



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 20.12.1995

COM(95) 728 final

95/ 0361 (CNS)

Proposal for a

COUNCIL REGULATION (EC)

amending Council Regulation (EEC) No 3906/89
in order to extend economic aid
to include Bosnia-Herzegovina

(presented by the Commission)

EXPLANATORY MEMORANDUM

The negotiations on the future of Bosnia-Herzegovina culminated in the initialling of a peace agreement on 21 November, opening the way for normalization of the situation in the former Yugoslavia and the provision of international assistance for reconstruction and economic recovery there.

The Council discussed the EU's contribution to this process at some length at the meeting of foreign ministers on 30 October and agreed that reconstruction work should focus on the territory of Bosnia-Herzegovina itself and certain parts of Croatia, in other words the areas worst affected by the war. The aid will be linked to implementation of the peace plan and a number of conditions formulated by the Council.

The Community's contribution will be entirely funded under heading 4 of the existing financial perspectives, with the money coming *inter alia* from Phare.

Yugoslavia was made eligible for assistance under Phare on 24 September 1990 but since the outbreak of hostilities Phare operations have been confined to Slovenia, except for certain emergency operations in FYROM and Bosnia. Now that the hostilities are at an end the Commission proposes that the Republic of Bosnia-Herzegovina should be added to the list of countries eligible for Phare.

This will make it possible to mobilize resources for reconstruction and reform in Bosnia. In addition, the Commission believes Phare operations will help cement the peace process and the normalization of relations, as far as possible, between the countries of this region.

The Commission therefore invites the Council to adopt the attached regulation.

COUNCIL REGULATION (EC) No
of
amending Council Regulation (EEC) No 3906/89 in order to extend economic aid
to include Bosnia-Herzegovina

THE COUNCIL OF THE EUROPEAN UNION,

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 Regulation (EEC) No 3906/89³ provides for economic aid to support the process of economic and social reform in a number of Central and Eastern European countries;

Whereas the countries qualifying for such aid are listed in the Annex to the said Regulation;

Whereas following the initialling of a peace agreement by Bosnia-Herzegovina on 21 November 1995 that country should be included in the list of eligible countries so that it can receive aid under Regulation (EEC) No 3906/89;

Whereas the conditions for inclusion of Bosnia-Herzegovina among eligible countries can now be regarded as fulfilled,

HAS ADOPTED THIS REGULATION:

Article 1

The following country shall be included in the Annex to Regulation (EEC) No 3906/89: Bosnia-Herzegovina.

Article 2

¹ OJ No

² OJ No

³ OJ No L 375, 23.12.1989, p. 11. Last amended by Regulation (EC) No 1366/95 (OJ No L 133, 17.6. 1995, p. 1).

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.

Done at

For the Council
The President

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Extension of Council Regulation (EEC) No 3906/89 to cover Bosnia-Herzegovina

2. BUDGET HEADING INVOLVED


B7-60 - Cooperation with the countries of Central and Eastern Europe

3. LEGAL BASIS

- Treaty establishing the European Economic Community, and in particular Article 235 thereof
- Council Regulation (EEC) No 3906/89 of 18 December 1989 on economic aid to the Republic of Hungary and the Polish People's Republic (OJ L 375, 23.12.1989, p. 11)
- Council Regulation (EEC) No 2698/90 of 17 September 1990 amending Regulation (EEC) No 3906/89 in order to extend economic aid to other countries of Central and Eastern Europe (OJ L 257, 21.9.1990, p. 1) - Bulgaria, Czechoslovakia, Romania, Yugoslavia, German Democratic Republic
- Council Regulation (EEC) No 3800/91 of 23 December 1991 amending Regulation (EEC) No 3906/89 in order to extend economic aid to include other countries in central and eastern Europe (OJ L 357, 28.12.1991, p. 10) - Albania, Estonia, Latvia and Lithuania, minus the GDR
- Council Regulation (EEC) No 2334/92 of 7 August 1992 amending Regulation (EEC) No 3906/89 to extend economic aid to include Slovenia (OJ L 227, 11.8.1992, p. 1)
- Council Regulation (EEC) No 1764/93 of 30 June 1993 amending Regulation (EEC) No 3906/89 on economic aid for certain countries of central and eastern Europe (OJ L 162, 3.7.1993, p. 1) - Czech Republic and Slovakia
- Council Regulation (EC) No 1366/95 of 12 June 1995 amending Regulation (EEC) No 3906/89 in order to extend economic aid to Croatia (OJ L 133, 17.6.1995, p. 1)

