

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(94) 526 final

Brussels, 23.11.1994

94/ 0271(CNS)

Proposal for a

COUNCIL REGULATION (EC)

amending Regulation (EEC) No 3906/89 in
order to extend economic aid to Croatia.

(presented by the Commission)

Explanatory memorandum

Phare is the EU's programme of assistance for the economic and social reform process in Central and Eastern Europe. It supports the transition to a market economy and helps bolster the region's fledgling democracies.

In May 1992 the Commission presented a proposal for a Regulation to the Council to include Croatia in the Phare programme. Parliament's opinion on that proposal was negative on the grounds that human rights in Croatia were not yet secure. The Council endorsed that opinion.

The situation has changed markedly since then:

- Croatia has accepted the principles of the European Union's action plan of November 1993, which among other things mooted the inclusion of that country in the Phare programme.
- Croatia has played an active part in seeking a solution in Bosnia-Herzegovina, signing the agreement on a Croat-Muslim Federation and accepting the peace plan put forward by the Contact Group in July of this year.

This constructive attitude has swayed the opinion of certain Council members and of Parliament. At the Luxembourg Council meeting on 4 October it was agreed that the Commission's intention to extend Phare to Croatia would also be put to Parliament. For its part, Parliament adopted a resolution on 21 July calling for an urgent review of the use of existing instruments and programmes, among them the Phare programme, which should be open to both the new government in Sarajevo and Croatia.

The Commission sent a fact-finding mission to Zagreb on 24 and 25 October to assess the political situation, particularly as regards human rights and minorities, and the state of play on economic reforms.

The mission established that:

- a legal and constitutional framework guaranteeing respect for human rights had been set up but there was still room for improvement in terms of upholding them in practice. What is more, the Croatian authorities were giving strong backing to a federation between Croats and Muslims but were exceedingly wary about Serbia and Montenegro. They were also keen to mend fences with Italy and Slovenia.
- economic reforms were under way; the stabilization programme launched in October last year was bearing fruit, as was the tight monetary policy. These efforts were crowned by the recent signing of a stand-by arrangement with the IMF. Croatia had now embarked on a privatization and restructuring phase which would entail fresh difficulties. The Government seemed determined to take the requisite measures in a climate which was not conducive to the inflow of foreign capital. The country's financial needs would increase tenfold when the reconstruction phase got off the ground. Estimates put war damage at over 20 billion US dollars but given the solvency of economy these needs could be covered in part by loans.

Both government and opposition agree that participation in EU programmes like Phare will be a key factor in consolidating democracy.

The Commission feels that the time has come to send a political signal to encourage the Croatian authorities and therefore proposes bringing Croatia into the Phare programme.

Including Croatia in Phare would have distinct advantages, both in terms of its political impact and the boost it would give to the reform process. Aside from carrying out operations to bolster democracy, Phare (by its very nature and with the means available to it) would home in on economic restructuring. It can do no more than act as a catalyst in the process of rebuilding; most of the funding for this will come from official outside sources, chiefly the international financial institutions.

Proposal for a Council Regulation (EC) amending Regulation (EEC) No 3906/89 in order to extend economic aid to Croatia.

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission,¹

Having regard to the opinion of the European Parliament,²

Whereas Council Regulation (EEC) No 3906/89 provides for aid operations of an economic and humanitarian nature in support of the process of economic and social reform in certain countries of Central and Eastern Europe;³

Whereas the Annex to that Regulation lists the countries which may receive such aid;

Whereas at present the following countries are eligible: Albania, Bulgaria, Hungary, Estonia, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, the Czech Republic and Yugoslavia;

Whereas in the light of Croatia's independence that country should be added to the list of recipients so that it can receive aid under Regulation (EEC) No 3906/89,

Whereas the conditions to allow for Croatia to be included amongst the beneficiary countries now can be considered to have been fulfilled.

HAS ADOPTED THIS REGULATION:

Article 1

The following country shall be added to the list in the Annex to Regulation (EEC) No 3906/89:

"Croatia"

Article 2

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

¹ OJ No C.....

²

³ OJ No L 375 of 23.12.1989, p.11, as last amended by Regulation (EEC) No 1764/93, OJ No L 162 of 30.6.1993, p.1.

ISSN 0254-1475

COM(94) 526 final

DOCUMENTS

EN

11

Catalogue number : CB-CO-94-556-EN-C

ISBN 92-77-82727-0