduction of a decentralised approach to labour market policy, so as to increase the efficiency of services. Within this objective, a pilot programme of intervention in Budapest will be supported.
- the modernisation of secondary vocational education and the development of complementary activities for disadvantaged youngsters; and
- the development of structures for social dialogue.



²⁵ million European Currency Units

Programme description

1. LIP: Budapest Labour Market Intervention Programme (10 MECU)

This component aims to achieve consensus about effective measures between the various concerned groups; to promote innovation in labour market policies; and to contribute to the development of those skills which are in demand, such as foreign languages, management and IT. It also aims to improve disadvantaged groups' access to the labour market, to contribute to employment growth and to develop labour market intervention structures.

Labour market intervention structures will be supported in Budapest through technical assistance, management training, equipment and certain operational costs. In particular, support will be provided to the overseeing body (the Steering Council) and the executive body (the Labour Development and Training Centre) of the LIP coordination structures.

The Central Training Services Unit will be assisted in developing training methods, programmes and materials; in establishing training facilities; and in providing specialist training to trainers (2.5 MECU).

An *Action Projects Network Unit* will be supported (5.15 MECU). Initially, it will include about 50 selected training and employment organisations. The network will be used as the basis for the provision of a decentralised quality service. PHARE will support network animation activities such as advice, information and technical support. PHARE will also finance three separate pump-priming funds for:

- investment in innovatory training programmes;
- actions complementary to mainstream programmes targeted at disadvantaged groups;
- studies designed to enhance effectiveness and participation in national and international networks.

The *Monitoring and Information Unit* will also receive support (1.3 MECU). In addition, provision is also made for coordination activities and technical assistance for the whole LIP (1.05 MECU).

2. Youth Education and Training (7.6 MECU)

A two-pronged approach will be followed for this component. The first goal is to reform and develop the curricula of secondary vocational education in 20 selected schools. Assistance will be provided to develop the integration of theoretical and practical education, to promote language learning, to establish guidance and counselling services for pupils and to encourage the multifunctional use of existing training capacity (6.0 MECU).

The second part will concentrate on disadvantaged young people. A support centre with a coordinating role will be established, and technical assistance, staff training and other resources will be provided to selected local projects (1.6 MECU).

3. Social Dialogue (1 MECU)

This component will follow a three-pronged approach.

Reform, extension and strengthening of the NCC, the emergent branch committees and the county-level tripartite dialogue structures will be supported. The NCC's progress will be assisted by the provision of additional training, staffing and information management skills and technology. Working practices between the NCC and the branches and county structures will be coordinated. In-service training facilities will be developed and training will be provided for the representatives of the social partners involved.

The establishment of an arbitration and advisory service will be supported through the provision of technical assistance, training and information and equipment.

Lastly, the programme will support the creation of a Commission of Inquiry whose remit will be to study the future legislative, regulatory and structural base for industrial relation processes.

HUNGARY



EMPLOYMENT & EDUCATION



4. *Programme management and policy coordination (1.4 MECU)*

Although the responsibility for overall coordination of the programme rests with the Ministry of Labour, the management of individual components will be decentralised. Financial administration, procurement and overall coordination will be assured by the Programme Management Unit to be set up in the International Department of the Ministry of Labour. The PMU will also organise a support programme for various departments of the Ministry so as to strengthen management, strategic planning and financial administration. It will also liaise with other relevant programmes, notably the World Bank-financed operations.

3. IMPLEMENTATION

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the document.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

Export Development
- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 30/7/92 at Management Committee meeting N° 18

Country:	Poland
Programme:	Export Development
Duration (years)	1
Year:	1992
EC Contribution:	10 MECU ²⁶
Sector classification:	Economic Restructuring
Responsible authority:	Polish Chamber of Commerce and the Ministry for Foreign Economic Relations

2. SUMMARY

Background

Polish export trade is facing considerable difficulties as the strong growth experienced in the 1970s (which resulted in an increase in exports of over 100%) could not be sustained in the 1980s. Although a short recovery in 1990 achieved an accumulated trade surplus of 3.4 billion. US\$ in hard currency, the subsequent fast rise in imports resulted in a negative trade balance the following year. The break-up of COMECON and the disintegration of the USSR has also caused major changes in the geographical trading pattern of exports, which means that the European Community has now become the main trading partner absorbing 53% of all exports.

The on-going transition of Poland's economy means that the institutional framework of private sector services and support structures characteristic of market economies are not yet fully developed. The Polish Chamber of Commerce has been re-established while the economic programme of the present Government has assigned a high priority to the support to exporting industries by financial and fiscal measures. However, the financial sector still constitutes a major constraint to export development, as there are no readily available credit facilities, and no operational export insurance or guarantee scheme.

Programme objectives

In order to increase Polish foreign exchange earnings, export potential must be developed. Specifically, this means :

- assisting in the development of products to international competitive standards;
- modernising and rationalising production techniques;
- improving export management skills;
- assisting with the identification, targeting and penetration of appropriate export markets with high absorption potential.

The programme also aims to strengthen the export sector support framework in Poland by developing the capacities of the Polish Chamber of Commerce, the Polish Institute of Industrial Design and the Polish Packaging Institute. Furthermore, it is also intended to develop the capacity of export-related services such as design, information services and consultancy.

²⁶ million European Currency Units

POLAND



EXPORT DEVELOPMENT



Programme description

1. General Technical Assistance component (1.7 MECU)

This component will help to identify development needs at enterprise level and prepare business or export plans to meet these needs, as well as supervise the implementation of the plans and develop appropriate marketing strategies.

2. EXPROM Fund for export promotion support (4 MECU)

The Fund will be launched to assist firms (on a cost-sharing basis) to obtain the specific assistance identified in the business or export plans. It will assist both with product development and with export market development by helping 200 firms to address their needs in these areas, using research, consultancy, trade missions and other export-oriented actions.

3. Management training (0.5 MECU)

The firms involved will in addition be supported by a programme of management training related to the priority issues identified in respect of the firms' specific needs. The training programmes will be conducted by industry specialists and consist of courses and workshops on export management and techniques.

4. Institutional Development Fund (1.7 MECU)

This component will support the development of the Polish Chamber of Commerce, the Institute for Industrial Design and the Institute for Packaging.

5. Development of service supplies to the export sector (0.5 MECU)

EXPROM will support private initiatives such as Polish consultancy firms and the private design industry by developing services and furthering their activities in the field of export promotion. It will also provide them with opportunities to gain exposure to international standards, tendencies and competitiveness.

6. Export finance development (0.7 MECU)

Regarding export finance, PHARE will assist the Polish Export Credit Insurance Corporation (KUKI) to prepare operational policies such as risk assessment and financial control. Training in export insurance techniques will also be provided, and PHARE-funded technical assistance is foreseen for the analysis of the sector's financing needs, particularly in terms of pre-shipment finance. Advice will also be provided to the Ministry of Finance and banking sector.

7. Programme Management Unit funding (0.9 MECU)

3. IMPLEMENTATION

The programme is to be launched in Warsaw and Gdansk and implemented by the Polish Chamber of Commerce which is host to the Programme Management Unit. The Chamber will be advised in export policy issues by a Programme Council involving representatives of the export sector, the Ministry of Foreign economic relations, the Ministry of Industry, the Polish Chamber of Commerce and related institutions. The programme will be eventually extended on a pilot basis to Regional Chambers of Commerce. The selection of these will be made by the PMU, advised by 3 external long-term advisers who will be co-ordinating the overall programme components and ensure a cost-effective utilisation of the EXPROM Fund. A strong emphasis will be placed on the integration of local talent into the programme which should be facilitated by specific training activities.

Technical Assistance will be recruited by restricted consultation or by direct agreement, while procurement of equipment will be by international tender or restricted consultation. Small expenditure will be subject to direct agreement.

Tourism Sector Development

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 30/7/1992 at Management Committee meeting N° 18

Country:	Poland
Programme:	Tourism Development
Duration (years)	to end of 1994
Year:	1992
EC Contribution:	4.5 MECU ²⁷
Sector classification:	Tourism
Responsible authority:	State Office for Sport and Tourism

2. SUMMARY

Background

Poland offers a wide range of attractions to the visitor, both cultural and natural. The political changes in Poland have brought about a massive increase in the number of visitors over the past two years. This will not continue unless marketing and development strategies are quickly implemented.

The tourist sector is considered important by the Polish authorities because it can make a significant contribution to economic restructuring by creating jobs, earning hard currency, and promoting the growth of new small and medium-sized businesses in addition to accelerating the privatisation of existing tourist infrastructure.

However, the sector faces serious problems. The quality of facilities and services is frequently dreadful. Management and staff skills are inadequate. There is no national tourism policy and no effective international marketing strategy. Furthermore, environmental problems limit the sector's development in many areas.

For all these reasons, PHARE assistance has been solicited by the authorities.

Programme objectives

PHARE will help foster the rapid development of the sector by providing assistance to:

- strengthen the institutional framework;
- develop and promote tourism in Poland; and
- ensure proper management and staff training.

Programme description

The programme will be implemented in close co-operation with the national agencies in charge of SMEs and privatisation, as these factors are intimately connected with the tourist industry.

POLAND



TOURISM

²⁷ million European Currency Units

POLAND



TOURISM

1. *institutional strengthening (1.2 MECU)*

Three long-term advisers will be appointed to the State Office for Sport and Tourism. They will be supported by short-term advisers on specific issues. This staff will assist the State Office in:

- the development of a legal and regulatory framework concerning investment and ownership transfer;
- formulating a national tourism policy and regional tourism development programmes;
- establishing relevant institutions such as tourism administrative bodies and trade associations;
- establishing a statistical database; and
- improving transport and environmental conditions.