4. DESCRIPTION OF OPERATION

4.1 General objective



The negotiations on the future of Bosnia-Herzegovina culminated in the initialling of a peace agreement on 21 November, opening the way for normalization of the situation in the former Yugoslavia and the provision of international assistance for reconstruction and economic recovery there.

Yugoslavia has been eligible since September 1990, but since the outbreak of hostilities Phare operations have been confined to Slovenia, with only certain emergency operations in FYROM and Bosnia. Now that the hostilities are at an end Phare can be extended in full to cover Bosnia-Herzegovina.

This will make it possible to mobilize resources for a programme of reconstruction and reform in Bosnia. In addition, Phare operations will help cement the peace process and the normalization of relations, as far as possible, between the countries of this region.

4.2 Period covered and arrangements for renewal or extension

This is a contingent measure. Given the present situation of the countries of Central and Eastern Europe, the EU plans to continue backing the process of reform and restructuring until 1999 at least, in line with the financial perspectives approved at the Edinburgh European Council (11-12 December 1992).

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1 *Non-compulsory expenditure*

5.2 *Differentiated appropriations*

5.3 *Type of revenue involved: nil*

6. TYPE OF EXPENDITURE OR REVENUE

- *100% subsidy*

Generally these operations involve 100% grant financing of operational programme spending, with the recipient body responsible for administrative (staff and infrastructure) costs.

However, the basic regulation (Regulation (EEC) No 3906/89) allows running costs to be covered in the start-up phase of a programme if the economic situation of the recipient country so dictates, as is the case with Bosnia-Herzegovina.

- *Subsidy for joint financing with other sources in the public and/or private sector*

Within the G24 framework, operations are also co-financed sometimes with the EIB, the EBRD or the World Bank, and jointly-financed operations may also be carried out at the initiative of non-governmental organizations.

As a rule the Phare programme follows a demand-driven approach, in other words funding priorities are identified by the beneficiary countries themselves.

- ***Interest subsidy***

In some cases interest subsidies may be appropriate, particularly for small-business development and support programmes.

- ***Other***

- ***Should the operation prove an economic success, is there provision for all or part of the Community contribution to be reimbursed?*** No

- ***Will the proposed operation cause any change in the level of revenue? If so, what sort of change and what sort of revenue is involved?*** NA

- ***Re-use*** No

7. FINANCIAL IMPACT

7.1 Method of calculating total cost of operation

Bosnia-Herzegovina's inclusion in the Phare programme will be paid for out of existing budgetary appropriations, specifically under the multiannual allocation for 1995-1999 approved at the Cannes European Council in June (see financial statements appended to Commission Communications to the Council COM(94)320 final of 13 July 1994 and COM (94)361 final of 27 July 1994 on the strategy to prepare the countries of Central and Eastern Europe for accession, as updated by the Commission's letter of 7 April 1995 to the President of the Council and the President of Parliament, and the financial statements for the preliminary draft 1996 budget, Chapter B7-60).

No additional appropriations are therefore required for this specific measure.

7.2 Itemised breakdown of cost

See financial statements, as above.

7.3 Indicative schedule of appropriations

See financial statements, as above.

8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

[REDACTED]

Before payment is authorized, the Commission verifies grants and acceptance of services (e.g. studies carried out under contract), having regard to the relevant contract terms and the rules of good housekeeping and sound financial or general management. All contracts or agreements between the Commission and parties to whom payments may be made contain stipulations regarding checks or reporting requirements which are designed to prevent fraud.