2. *tourism product development (0.9 MECU)*

The long-term development will be promoted by drawing up a master plan taking into account regional policy aspects and all conceivable tourist attractions. A domestic information campaign will be undertaken to increase the population's awareness of the importance of tourism.

3. *Management and manpower development (1.0 MECU)*

The following aspects will be promoted *inter alia*:

- a training plan will be established. Designed to establish the training needs of hotels, caterers and agents; it will also develop appropriate curricula.
- a "train the trainer" programme;
- training programmes for all aspects of management; and
- training programmes for officials (civil servants and elected) involved in tourism development.

4. *Tourism promotion (1.1 MECU)*

This component will concentrate on international marketing issues by:

- adapting and standardising statistical data;
- formulating a marketing strategy, including the identification of promising markets;
- producing brochures, manuals and other information material;
- studying the possibilities offered by a computerised reservation system; and
- supporting Poland's participation at tourism trade fairs.

5. *Programme Management Unit (0.3 MECU)*

The Unit will be headed by an official from the State Office for Sport and Tourism, who will be assisted by a financial administrator. The Unit will be set up within the Tourism Institute of the State Office.

3. IMPLEMENTATION

The State Office for Sport and Tourism will have overall responsibility for the programme which will be implemented by its Tourism institute.

A Steering Group composed of representatives of all involved parties will monitor the programme's implementation.

Procurement of both equipment and services will follow the usual PHARE procedures.

General Technical Assistance Facility

- a PHARE assistance programme -

ROMANIA

1. IDENTIFICATION

Decision taken 20 May 1992 at Management Committee meeting N° 16

Country:	Romania
Programme:	General Technical Assistance Facility part II
Duration (years)	
Year:	1992
EC Contribution:	16 MECU ²⁸
Sector classification:	Multidisciplinary
Responsible authority:	Romanian Development Agency (RDA)

2. SUMMARY

Programme Objectives

The general objective of the Romanian General Technical Assistance Facility part II is to assist the authorities to develop appropriate sectoral reforms in areas where market-oriented legislative policies and appropriate institutions are required and where the necessary amount of PHARE support does not justify a separate system of management.

GTAF II is a flexible fund which will be used for financing short and medium term technical assistance measures in the areas of infrastructure (energy, telecommunications and transport), tourism, local government and scientific research. The funds may also be used to cover the foreign exchange costs of equipment required by the projects.



Programme Description

Infrastructure: Energy, Transport and Telecommunications (6.5 MECU)

Energy

The dismantling of COMECON and the breaking of trade contacts with Iraq during the Gulf War have led to dramatic increases in the price of fuels, heating oil and electricity. The generating equipment and unavailability of spare parts have also made the power shortage more acute. Furthermore a new outlook on the conservation of hitherto freely available energy is necessary.

GTAF II will:

- set up a resident consultancy unit to explore possible energy saving measures, based on the PHARE 1991 GTAF. This will be subordinated to the Romanian Agency for Energy saving;
- jointly-finance (with the Romanian environmental budget) a study on the environmental impact of power generation; and
- consider problems of urban heating (especially in Bucharest).

A regional training programme in the field of energy is currently under consideration as a possible forum for PHARE support in teaching and education.

GTAF

²⁸ million European Currency Units

ROMANIA



GTAF

Transport

Lack of consistency in former communist investment policies has left Romania's location as the gateway to The CEEC as yet unexploited. Air, road and inland waterway transport facilities (especially the future use of The Danube as a waterway between the CEEC) require planning, adaptation and modernisation.

GTAF II will provide know-how (based on Community experience), technical assistance and training in the reorganisation of the Ministry of Transport, influencing the formation of national policy and strategy, reforming management and organisation, harmonising legislation and training personnel.

Telecommunications

Technical assistance will be provided for the key areas of sectoral policy and institutional reform so as to assist the operators and authorities in speeding up the reform process. Assistance may cover legislation and standards formulation, tariff policy, legal reorganisation, management rationalisation and transfer of technical knowledge.

Tourism (4.5 MECU)

Romania has a rich cultural heritage and remarkable natural attractions which would be tourist friendly if its hotel and transport infrastructures were developed and training infrastructures for operators and other staff set up. Hard currency would circulate as well as jobs being created so stimulating economic development. Environmental problems exist which currently limit development.

GTAF II will provide a long-term specialist to advise the Ministry of Tourism on the development of a national strategy, re-organise training centres and develop and promote tourist products on certain target markets.

Scientific Research (1.0 MECU)

The re-definition and future methods of financing Romania's research centres will be considered under GTAF II, as will the modernisation of university system.

Local Government Training (1.5 MECU)

Training programmes will be set up in order to guide local administrations through the decentralisation process.

GTAF II provides short-term on-the-spot technical expertise which will pave the way for long-term measures such as training centres and materials.

Co-operation with the World Bank programme of support to municipal services is planned.

Policy Development, Programme Implementation and Co-ordination (2.5 MECU)

The Romanian Development Agency (RDA) the body responsible for investment promotion and the co-ordination of external aid in Romania, will continue the planning and monitoring of the various PHARE programmes (and G-24 assistance) assisted by a team of external experts. GTAF II will continue to finance this highly effective team.

Strategy planning to be undertaken by the National Institute for Economic Research under the Romanian Academy who will also plan seminars with the RDA and other foreign experts on the subject of the development of the Romanian economy.

An **International Management Foundation** is to be founded to identify management training needs. Foreign Technical Assistance will concentrate mainly on curriculum development and in service training, in particular for public administration (SIGMA links), public enterprises and utilities.

3. IMPLEMENTATION

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

ROMANIA



GIAF

Privatisation & restructuring of the state sector

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken March 1992 at Management Committee meeting N° 15

Country:	Romania
Programme:	Privatisation & restructuring
Duration (years)	3
Year:	1992
EC Contribution:	30 MECU ²⁹
Sector classification:	privatisation & restructuring
Responsible authority:	Ministry of Industry (MoI), National Privatisation Agency (NPA) and Romanian Development Agency (RDA)

2. SUMMARY

Background



Under the 1991 GTAF 4.9 MECU was used to define guidelines for privatisation of the state sector in Romania. This 1992 PHARE programme works on the results of these studies. Company law reform has led to a distinction between state "commercial" companies (of which there are 6000) and independent Regio-Autonomie (Public service) Enterprises such as electricity, gas and water which will remain under government supervision.

With guidance from PHARE, equitable ownership of 30% of State "commercial" companies will be transferred (free of charge) to Romanian citizens between the ages of 18 and 65. Ownership certificates were flown over and distributed by PHARE to 17.5 million eligible adults during April and May 1992. The control of the companies will be divided over five Private Ownership Funds (POF). The remaining 70% will remain state controlled commercial companies under the aegis of the State Ownership Fund (SOF). The new laws oblige the government to privatise the remaining state commercial companies at a rate of 10% per annum. The final roles and separation of function between the POF and SOF are still not definitively confirmed.

Programme description

The programme will comprise the following six components:

- Technical Assistance for the Ministry of Industry;
- Technical Assistance for the National Privatisation Agency, the 5 Private Ownership Funds and the State Ownership Fund;
- the provision of a revolving privatisation and restructuring fund from the NPA;
- financial assistance for the promotion of investment;
- pilot projects for Integrated Regional Restructuring; and
- general management of the privatisation programme.

²⁹ million European Currency Units



a) Technical Assistance for the Ministry of Industry

The Ministry of Industry will undergo a radical review of its role since the management of state commercial companies will no longer be under its direct control. It will nevertheless be responsible for the national business incentives programme and the promotion and training measures concerning them.

The Ministry will need to co-operate with the POF and communicate to them results of sectoral analyses and future regulations of the sector. In this way, a cohesive policy identifying which state commercial companies are suitable for privatisation in the future will be developed.

Under the 1991 GTAF, from a list of over 100 candidates provided by individual ministries, 30 commercial companies were considered for privatisation. PHARE will be managing the privatisation of eleven commercial companies. (companies in the industrial and consumer goods sectors have been selected).

Management of the independent state sector enterprises will also alter since the MoI will have to develop a form of management responsive to national and international competition which still safeguards the public interest.

b) Technical Assistance for the National Privatisation Agency, the 5 Private Ownership Funds and the State Ownership Fund

Under the 1991 GTAF programme, the National Privatisation Agency ran two studies, one on the establishment of operating procedures for the sale of shares and assets, and the other on the setting-up of the property funds.

In order to accurately evaluate undertakings for privatisation, the 1992 programme will fund technical assistance to train local independent assessors and leave a reserve for the engagement of merchant banks where required.

Expertise will be also put at the disposition of the NPA for legal, industrial and financial privatisation techniques on a retainer basis as well as to develop a public relations policy in the country which will alert national and foreign buyers to investment prospects and motivate the management of the staff of the companies concerned.

The Private Ownership Funds will each have the difficult task of managing some thousands of emergent privatised state commercial companies. Each of the five Funds will be allocated a high level PHARE policy consultant for the long term. Other Romanian managers of the Funds will receive management training through the PHARE programme.

c) the provision of a revolving privatisation and restructuring fund from the NPA

Once the Private Ownership Funds are established, the initiative to privatise state commercial companies will come from them rather than the NPA. As mentioned in point b), the Privatisation Law sets the State Property Fund the task of providing initial advice or assessment costs for restructuring companies which it wishes to sell. Clearly, until a number of successful Privatisations have taken place the State Property Fund will have no hard currency. The NPA will advance funds to the SPF which should be reimbursed to the NPA in hard currency. If the reimbursement to the NPA is in Lei, the money will be paid into a counterpart fund to pay for the services of local consultants. The rules for this operation will be laid down in agreement with the Commission.

The revolving mechanism will be available to privatisation projects proposed either by the NPA, the SPF or the POF. Preferential access to them is likely to be given to the privatisation of those firms with serious social or environmental problems.

ROMANIA



PRIVATISATION & RESTRUCTURING

d) financial assistance for the promotion of investment

The 1991 GTAF programme funded a strategic study on the promotion of foreign investment in Romania. Building on this technical assistance, the following services will be provided by the programme:

- i) investment promotion specialists;
- ii) training abroad and at home for the managers and staff of the Romanian Development Agency which is responsible for the promotion of foreign investment;
- iii) promotion of the self employed (home and abroad);
- iv) RDA branches to be established in certain key areas; and
- v) technical promotional equipment such as video & duplicating equipment is foreseen.

e) pilot projects for Integrated Regional Restructuring

A PHARE-funded feasibility study will be set up which details the selection of appropriate regions to be involved in industrial regional restructuring and considers the role of institutions to be involved therein³⁰. The target regions will be industrial areas where it is expected that the privatisation process will hit hardest in terms of job losses. Once identified, the PHARE privatisation programme will initiate pilot projects in industrial restructuring, retraining the unemployed, developing SME and promoting foreign investment in those areas.

f) general management of the privatisation programme

The PHARE 92 Privatisation programme will be managed by the NPA, the Ministry of Industry and the RDA. A project team will be created in each mentioned institution. PHARE consultants will be present in the Ministry of Industry, the RDA and the NPA (see below) to assist with contractual matters.

3. IMPLEMENTATION

The NPA will co-ordinate the overall administrative management of the programme with the Commission via a high level PHARE-financed programme leader who will work very closely with the NPA.

A PHARE-financed Financial Administrator placed within the NPA will be responsible for the accounts of the programme, invitations to tender and procurement on behalf of the NPA.

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

³⁰ trade unions, chambers of commerce, RDA, Ministry of Labour.

Development of the Financial sector

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 12 May 1992 at Management Committee meeting N° 16

Country:	Romania
Programme:	Development of the Financial Sector
Duration (years)	3
Year:	1992
EC Contribution:	5 MECU ³¹
Sector classification:	Banking & Finance
Responsible authority:	National Bank of Romania, Ministry of Finance

2. SUMMARY

Background

Since the performance of the banking sector has direct impact on the growth of the economy, on the development of the private sector, on foreign investment and on the efficient use of domestic savings a *de facto* two-tier banking system has been up and running (complete with legislation) in Romania since May 1991. This means that the National Bank of Romania functions now as a Central Bank which determines monetary policy, manages external and domestic debt, develops capital markets, introduces a national payments system and supervises retail banks, while the portfolios of the former State Bank have been transferred to independent (non state owned) commercial banks.

Programme objectives

The programme follows on from the preliminary steps undertaken under the 1991 GTAF programme which concentrated on strategic needs studies for the most essential legislative and institutional structures in the field. Together with the Romanian authorities a programme has been drawn up which will catalyse reforms in banking, taxation, governmental budget and treasury. It is hoped that this will lead to the development of the private sector, the mobilising of domestic systems and ultimately foreign investment.

The four components of the programme will be divided as follows

- Technical Assistance to the National Bank of Romania;
- Technical Assistance to commercial banks; and
- Technical Assistance to the Ministry of Economy and Finance.

³¹ million European Currency Units

ROMANIA



FINANCE

Technical Assistance to the National Bank (0.4 MECU)

In accordance with the conclusions of the strategic study under in 1991, the National Bank of Romania will receive technical assistance to perform its new functions in the form of expertise, consultancy services and training.

Further Strategic studies to restructure the Savings Bank and Co-operative banking systems are foreseen.

Technical Assistance to commercial banks (2.1 MECU)

The aim of this component is to restructure the banks so that their formerly specialist activities are transformed into universal banking with a client base extended to both individuals and enterprises. PHARE GTAF 1991 provided for operational audits of four of the major commercial and co-operative banks. The ensuing institutional and strategic diagnoses will provide an outline for PHARE technical assistance over the next three years. Bank training, strategic advice and the development of information systems are on the agenda for this programme. It is to be coordinated with the World Bank.

Technical Assistance to the Ministry of Economy and Finance (2.5 MECU)

PHARE GTAF 1991 financed a study outlining a reorganisation plan for the Ministry. It was also intended to predict areas of future need for technical assistance. The 1992 programme will in particular provide expertise to resolve needs in planning and management of government budget, treasury and macro-economics. PHARE will also develop departmental information systems within the Ministry which will improve internal communications and management.

A comprehensive Accountancy Act is due to come into force in January 1993. It lays down rules for reporting, book keeping, disclosure, publication, auditing and provides for the establishment of an autonomous regulatory body of expert accountants. Based on a PHARE strategic study, technical assistance will complete the legislative framework, establish the necessary training structures, develop the existing profession and provide some equipment and supplies in order to meet the January deadline .

**3. IMPLEMENTATION**

The PMUs set up under the 1991 GTAF in both the National Bank and the MoF will continue to be responsible for the day to day running of the programme, including the preparation of invitations to tender.

Both units are staffed by Romanian counterparts and a PHARE funded programme administrator.

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

SME development programme

- a PHARE assistance programme -

ROMANIA

1. IDENTIFICATION

Decision taken 3/7/92 at Management Committee meeting N° 18

Country:	Romania
Programme:	SME development programme
Duration (years)	3
Year:	1992
EC Contribution:	10 MECU ³²
Sector classification:	Small & medium sized enterprises
Responsible authority:	Romanian SME Centre

2. SUMMARY

Background

The necessary restructuring of the collectivist economy is expected to lead to a large fall in employment, as this economy was characterised by reliance on large, inefficient and dirty manufacturing plants and a microscopic SME sector. The development of SMEs is expected to improve the employment situation significantly in all sectors. It will also serve to strengthen the economic foundations essential for a prosperous, stable democracy.

The proportion of the labour force employed by SMEs is still below 10% despite the boom in private business creation that followed the revolution³³. The quality of this growth, however, gives rise to concern and plenty of constraints still hamper SME development. These include fuzzy and inefficient administration; a lack of capital, premises and raw materials; an opposition to entrepreneurs by the general population fed by a lack of understanding of their role and a shortage of decent advisory and other business services.

The Government is fully aware of the importance of SMEs. Accordingly, their promotion forms the cornerstone of its economic policy and a three-year programme identifying a series of measures to be taken to favour the sector has been adopted. The autonomous Romanian SME Centre will be in charge of implementing the programme and administering donated funds. International support is forthcoming: the UNDP and USAID are jointly setting up 8-10 Advisory Centres spread all over the country. The Canadian Federal Business Development Bank will support this component. The UK's Know-How Fund and the Austrian Burges Förderungsbank will provide technical assistance to the design of appropriate financial instruments and start-up funds for a loan guarantee scheme respectively. Other donors are being sought.



SMEs

³²million European Currency Units

³³over 200.000 private businesses and almost 100.000 companies, mostly of the limited liability type.

ROMANIA



SMEs

Programme objectives

The PHARE programme will form the core of the Government's Three-Year Programme for SME promotion. Basic components of the frame will be:

- to design and propose new laws and regulations affecting SMEs;
- to set up SME promotion, development and advisory centres;
- to create a favourable environment for SMEs;
- to implement structural economic policies to improve the environment of SMEs; and
- to set up financial facilities for SMEs.

Programme description

The programme has four basic frames:

1. Institutional support to the SME Romanian Centre;
2. shaping of an environment favourable to entrepreneurs;
3. pilot project design and implementation; and
4. the creation of a Programme Management Unit (PMU).

1. Institutional support to the SME Romanian Centre: 2.7 MECU

The Centre's work will be supported by the provision of expertise, training and financial assistance. The Centre will foster the growth of a countrywide network of business advisory centres (called the "Enterprise Consultants and Business Centres"). In addition, the Centre will:

- assist relevant institutions in designing laws affecting SMEs;
- co-ordinate the various actions of the three-year programme;
- monitor the growth of the SME sector;
- collect and pass on relevant data and statistics;
- support the emergence of a country network devoted to SMEs and training its experts;
- prepare studies on SME-directed financial instruments to be set up;
- promote the establishment of SME-directed credit lines, including training loan specialists in interested banks;
- upgrade the skills of the public officials involved;
- speak in favour of SMEs in public fora so as to minimise regulatory and administrative constraints.

Assistance will be provided by external experts hired on a retainer basis as well as by the PMU. Office equipment costs, technical assistance, external training and some running costs are covered.

2. Shaping of an environment favourable to entrepreneurs: 1.5 MECU

As there is no entrepreneurial tradition in Romania, this frame will aim to nurture a consensus about both the economic and social roles of SMEs. The following activities will be supported:

- a media and public-relations exercise will promote media coverage, workshops, congresses, etc. and produce promotional material. A key aim is to get the distinction between entrepreneurial and speculative activities across to the public;
- associations of entrepreneurs, artisans and businessmen will be supported in their aims to expand and to link up with foreign associations;
- preparing the reforms to school and university curricula in order to stimulate students' entrepreneurial spirit; and
- create training programmes for managers of large industries so as to promote co-operation between SMEs and such industries.

3. Pilot project design and implementation: 4.8 MECU

At least four Business Centres will be set up and activated and actions for the promotion of others will be taken. Half the funds for this frame are allocated for this purpose. Business centres will be a combination of available industrial premises and specialised consultancy services. Their location will be selected to assure as much synergy as possible with other PHARE programmes. The remaining half of the funds will finance the provision of essential financial tools for newly starting SMEs. Pilot projects will be selected by tender from interested enterprises and local authorities. Co-operative projects involving western companies will be favoured so as to maximise available expertise and cofinancing opportunities. Short training periods in western enterprises for Romanian entrepreneurs will be considered. The money will be made available as conditional cost-sharing grants dependent upon an approved business plan.