As a rule ongoing operations are subject to regular monitoring and systematic audits both by the Commission or its authorized agents and by the Court of Auditors. Statistical and other information is used to check the progress of Community-funded measures and thus also contributes to the prevention of fraud.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1. Specific and quantified objectives; target population

- *Specific objectives: links with general objective*

In the context of the general objectives set out in Section 4.1, this heading can be used to finance or part-finance programmes in the following fields:

- approximation of laws, to enable the countries of Central and Eastern Europe to absorb the *acquis communautaire*;
- reforms linked to the rehabilitation of basic infrastructure essential for the move to a modern economy, e.g. in the environment, energy, transport and communications sectors;
- protection of the environment and improvement of nuclear safety;
- restructuring and privatization of state-run industrial or agricultural undertakings and modernization of the financial sector;
- assistance to private-sector firms, particularly SME, and promotion of private-sector investment and tourism;
- modernization of public-sector administration, particularly departments dealing with economic, financial and tax policy;
- development of welfare systems comprising positive policies on human resources, employment, health and relief of poverty.
- *Target population: distinguish as applicable for each objective; indicate the end-beneficiaries of the Community's financial contribution and the intermediaries involved*

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Obviously, the ultimate intended beneficiaries of Phare assistance are the citizens of the recipient countries. In practical terms the target population for each programme depends on the type of programme and form of action envisaged. As programmes vary widely, it is difficult to catalogue the end-beneficiaries and intermediaries exhaustively, but the following broad categories can be distinguished:

- In the case of technical assistance-based programmes or programme components, the intermediaries are essentially public- or private-sector Community firms or bodies. Since the point of these operations is to transfer know-how relating to various sectors of the economy, especially in the initial stages of a particular sector's or country's transition, the end-beneficiaries will be both public-sector institutions and the two sides of industry in the Central and Eastern European countries.
- In the case of the small number of measures designed to foster democracy and the development of civil society, the end-beneficiaries are NGOs in the recipient countries, generally assisted by Community NGOs.
- In the case of energy, transport, telecommunications, nuclear safety or other infrastructure programmes, the end-beneficiary is the population as a whole, and the intermediaries the undertakings responsible for those sectors in the countries concerned, generally assisted by their Western counterparts:
- In the case of privatization, industrial development and SME programmes, the beneficiaries are private-sector entrepreneurs who receive loans and interest subsidies via the local banking system, which in turn receives technical assistance from Phare.
- When programmes are designed to introduce new systems of taxation or public finance, the ultimate recipients are public-sector administrations.
- Some programmes target quite specific recipients, e.g. farmers or, in the case of TEMPUS and training schemes, students, universities and the young.

9.2 Grounds for the operation

See conclusions of the Essen European Council (December 1994).

9.3 Monitoring and evaluation of the operation

In accordance with the prescribed arrangements.

10. ADMINISTRATIVE EXPENDITURE (PART A OF THE BUDGET)

This section of the financial statement must be sent to DGs IX and XIX; DG IX will then forward it to DG XIX with its opinion.

The necessary administrative resources will be mobilized under the Commission's annual decision on resource allocation, taking into account in particular any additional money and staff made available by the budgetary authority.

As the 1996 budget procedure is already so far advanced, this operation will be put in hand using the existing resources of the units concerned. In the light of further study it may prove necessary to request specific additional resources under the 1997 budget procedure.

10.1. Impact on the number of posts

Type of post		Staff to be assigned to the project		of which		duration
		permanent posts	temporary posts	by using existing staff in the DG or department concerned	by recourse to additional staff	1995-99
Officials or temporary officials	A					
	B					
	C					
Other staff						
Total						

Additional staff: indicate periods when required.

10.2 Overall financial impact of the additional staff

(ECU)

	Total	Method of calculation
Officials		
Temporary officials		
Other staff (indicate budget heading)		
Total		

The figures give the total cost of the additional posts for the entire duration of the project if it is of a fixed duration or for 12 months if it is of unlimited duration.

10.3. Increase in other operational expenditure resulting from the operation

(ECU)

Budget heading (No and title)	Amount	Method of calculation
Total		

The figures represent the total expenditure on the project if it is of a fixed duration or the expenditure for 12 months if it is of unlimited duration.

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DOCUMENTS

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