4. Programme Management Unit (PMU): 1 MECU

This will be set up to implement, monitor and supervise the programme's implementation and follow the evolution of the Romanian SMEs' environment. Located at the SME Romanian Centre, it will report to its general manager and will co-ordinate closely with involved ministries and other agencies. It will be assisted by two full-time experts, one being a credit specialist. Sectoral experts will be hired on an *ad hoc* basis to supplement their work. It will liaise and co-ordinate closely with other donors and assist in setting up the SME Romanian Centre. Quarterly progress reports will be prepared and issued to the Government and the Commission.

3. IMPLEMENTATION

The implementing body is the SME Romanian Centre. The different components of the programme will either be run by the Centre with the assistance of the PMU or assigned to outside bodies under the supervision of the Centre.

Technical assistance will be obtained either by restricted tendering or by direct agreement with the Commission, depending on cost and nature of the services.

Procurement of goods will be by international open tender. Minor purchases may be made by direct agreement.

The Romanian Government undertakes to supply the Centre with adequate premises and running finance. The Government also undertakes to present pro-SME legislation in Parliament and generally improve the institutional and regulatory environment in favour of SMEs.

ROMANIA



SMEs

Privatisation of agriculture & agroindustries

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 12 May 1992 at Management Committee meeting N° 16

Country:	Romania
Programme:	Privatisation of agriculture and agroindustries
Duration (years)	
Year:	1992
EC Contribution:	12 MECU ³⁴
Sector classification:	Agriculture
Responsible authority:	Ministry of Agriculture

2. SUMMARY



Background

This programme considers the resolution of the infrastructural problems which are part of the current systems of farming and processing of agricultural products in Romania and present a serious hurdle to an efficient exploitation of her very rich agricultural potential.

Before restructuring and privatisation could begin in these sectors action had to be taken on two levels. Firstly, a legislative framework had to be set up which was capable of initiating the de collectivisation of the Co-operatives of Agricultural Producers (CAPs), the restructuring of State Farms and the parcelling and redistribution of land: hence the Land Act of Feb. 20th, 1991, the Privatisation Law and the Law on Commercial Societies. Before structural reform could be addressed, urgent intervention of the EC had to be sought simply to keep the sector afloat. Consequently, PHARE implemented a series of emergency measures in 1991: supplies of animal proteins and equipment for the production of animal feed in April 1991 (25 MECU), and import supply of consumables and spare parts for agro-industry in November 1991 (9 MECU).

Dominant issues inherent in the agro-processing sector included the creation of non-state marketing channels and price liberalisation

Programme objectives

Specific objectives are to develop a coherent agricultural strategy while providing support for its implementation; to establish private-sector markets, retail and distribution channels of both inputs and outputs; and to build the necessary institutional and physical infrastructure for the development of the private sector.

EC PHARE Action will focus on four core activities in 1992:

- assistance to the Ministry of Agriculture;
- technical, financial and legal assistance to private-sector farmers.
- assistance to establish private-sector distribution networks; and
- assistance to the reorganisation of agroindustrial units.

³⁴ million European Currency Units

Programme description

Assistance to the Ministry of Agriculture (3 MECU)

This component will assist the Ministry in developing an agricultural policy and in implementing the land reform programme in accordance with the Land Act.

The Policy Unit set up under the 1991 PHARE GTAF (5MECU) programme will consider in particular price policy and price and trade liberalisation issues.

The Land measurement and registration process assisted by PHARE in 1991 will be expanded by providing further training, by computerising data management, by providing equipment (plotters and topographic equipment) and by supplying legal technical assistance to prepare and interpret the vast body of new data and land legislation.

Technical, Financial and Legal Assistance to private-sector farmers (3 MECU)

This component will shift emphasis away from the large scale production advice currently imparted to farmers and give greater importance to economics (accounting, management, development of investment plans). On the whole Romanian farmers are well educated specialists but have little if any individual farming experience. There will be special linkage with the Market Information System pilot project (*see below*) for those farmers in hilly and mountainous areas who were never collectivised³⁵.

Legal Technical Assistance is envisaged to elaborate the Law on Agricultural Cooperatives, the establishment of credit and guarantee facilities and an agricultural insurance system.

Assistance to establish private-sector distribution networks (4 MECU).

Although the government has lifted official price control on freely available agricultural products (i.e. not on bread, sugar, edible oils etc.) it still has plenty of *de facto* monopolies, especially in distribution. The need for alternative marketing channels is thus acute. The Ministry of Trade has developed a distribution Master Plan focusing on the small scale farmer. PHARE financed expertise will give technical advice on how to realise its aims. Wholesalers and retailers will receive technical assistance, including information on cold storage, freezing, handling of foodstuffs and shopfitting.

A *Market Information System* will also be established. The Ministry of Trade currently produces a weekly journal giving prices for key agricultural commodities in selected provinces. This component foresees the development of a MIS via a network of computers which will gather data and transmit information to Romania's 41 districts and distribute the information to the media daily in a way which will be accessible to the farmers and agricultural industry as a whole.

Assistance to the reorganisation of agroindustrial units (2 MECU)

A programme, financed by the 1991 GTAF programme, is currently under way to determine the best way to restructure the agroindustrial sector in such a way that possibilities of co-financing by other International Financing Institutions be maximised. It concentrates on the key food processing industries of meat, dairy products, edible oils, fruits, vegetables and animal feed.

This component will organise a seminar to present the results of the 1991 study to an international audience of potential investors. It will also consider in detail the delivery system, company auditing, and the reorganisation and re-training of management.

This will be implemented in cooperation with the Department for Food Processing Industries and the National Privatisation Agency. The scope could in the future be extended to cover Fisheries.

³⁵ accounting for 0.5 million ha of the 15 million ha of total land under cultivation, involving 600,000 households of 2.8 million people.

ROMANIA



AGRICULTURE

ROMANIA



AGRICULTURE

3. IMPLEMENTATION

A Project Management Unit is to be attached to the Ministry of Agriculture, which has overall responsibility for this programme..

Other donors involved in this sector include the World Bank's Critical Imports Programme and bilateral aid measures from France, the United Kingdom, the Netherlands and Denmark.

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

Environmental Sector Programme

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken at Management Committee meeting N°

Country:	Romania
Programme:	Environmental Sector Programme
Duration (years)	3
Year:	1992
EC Contribution:	5 MECU ³⁶
Sector classification:	Environment
Responsible authority:	Ministry of the Environment

2. SUMMARY

Background

The command economy has left Romania with a catastrophic environmental legacy which will take years to right. Various aspects of past policies directly contributed to severe environmental degradation, notably the forced development of large input-intensive industries like metallurgy, chemical plants and engineering. Relying almost solely on local resources, the authorities ignored environmental considerations in a misguided attempt to pursue a form of economic isolationism. The artificially low price of energy and other industrial inputs encouraged waste and inefficiency.

As a result, industrialized areas suffer from very high levels of air, water and soil contamination leading to severe hazards to human health. Emission levels of gases, although the greatest source of air pollution, do not pose the same level of danger as the emission of particulates and heavy metals whose effects on pregnant women and children have been well documented. Rivers and ground water tables have been extensively polluted by industrial waste and agricultural run-off. Hazardous waste has commonly been disposed of at unregulated sites, while poorly planned development created serious problems in many areas, notably in the Danube Delta and the Black Sea.

The revolution led to an immediate recognition of the seriousness of the environmental problems affecting the country. The Government, also aware of the economic costs of environmental degradation, recognised that the current transition to a market economy provided an excellent opportunity to formulate new policies and include environmental measures at every step of the privatisation and restructuring processes currently under way.

Institutions, strategies and objectives

The Ministry of the Environment is responsible for national strategic planning and the enforcement of regulations covering forestry, water resources, nuclear safety and meteorology. In addition, it uses 41 subordinate Environmental Control and Protection Agencies (ECPA) to monitor indicators, implement projects and enforce legislation at local levels. The Ministry, aware of the need to upgrade institutional tools, plans to follow modern integrated environmental management techniques within the framework of new environmental legislation that should be in place by the end of this year.

³⁶million European Currency Units

ROMANIA



ENVIRONMENT

ROMANIA



ENVIRONMENT

The Government's Environment Strategy aims to firstly reduce both the actual and likely human health impact of environmental devastation in the most economic manner possible and secondly to build the framework leading to environmentally sustainable economic growth. As a result, the Government has pledged to achieve the following objectives by the end of 1992:

- enact general environmental legislation;
- reduce to safe levels the most hazardous emissions, discharges and wastes;
- introduce environmental audits in industry and ensure that least cost environmental measures are included in all restructuring and privatisation processes;
- upgrade existing environmental institutions;
- set maximum permitted emission targets for all pollutants at a level similar to those in use in the EC. Enforce adherence according to specific completion schedules with full countrywide compliance to be reached by 2005 (except for SO₂);
- ensure that environmental matters are properly published;
- include non-governmental organisations and the public in environmental management;

The following aims will be achieved by late 1993:

- remove all remaining environmentally destructive subsidies and price support measures;
- include environmental measures in agricultural policies;
- prepare management strategies for ecologically sensitive areas; and
- prepare a detailed mix of priority measures for environmental management.

Assistance in previous years

The 1991 GTAF³⁷ provided support to enhance the Ministry's role and capabilities and to establish a national environmental monitoring system. Both Assistance projects produced results in August 1992.

Objectives

The 1992 programme builds on the conclusions drawn from the two 1991 projects. Its overall objective is to assist the Government in the implementation of its two-pronged environmental strategy. Based on governmental objectives, it will focus the limited funds available on selected high priority issues whose aim is to improve the country's skills in environmental management. It will also create a programme framework for all future Group of 24 aid to this sector.

Specific objectives are:

- to strengthen institutional and administrative aptitudes for policy formulation, implementation, policing and management; and
- to enhance the environmental monitoring and analysis capacities in order to base strategies upon sound data.

Project description

The programme will be run *via* three separate modules.

Strengthening of environmental management

Short and long term technical assistance will be provided by a long-term technical advisor who will also support the Ministry by co-ordinating G 24 assistance. The project will support the national environmental management strategy. It will focus on the development of strategies for all environmental sectors, including the stipulation of new emission and discharge standards and the formulation of economic incentives to environmental responsibility. The 41 ECPAs will receive support to bolster their regulatory and enforcement roles according to their proximity to hot spots of degradation.

³⁷General Technical Assistance Facility

Development of a National Environmental Monitoring System (NEMS)

Support for the establishment of the NEMS will focus on the monitoring of air pollution. Priority will be given to the worst of the hot spots, such as Baia Mare, Zlatna and Copsa Mica. Both assistance and equipment may be provided by this module. However, procurement of supplies will only start after the conclusion of the 1991 monitoring project so as to avoid duplication.

Training in environmental management

Target audiences are staff of the Ministry, of the ECPAs and of the Ministry of Industry. Training will take place in Romania, although selected study tours abroad are possible. Training will be both technical and managerial, and will focus on:

- strengthening the environmental impact assessment capabilities;
- strengthening environmental audit capabilities;
- monitoring and data analysis;
- regulatory and economic incentives to environmental care; and
- the selection of proper emission & discharge standards.

Co-financing proposals from other IFOs will be considered, both as direct funding contributions and as parallel financing of specific components of the project.

3. IMPLEMENTATION

Procurement of both equipment and services will follow the usual PHARE procedures/ Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

ROMANIA



ENVIRONMENT



General Technical Assistance Facility

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 30/7/92 at Management Committee meeting N° 18

Country:	Republic of Slovenia
Programme:	General Technical Assistance Facility
Duration (years):	3
Year:	1992
EC Contribution:	6.7 MECU (*)
Sector classification:	GTAF
Responsible authority:	Ministry of Science & Technology

2. SUMMARY

Background

Slovenia became an independent state in June 1991. The new state officially became a beneficiary of the PHARE programme in August 1992 through Council Regulation N° 2334/92, amending Regulation N° 3906/89 that set up the PHARE programme.

The Government's priorities are to achieve a speedy transition to a market economy and to achieve stable and sustainable growth. For these reasons, the objectives listed below are being pursued:

- a stable macroeconomic environment;
- privatisation of the economy;
- promotion of the SME sector (the aim being to create 200,000 new jobs);
- investments in telecoms, IT systems and other infrastructure;
- restructuring of the manufacturing sectors;
- development of the tourist industry.

However, various problems are hampering those processes. The main ones are:

- the country's difficulties in achieving the transition from a command to a market-led economy are compounded by the structural changes linked to Slovenia's recent independence and the war-driven devastation of her main markets in the former Yugoslavia;
- Privatisation processes haven't been defined yet. The risk of uncontrolled privatisation is real;
- accounting standards, ownership structures and management capacity in the Central and commercial banks leave a lot to be desired;
- The lack of communications, networks and IT systems is slowing the technological development that is potentially possible thanks to an advanced research network;
- Infrastructural investments may not be productive without a clear strategic policy formulation;
- Closer trade links with the EC are difficult to achieve because of industry's widespread non-compliance with EC norms;
- the development of the tourist sector doesn't just depend on clever marketing, but on a great improvement in the quality of service.

* million European Currency Units

The General Technical Assistance Facility is urgently needed to develop reform policies and promote institutional reform in these areas. It will finance short- and medium-term measures in the areas of privatisation, restructuring, SMEs, financial sector reform, telecoms, tourism and science and technology.

Enterprise restructuring, privatisation and SMEs (est. cost: 2.5 MECU)

Enterprise restructuring: Because of its size, the textile industry has been designated as a priority sector in the restructuring process. Assistance will focus on the preparation of proposals on technological, marketing and economic strategies and will include management audits of a representative sample of companies in the sector.

Privatisation: Two long-term advisors will be supported by short-term experts to assist the Privatisation Agency on the following points:

- the choice of privatisation techniques;
- establishing a mutual fund and training its managers;
- preparing pilot privatisation projects; and
- provide management training to privatisation consultants.

SMEs: Assistance will aim to overcome the main problems facing this sector, namely access to finance, business support services and information. An adviser will help to formulate a general SME policy. A feasibility study about the establishment of a pilot Business Innovation Centre will be prepared. Support will be given to the establishment of a pilot advisory network in the Gorenjska region for eventual replication throughout the country. This assistance will help the training of personnel and the design of systems and management structures.

Banking and the financial sector (est. cost: 1.6 MECU)

Ministry of Finance: the following measures are proposed:

- establishing a Treasury Department by deploying a full package of technical assistance measures;
- to develop a securities market according to EC regulations. The ultimate aim is to allow the listing of Slovenian Government bonds on Eurmarkets;
- to develop suitable accounting standards; and, in conjunction with the Central Bank,
- the development of suitable information, statistics and budget monitoring systems.

Central Bank of Slovenia: priorities for action are:

- the creation of a statistical information system, mainly for the evaluation of the balance-of-payment situation and of monetary policy;
- the development of suitable personnel policies, including a trainee scheme for graduates.

Commercial banks: Assistance will be provided for the development of a banking association. The aim will be to establish training structures. Support will take the form of consultancy work, technical assistance, training and essential equipment. The Agency for the Rehabilitation of Banks, a group operating under the Minister of Finance's responsibility, will have to deal with compromised banks. It will establish bankruptcy & rehabilitation rules and will issue bonds as a counterpart for the take-over of non performing assets. PHARE will provide training in the portfolio management field. PHARE will also support the development and training of accountancy and tax personnel.

Science and technology (est. cost: 1.6 MECU)

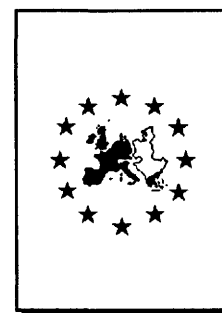
The Ministry of Science and Technology will be assisted in the review of the R&D policy, including its institutional framework. Audits will be performed on the quality of R&D institutions. Proposals for effective technology transfer programmes and for human resource programmes will be prepared.

Regulatory frameworks, linkages to international institutions and a personnel development programme will be used to develop a standardisation system compatible with those in use in the EC. This will form the core of a National Quality Programme designed to assist Slovenian industry in meeting EC norms.

Infrastructure: telecoms & tourism (est. cost: 1 MECU)

Telecommunications: Assistance will be provided to reorganise the sector; to define an overall strategy on policies, prices and tariffs; to draft the Telecommunications Act, to

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split postal and telecom services and structure the resulting new organisations and to provide training.

Tourism: long-term assistance will aim to provide training of executives and trainers in hotels and catering. Promotion strategies will also be evolved.

3. IMPLEMENTATION

Procurement of equipment will be by international open tender, unless costs or special technical requirements justify a restricted tender process.

Technical assistance will be recruited by restricted tender procedures. Direct agreements may be entered into for expenditures of minor importance or when justified by the services' specific nature. The programme will be reviewed and adjusted on a yearly basis.

Regional Environmental programme

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 30/7/92 Management Committee meeting N° 18

Country:	Bulgaria, CSFR, Hungary, Poland, Romania
Programme:	Regional Environmental Sector programme
Duration (years)	3
Year:	1992
EC Contribution:	16 MECU ³⁸
Sector classification:	Environment
Responsible authority:	PHARE

2. SUMMARY

Background

The magnitude of the environmental crises facing the countries of Central and eastern Europe over the last three years has become increasingly evident. National initiatives have proved to be inadequate to deal with the crises, and it is becoming clear that only a well-co-ordinated and technically sound regional approach stands any chance of success.

The need for regional co-operation is underlined by the fact that CEECs not only receive pollutants from one another but also export these unwittingly to other European states.

Programme objectives :

The aim of the programme is to alleviate some of the most critical trans-national environmental problems prevailing in Europe by supporting a number of regional initiatives started up through the 1991 Regional Environmental Programme and by launching two new initiatives. The key objectives are :

- to support two regional and integrated environmental programmes aimed at tackling those critical pollution problems affecting not only pollution source countries but also other European countries. These concern the Danube River Basin and the Black Sea which have been identified as regions deserving priority attention.
- to enhance the availability of reliable and up-to-date data on natural resources and pollution sources. This data will be used as a base for longer-term preventive and curative actions.
- to help develop institutions which can focus, develop and express public opinion as part of the development of a functioning civic society. This support will be provided through the Regional Environment Centre in Budapest.

REGIONAL



ENVIRONMENT

³⁸ million European Currency Units



Programme description :

1. *Integrated Environmental Programme for the Danube River Basin (3.9 MECU)*

Following on from the initial phase of the programme which was set up in 1991, a Work Plan has been developed and adopted, resulting in the establishment of a series of key focal points. A Programme Co-ordination Unit has been set up in Brussels under the supervision of the European Commission. The focus of 1992 activities is to provide further support for institutional strengthening, human resource development and improved water quality monitoring and water management. Technical assistance and support will be geared towards providing advice on environmental legislation, management structures as well as the collection and organisation of technical and environmental data. A provision for the purchase of water quality monitoring equipment is also included to ensure that comparable data are produced by the different partners. As many towns and cities along the Danube have either none or only partial sewage treatment facilities, provision will also be made available for identifying sewage plant needs and for performing feasibility studies in order to mobilise resources for investments.

2. *Regional Environmental Programme for the Black Sea (1 MECU)*

The pollution problems of the Black and Azov Seas, which are closed seas with a largely self-contained eco-system have been exacerbated by the development of the off-shore gas and oil industries. The Black sea has suffered serious environmental damage as a result of pollution from land based sources and is unprotected by any common management regime. The PHARE programme aims to strengthen local institutes to support programme management and implementation and organise a series of fact-finding and human resources activities. These include research on the harmonisation of legislation and standards and the preparation of effluent discharge inventories as well as establishing rational water monitoring regimes. Furthermore, the programme aims to identify specific pollution sources which could be improved by renovation in the short-term.

3. *Baltic Sea Integrated Programme (2 MECU)*

The need for a common management regime to control inputs and emissions into the Baltic Sea, which represents a vital marine ecosystem and economic resource, has been recognised as an urgent priority. A Baltic Sea Task Force has been established by the Helsinki Commission which has since released a status report together with recommendation for appropriate actions and investments. The PHARE programme will, within the framework established by the Task Force, support human resource development and institutional strengthening in the three Baltic countries and Poland. The main focus will be to develop appropriate environmental management regimes at central, regional and national level. Support will be provided based on EC standards, while management and technical training seminars and courses will be developed on a regional basis.

4. *Black Triangle (2.9 MECU)*

The Black Triangle, covering Northern Bohemia, Lower Silesia and Saxony, is one of the most polluted areas in Europe and responsible for a significant part of the long-range air pollution in Europe. The European Commission has supported the establishment of the Working Group for Neighbourly Co-operation on Environment and their framework plan for environmental rehabilitation, including the Black Triangle Secretariat in Usti Nad Labem and a joint air emission monitoring system. The PHARE programme is aimed at providing support for the preparation and implementation of high effect investments for the reduction of air pollution in the area. Furthermore, support is also envisaged for the development of the longer-term Regional Environment Action Programme for the Black triangle, including sound environmental practices, institutional strengthening, new regulatory and economic instruments for environmental management and technical training.

5. *Remote sensing & use of satellite data (4.9 MECU)*

Remote sensing by satellites is already available for monitoring various environment-related parameters. However, the data obtained can only be fully exploited if it is combined with information from other sources such as geographical information systems. The European Commission has already commissioned a study on the assessment of the potential use of earth observation applications in the CEECs. Based on the recommendations from this study, the PHARE programme will provide technical assistance for selected training and analysis activities as well as essential equipment purchase for a number of areas. These include personnel training for the interpretation of remote sensing data; upgrading the remote sensing capacity for creating the technical basis for various applications; and support for the setting-up of an information system and advisory network within the sub-region with linkages to international organisations and net-works.

6. *Support for Public Participation and Awareness Building - Regional Environmental Centre in Budapest (1 MECU)*

The Regional Environmental Centre (REC) is an independent non-profit making organisation established in 1990 to help develop NGOs and increase public participation in and awareness of environmental issues in the countries of Central and Eastern Europe. The REC is in the process of producing a programme strategy for 1992/93 which will be used as a basis for defining specific PHARE support. The activities include support of core activities involving information collection and dissemination, with education and training as well as strengthening of the Outreach programme. Also covered is the support of specific programme activities which include alternative environmental education, development of environmental legislation, and country profiles designed to consolidate existing information on environmental law and natural resources.

3. IMPLEMENTATION

The implementing authority will be the Commission of the European Communities, specifically the PHARE Operational Service under the responsibility of the Directorate-General for External Relations working closely with the Directorate-General for Environment, Nuclear Safety and Civil Protection and the Directorate-General for Science, Research and Development. A Steering Group with representatives from the CEECs will provide overall guidance to the implementation of the activities, being coordinated by the Ministry of Environment and Regional Policy in Budapest through a Liaison Office (0.3 MECU). A number of Project Implementation Units and Secretariats have the task of supervising the day-to-day implementation of the various programme components.

Equipment procurement will be by international tender or by restricted procedures, while technical assistance will be recruited either by restricted consultation or direct agreement.

REGIONAL



ENVIRONMENT

Regional Energy Sector Programme

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 30/7/92 at Management Committee meeting N° 18

Countries:	Poland, Romania, Hungary, Bulgaria and the Czech and Slovak Federal Republic
Programme:	Regional Energy Sector Programme
Duration (years)	to the end of 1994
Year:	1992
EC Contribution:	7 MECU ³⁹
Sector classification:	Energy
Responsible authority:	Commission of the European Communities Operational Service PHARE

2. SUMMARY

Background

Energy is a strategically important sector for the economies of all European countries. All the countries in the region are dependent on energy-exporting countries for their supplies, despite some indigenous energy sources. Furthermore, trade and cooperation in energy-related matters is intensifying across Europe; and pollution problems (NO_x, CO₂, SO₂ and nuclear safety) concern the entire continent.

Recognising their common interests, fifty European and non-European states signed the European Energy Charter in December 1991 at The Hague. The Charter aims to increase energy-related trade and co-operation throughout the continent. The present programme will directly increase east-west energy cooperation by tackling the main issues identified by the G 24 Energy Working Group, namely:

- policy formulation and planning, including restructuring, pricing strategies, forecasting, regulatory frameworks...
- supply and demand, including efficiency and conservation measures and, in the longer term, improvement of production and distribution methods as well as geographical diversification of supply;
- environmental and other safety measures, with a particular emphasis being laid on nuclear safety and clean coal technology.

Although many of these issues can be addressed with a country approach, the similarities of the problems encountered and the solutions sought argue strongly in favour of a regional component complementing the national energy sector support measures.

Programme objectives

The programme aims to further the restructuring of the sector towards market criteria and will seek common solutions to common problems so as to avoid duplication of efforts; while giving practical expressions to the ideals embodied in the European Energy Charter. More specifically, the programme will:

- study the possibilities of interconnecting electricity grids;
- study the possibilities of interconnecting natural gas grids;

³⁹ million European Currency Units



- cofinance a study to identify the options available to transform the oil refining and distribution industries;
- support the training of management personnel; and
- assist the modification of energy legislation in the framework of the Charter.

Programme description

1. Interconnection of eastern & western electricity grids (2 MECU)

At present, the two European grids (Western and Eastern) are not interconnected in any useful way. To achieve an improved security of supply through an east-west link will mean, first of all, upgrading the eastern frequency-power regulation system run by the ex-USSR, which does not reach western performance levels. Other issues must also be considered. The programme will finance a study analysing the technical parameters and capital expenditure necessary in the short, medium and long term. It will consider various options, such as whether a link-up is better done for the entire region at once or on a country-by-country basis. The results of the study are intended to provide the basic information needed for solving investment and operational problems on a bilateral level. The study will cover the following aspects:

- estimations of international power exchanges in different scenarios;
- study of the technical feasibility of a pan-European synchronous operation of grids;
- long term analysis of various possible technical options;
- medium-term identification of various lines needing to be built; and
- formulating short-term recommendations.

2. Natural gas interconnections (2 MECU)

Most of the natural gas in Central and Eastern Europe comes from the Soviet Union. Their pipeline grids also sometimes serve as transit lines for supplies to Western Europe. All the countries concerned are interested in diversifying their energy supplies. A study will approach this problem from the technical, economic and security viewpoints.

3. Oil refining and transportation (1 MECU)

The refining industry in the PHARE countries is inefficient, outdated, inflexible and environmentally dangerous in addition to being unable to respond to fluctuations in demand. Transport facilities are limited, leading to supply security risks and limiting oil product trade. The study is intended to analyse the current state of the oil refining industry and suggest strategies for the enhancement of its effectiveness. The study should help Governments to identify strategies for development and help donors to target assistance most effectively.

4. Management training & twinning (1 MECU)

The implementation of the European Energy Charter depends in a major way on shared attitudes by energy managers in all countries concerned. To achieve this will mean extended training programmes. The Programme will support twinning measures through which key personnel can spend extended periods of time in counterpart organisations.

5. Legislation, regulation and strategy (1 MECU)

Legislative and regulatory environments must be adapted to the demands of a market economy and must be compatible with EC standards. A network of teams will develop energy legislation in the countries concerned in the light of these key points. This project will also contribute to a better implementation of international protocols on NO_x, CO₂, and SO₂.

REGIONAL



ENERGY

REGIONAL



ENERGY

3. IMPLEMENTATION

Overall coordination of the project rests with the Operational Service PHARE in close cooperation with the Ministries responsible for energy policy. Decentralisation will be pursued: the Commission may delegate certain components of this programme to specific countries.

Procurement of equipment will be by international open tender, unless costs or special technical requirements justify a restricted tender process.

Technical assistance will be recruited by restricted tender procedures. Direct agreements may be entered into for expenditures of minor importance or when justified by the services' specific nature.

Regional Telecommunications programme

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 30/7/92 at Management Committee meeting N° 18

Country:	All Central and Eastern Europe countries (CEECs)
Programme:	Regional telecommunications
Duration (years)	2
Year:	1992
EC Contribution:	7 MECU ⁴⁰
Sector classification:	Telecommunications
Responsible authority:	National Authorities of the beneficiary countries in liaison with the European Commission

2. SUMMARY

Background

Over the last few years, the CEECs have been exploring possibilities for closer co-operation in the field of telecommunications. This relates to transborder communications links, harmonisation of standards and procedures and areas of administrative competence. At the European Telecommunications Development Conference, resolutions were adopted on co-operation in respect of investment considerations and the need to develop common networks and services in a competitive environment. Common features of the support identified as necessary to the achievement of these goals referred to the relative lack of experience in the countries concerned of conception and implications of reform measures and their impact.

Programmes have already been started under the national PHARE funds in Poland, the CSFR, Bulgaria and Romania in which assistance is being provided for the liberalisation of regulatory and operational functions and the split between postal and telecommunications services.

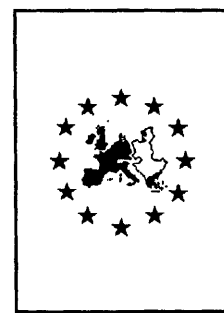
Programme objectives :

- to assist the CEECs in the transformation process in the telecommunications sector;
- to promote harmonised regional approaches and co-ordination as well as information exchange;
- to support the identification and preparation of investment-related projects at regional level; and
- to upgrade the existing knowledge base of staff in selected fields of telecommunications regulations and operation.

Programme description

million European Currency Units

REGIONAL



TELECOMS



Assistance will be provided by means of a modular approach to answer to the needs of the principal target groups who will benefit from the programme. The target groups consist primarily of qualified staff actively taking part in activities in the key areas of institutional and legislative reform. Specific actions will be proposed for each defined module involving theoretical and practical aspects which take into account the varying levels of expertise available among the national staff. Particular emphasis is to be laid on the continuity of the impact of the programme after its implementation through on-going training, as well as actions calling for urgent attention in the context of sectoral reforms. Joint teams of foreign and national experts will encourage the involvement of the national staff.

The financial allocations for the component parts of the programme are as follows :

- modules (special case studies and training) 5.6 MECU
- management and co-ordination 0.7 MECU
- evaluation and monitoring 0.1 MECU
- contingencies 0.6 MECU

3. IMPLEMENTATION

The programme will be implemented under the overall responsibility of the European Commission which will also ensure co-ordination between this regional programme and the national programmes under implementation or preparation for the telecommunications sectors in the countries concerned.

A steering committee composed of high-level representatives from each beneficiary country and the Community will be set up for the overall co-ordination of the programme, while the day-to-day management of the programme's component parts will be undertaken by a consultancy firm. Technical and logistical support will be provided by a secretariat set up in Sofia.

Contractors for technical assistance will be selected through the normal procedures applicable under the EC-funded PHARE programme. Procurement of equipment will be made by international tender or by direct agreement.

Contracts will be concluded with independent consultants for the monitoring of the programme's progress and for a comprehensive ex-post evaluation of the programme following completion.

Regional Transport Programme

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken at Management Committee meeting N°

Country:	All PHARE countries
Programme:	Regional Transport Programme
Duration (years)	3
Year:	1992
EC Contribution:	21 MECU ⁴¹
Sector classification:	Transport
Responsible authority:	The Commission in liaison with the national authorities of the beneficiary countries

2. SUMMARY

Background

Traffic on the main link roads in the region has increased massively since the revolutions of 1989 made possible the liberalisation of travel. The import of western second-hand cars led to a steep rise in car ownership figures, clogging inadequate roads. The situation has been further aggravated by the diversion of Greek traffic from Yugoslavia to routes further east. The existing road transport infrastructure is inadequate, and serious problems are the inevitable result - slow travel, frequent tailbacks, high accident rates and growing pollution. Motorways and bypasses are practically unknown, leading to choking traffic through overburdened villages and towns. Customs posts are inadequate, and waiting periods of several days are not uncommon.

These problems only have a chance to be solved in a cooperative effort by all the countries concerned. The present programme grows out of this desire and builds upon the various 1991 PHARE transport programmes.

Some regional initiatives⁴² are already under way. The present programme will assist in translating these initiatives into operational plans and will promote the involvement of lending institutions such as the EBRD, the EIB and the World Bank.

Programme objectives

The programme will assist in the restructuring of the sector and the upgrading of the transport infrastructure. Furthermore, it will promote the ongoing integration of Western and eastern transport networks and will help coordinate the various offers of technical and financial assistance.

Programme description

There are four components to this programme.

Transit infrastructure & border-crossing project (15 MECU)

A study on border-crossing bottlenecks at the EC-CEEC borders has been completed and recommended short, medium and long-term solutions. Long term solutions will require

⁴¹ million European Currency Units

⁴² TEM: trans-European north-south motorway; TER: trans-European north-south railway

REGIONAL



TRANSPORT



large-scale investments. This programme will concentrate on short term measures, comprising technical assistance, equipment and essential investment.

Trans-European north-south motorway & Trans-European north-south railway (2 MECU)

A series of studies will be commissioned for the motorway project. These will analyse technical aspects, environmental and socioeconomic aspects, traffic forecasts and financing methods (conventional, toll roads, franchising).

In addition to some studies focusing on management, modernisation and prefeasibility studies, the railway component will also receive support to computerising marshalling yards and to develop a database of existing systems.

Integrated training and technical assistance programme (2 MECU)

This component aims to help officials from the relevant ministries to become acquainted with new systems and procedures so they may adapt their countries' transport infrastructure to the requirements of a modern economy. This will be achieved by training trainers, arranging technical visits to EC countries and providing technical assistance after an initial study has identified the main training requirements.

Sectoral studies (2 MECU)

The potential for future developments will be studied. In particular, the following points will be investigated:

- what are the existing and future traffic flows? Where will bottlenecks develop?
- How can the use of inland waterways be improved?
- development of transport/RoRo ferry interfaces and other multimodal systems.
- development of logistics, information and communications systems.
- rehabilitation of road transport with emphasis on an intermodal approach.

3. IMPLEMENTATION

Investment projects undertaken under the Transit infrastructure component of this programme will be undertaken in close collaboration with the EIB.

Technical Assistance will be recruited by restricted tender. Procurement will be by international tender or by restricted consultation if justified by financial or technical considerations. Direct agreements may be entered into for minor expenditures

Industrial Property Programme

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 30/7/92 at Management Committee meeting N° 18

Country:	all PHARE countries
Programme:	regional industrial property (RIPP)
Duration (years)	3
Year:	1992
EC Contribution:	3 MECU ⁴³
Sector classification:	Industrial property
Responsible authority:	European Patent Office (EPO)

2. SUMMARY

Background

Intellectual property, and particularly industrial property, is of growing importance in modern industrial societies and a major factor in international economic relations. The governments of the PHARE countries are in the process of restoring market-economy systems and have expressed the wish for closer ties to Western Europe and its various institutions. While most countries have started to bring their patent legislation into line with the European Patent Convention (EPC) in order to provide the same level of protection as in Western countries, the CSFR and Romania have already adopted the necessary legislation.

In 1990, the EPO Administrative Council approved proposals for technical co-operation with the CEECs, and as a result the EPO assisted Bulgaria, the CSFR, Hungary and Poland in drawing up five-year modernisation plans linked to detailed investment schedules. The EPO is now helping Romania prepare a similar plan. The RIPP is based on these modernisation plans and includes all projects involving PHARE countries. For those countries which do not have a modernisation plan, the RIPP will cover initial technical assistance.

Programme description

The RIPP includes 3 main project components to be implemented by a programme management unit at the EPO:

1. *Organisation of training courses and seminars for staff of national authorities and the patent profession (1.42 MECU)*

Training will involve management, documentation, research and analysis techniques enabling 100 persons to be trained a year.

The CEIPI (Centre d'Etudes International de la Propriété Industrielle) will be responsible for professional training. A 2-year training programme for patent attorneys and experts will start at the end of 1992, while licensing, trade marks and judges' seminars will also be organised.

2. *Development of common software to administer patent and trademark procedures (0.56 MECU)*

⁴³ million European Currency Units

REGIONAL



INDUSTRIAL PROPERTY



Common software will be developed for the administration of patent applications, trademarks and financial control. The four software modules developed as part of the RIPP will be able to run on various platforms, covering the administrative register of patent applications; financial control and fees; European integration; and trade marks.

3. *Modernisation of documentation procedures component (0.88 MECU)*

The documentation on patent and non-patent literature in paper form will be supplemented by CD-ROMs and on-line access to commercial databases to be selected on a competitive basis.

Promotion of awareness of industrial property in the region

Joint publication of patents granted in PHARE countries is aimed at to answer the need for a patent information dissemination policy such as that run by the EPO. The optical disks will use European ESPACE technology and thus permit international exchange. Two international symposia on industrial property developments in the region will be organised in 1993 and 1994.

Development of regional co-operation through an exchange programme involving the offices in the area

An examiner exchange programme is envisaged to help the offices of the region to become better acquainted with each other and harmonise their day-to-day practices.

Technical assistance on project specification, tendering and implementation

To implement the programme and give general institutional advice, the EPO and national patent offices of the Member States will provide technical advice, in particular through expert missions.

4. *Project Management Unit (0.14 MECU)*

A separate management unit (PMU) within the Directorate-General of the EPO for Legal and International Affairs will implement the working programmes agreed with the EC and co-ordinate with the RIPP on existing national plans as well as an EPO action plans.

3. IMPLEMENTATION

The programme will be implemented by the PMU at the EPO which will draw up a 6-month work programme in consultation with the beneficiary countries. The EPO will be in charge of measuring the effectiveness of the programme in collaboration with the recipient institutions and of reporting regularly to the EC Commission.

Services will be sub-contracted by the EPO to bodies such as EC Member State patent offices as well as private firms. These will be subject to the usual EC tendering procedures, i.e. restricted, except in the case of small contracts which may be awarded by direct agreement.

Regional Quality Assurance
- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken 30/7/92 at Management Committee meeting N° 18

Country:	Albania, Estonia, Latvia, Lithuania, Slovenia
Programme:	Quality assurance
Duration (years)	3
Year:	1992
EC Contribution:	2 MECU ⁴⁴
Sector classification:	
Responsible authority:	European Committee for Standardisation (CEN)

2. SUMMARY

The 1992 regional quality assurance programme is an extension of the 1991 programme for Bulgaria, the CSFR, Hungary, Poland and Romania. Quality assurance is key to economic development as it creates a favourable environment for growth in the fields of production and services and allows for international competition according to common rules of market quality. Quality assurance is an integral vertical element of production as much as it is necessary at a horizontal level in institutional activity, covering areas such as certification and testing, which normally falls under the aegis of national bodies.

Whereas in Western Europe, quality assurance is undertaken at voluntary level, in the Central and Eastern Europe countries (CEECs), quality assurance was enforced by legislative requirements. Standards were thus imposed by the national authorities in the absence of an independent private sector, as a direct consequence of the need to trade with Western countries, with resulting strict administrative controls. Recent economic and political changes have since made a change in approach mandatory, concurrent with the manifest desire of the emerging private sector to opt for a voluntary system based on free market values. As much as anything else, the change in approach demands the abolition of existing quality assurance standards which, although the only ones available, are nevertheless redolent of the original centralised command system

However, the transition to a voluntary system is characterised by a lack of technical know-how and insufficient financial resources which discourage foreign investors and limit domestic trade opportunities.

Programme objectives :

To help the PHARE countries not covered by the 1991 programme to implement institutional and legislative reform in the field of quality assurance and to make the transition to a voluntary system of standardisation with the setting up of appropriate institutions to offer guidance.

⁴⁴ million European Currency Units

REGIONAL



QUALITY ASSURANCE



Programme description :

The programme is structured in the same way as the 1991 programme and is made up of four parts :

- technical assistance for reform of legislation and institutions
- fund for training by western institutions
- fund for promotion of technical exchanges with Western Europe
- technical and financial assistance for interesting economic operators in quality assurance.

Projects will be decided on a country-by-country basis as the programme is implemented. This is in order to ensure that the programme has as much impact as possible with the financial resources available.

3. IMPLEMENTATION

The programme will be run by the Centre Européen de Normalisation. CEN's responsibilities include the identification of operations in cooperation with the beneficiary organisations, administrative costs for organisation of training courses and visits to western organisations as well as monitoring of the programme's effectiveness. Special attention will be paid to institutional problems and areas where changes in legislation are needed.

TEMPUS

- a PHARE assistance programme -

REGIONAL

1. IDENTIFICATION

Decision taken 20 May 1992 at Management Committee meeting N° 16

Country:	All PHARE recipient states
Programme:	TEMPUS (<i>Trans-European Mobility Programme for University Students</i>)
Duration (years)	
Year:	1992
EC Contribution:	102.6 MECU ⁴⁵
Sector classification:	Education & training
Responsible authority:	Ministries of Education

2. SUMMARY

This is the third year of the five year TEMPUS programme.

The programme is divided into the three following components:

- a national operating budget;
- a regional budget; and
- a budget for the Commission's management of the TEMPUS office in Brussels.

The programme's objective is to modernize higher education in the central and eastern European countries (CEECs) and to promote the interaction between higher education institutions there and suitable Member State bodies in education and industry. Access for CEEC bodies to European associations and youth movements is also encouraged by this programme.

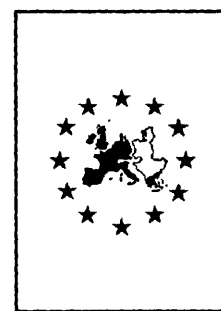
Joint European Projects (JEPP's) between national countries and Member States will continue to review and overhaul curricula, develop library systems and networks, translate course materials and develop distance learning projects.

Exchange programmes will also continue in 1992. These provide teaching or advisory placements to teachers and training staff. They also enable students to either go studying or to go on industrial placements schemes in EC countries.

National operating budget will provide grants for the more seasoned PHARE countries and launch new measures in Albania, Estonia, Latvia, Lithuania and Slovenia.

The regional budget will continue the 1990/91 regional projects and launch new measures in the countries with new national programmes.

TEMPUS in Brussels will continue in its selection role will provide general support in conjunction with the national TEMPUS offices in the beneficiary countries.



TEMPUS

⁴⁵ million European Currency Units

The national breakdown of allocated funds is as follows:

Country	Albania	Bulgaria	CSPR	Czechia	Hungary	Latvia	Lithuania	Poland	Romania	Slovenia	Regional & reserve
MECU	1.2	8.0	13.0	1.0	16.0	1.5	1.5	26.0	13.0	2.3	19.1

3. IMPLEMENTATION

JEPP: to date, TEMPUS has carried out 458 JEPP enabling over 3,100 students and 4,400 teachers to take part in exchanges involving 1250 institutions over the Member States.

Over 1000 teachers and 700 students have received individual grants from the PHARE TEMPUS programme so far.

The increase in budget in 1991 meant that the average success rate for applicants doubled.

Regional projects: 45 Projects were started up in 1990 (7.7 MECU) and 71 Projects were started up in 1991 (12.1 MECU).

Applications and further information may be obtained from the Project Manager; M Küpper, at TEMPUS' Brussels office (tel (32-2) 504.07.11, fax: 504.07.00)



PHARE Democracy Programme

- a PHARE assistance programme -

1. IDENTIFICATION

Decision taken May 1992 at Management Committee meeting N° 16

Country:	Regional
Programme:	PHARE Democracy Programme
Year:	1992
EC Contribution:	5 MECU ⁴⁶
Sector classification:	civic society
Responsible authority:	Commission of the European Communities

2. SUMMARY

Background

This Programme is launched in response to the wishes of the European Parliament and will give concrete expression to commitments laid down in the Europe (Association) Agreements and the CSCE conferences.

A fundamental tenet of the Europe Agreements signed with Poland, Hungary and the CSFR in December 1991 is the commitment by all parties to "strengthen the political and economic freedoms which constitute the very basis of the association". Explicit reference is made to the link "between the full implementation of the Association and the actual accomplishment of political, economic and legal reforms"

The Association Agreements make provision for financial co-operation through PHARE to achieve the above ends. To extend the notions of the Helsinki Declaration and the political declarations accompanying the recently signed EC Trade and Co-operation agreements with the Baltic States and Albania to the other PHARE countries is the next logical step. Some legal instruments are therefore available to implement projects designed to strengthen civic society and democracy. Furthermore, the promotion of the concepts of democracy, rule of law, human rights and fundamental freedoms is seen as a fundamental part of Community foreign policy⁴⁷.

To illustrate the point, the effect of an enthusiastic and conscientious government implementing economic reform is considerably limited if the public administration and political system cannot ensure informed debate, timely decision making and appropriate allocation of human and financial resources. Effective and legitimate public administrations and political systems, which are critical to the success of economic reforms, also need to be transparent: a further factor to be taken into account along with new systems of accountability and legal redress accessible to each individual citizen.

It is clear that the difficulties of economic transition are placing strains on democracy - the latest Eurobarometer survey (Jan. 92) reveals a drop in support for democratic structure in all of the CEECs. The complexities of institution building and political reform, of coming to terms with the past, of finding places for extant minorities, of giving rights to the deprived all affect the facility with which the requisite political consensus and stability for a satisfactory base for economic reform can be reached. It is therefore crucial to support and nurture the basis for the democracy programme.

⁴⁶ million European Currency Units

⁴⁷ see Title V Article J1 in the conclusions of the Maastricht Treaty.

REGIONAL



DEMOCRACY

REGIONAL



DEMOCRACY

Programme Objectives

The general aim of the PHARE democracy programme is to contribute to the introduction of pluralist democratic procedures and practices and the rule of law as accepted in the EC with a view to supporting the overall process of economic and political reform in the CEEC.

More specifically, the programme will aim to support:

- the acquisition of knowledge and techniques about democratic practices and the rule of law from relevant bodies and professionals in the EC; and
- the strengthening of local associations and institutions which by their vocation can make a continuing contribution to the promotion of the pluralist democracy.

Programme description

The project will be run on a pilot basis to provide non reimbursable grants to support micro projects submitted by both private and public bodies in the Member States or the CEEC. The projects should be self-contained operations which indicate a coherent set of activities, clearly defined operational objectives and a specific duration (not exceeding twelve months). Research projects and one-off conferences should normally be excluded. It is estimated that the average grant per project will be about 100,000 ECU. The total granted should not to exceed 70% of the entire cost of the project.

All projects should have an EC dimension, involving partner organisations in at least two Member States or a transnational body based in the EC. In all cases there should be a partner body in the CEEC, whether public or private.

Cross-party political initiatives will be considered.

Examples of the type of project envisaged by DEMOCRACY '92 are techniques in drafting and implementing human rights legislation, training for the legal profession, Technical Assistance to develop internal decentralisation and democratic structures in political parties, trade unions etc., or assistance to develop legislation ensuring the freedom of the press.

Submissions are likely to be requested by the autumn of 1992.

Background to Civil Democracy Programme; The initial decision by the EC together with the G 24 countries in 1989 to assist the countries of Poland and Hungary was based on the hypothesis that economic and political reform were inter-dependent. One of the

3. IMPLEMENTATION

The Democracy programme is designed to be complementary to various bilateral and multilateral aid operations and also to the PHARE programmes to promote an open society.

It will co-finance projects submitted by both public and private NGO bodies which bring together partner organisations in the CEEC and at least two Member States.

Proposals should be marked "PHARE Democracy programme" and submitted to K. Fogg, PHARE Operational Service 3, Commission of the European Communities, 200 rue de la Loi, B-1049 Brussels.