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# **The Phare Programme Annual Report 1997**

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## Commissioner's statement

1997 was a year in which the European Union made a number of crucial steps towards its historic objective of taking in new members from central and eastern Europe. In July 1997, the European Commission published its *Agenda 2000 - For a stronger and wider Union*, which included its Opinions on the ten candidate countries of the region. In December, the European Council in Luxembourg launched the enlargement process and decided to begin accession negotiations with five of those countries. As the main financial instrument of the EU's pre-accession strategy, the Phare Programme saw its role in the enlargement process underlined.

The Commission put forward its new orientations for the Phare Programme in March 1997. The overall objective was to turn Phare into an 'accession-driven' programme, focusing on the most pressing needs of the candidate countries in their preparations for accession. These new orientations will not affect the non-associated countries, which have not applied to join the European Union and whose programmes, therefore, are not directed towards preparation for EU membership.

Two priority areas are identified in these orientations, as a result of the Commission's analysis of the situation in the candidate countries, set out in the Commission's Opinions. First, Phare will focus on institution building, that is the strengthening of the administrative capacity of the candidates to implement and apply the *acquis communautaire* with the same guarantee of effectiveness as in the current Member States. The principal instrument to achieve this aim will be twinning of administrations between candidate countries and Member States. Second, it will support investment needed in the candidate countries to address *acquis*-related sectoral, regional and structural imbalances in their economies, and help bring their industry and infrastructure up to EU standards.

Phare's new focus is part of the reinforced pre-accession strategy, which the Commission proposed to the European Council in *Agenda 2000*. This strategy provides practical support for each country's efforts to prepare for accession, irrespective of its current state of preparation.

As well as this ongoing political process, the Commission has reviewed the manner in which Phare operates. In July 1997, the Commission published an interim evaluation of the Phare Programme, which highlighted both strengths and weaknesses since its creation in 1989. While the Programme was, on the whole, evaluated positively, shortcomings were identified, particularly in the structure of the Programme. In order to address these problems, the Commission took steps to improve the management and financial performance of the Programme. Phare will now focus its efforts on precise objectives and on larger projects. This should enable the Programme to avoid a multiplication of small projects and the fragmentation of its effectiveness. In addition, timetables for programme implementation will be closely monitored and respected.

With the enlargement process gathering pace, the Phare Programme will face new challenges in the years ahead. The new orientations elaborated by the Commission in 1997 will streamline and improve the efficiency of Phare. As the European Commissioner responsible for the Phare Programme, I commend this Annual Report to you and hope that it will contribute to a better understanding of Phare and its role in the enlargement of the EU.

Hans van den Broek  
Member of the European Commission

## **The Phare Programme**

The Phare Programme is currently the main channel for the European Community's financial and technical cooperation with the countries of central Europe (CECs). Set up in 1989 to support the sweeping reforms behind economic and political transition, Phare had by 1996 been extended to include 14 partner countries from the region (including Croatia, currently suspended). Originally allocated ECU 4.2 billion for the 1990-1994 period, the Phare budget was increased to ECU 6.693 billion for the 1995-1999 period.

Since the Essen European Council of December 1994, Phare has become the financial instrument of the pre-accession strategy supporting the ten associated CECs in their preparation for accession to the EU. In addition, for the non-associated countries in the region, Albania, the Former Yugoslav Republic of Macedonia (FYROM) and Bosnia-Herzegovina, Phare provides support in their transition to democracy and a market economy.

Phare's assistance takes the form of grants rather than loans, and its work has grown to encompass a wide range of activities. Throughout the 1989-1996 period, Phare has shown a continuing flexibility in adapting to the changing priorities and limitations of the reform process in each of its partner countries. The most recent period, 1994-1996, has been characterised by a large increase in support for the legislative framework and administrative structures, as well as projects promoting democratisation and civil society, and for investment in infrastructure, including cross-border cooperation.

In July 1997, the Commission presented Agenda 2000, together with its Opinions on the candidate countries' applications for EU membership. In a single framework, the Commission outlined the broad perspective for the development of the European Union and its policies beyond the turn of the century; the impact of enlargement on the EU as a whole; and the future financial framework beyond 2000, taking into account the prospect of an enlarged Union.

In the light of this intensification of the enlargement process, it became necessary to re-focus Phare on the preparation of candidate countries for accession. Phare's activities now concentrate on two priorities.

The first priority will be to help the administrations of the partner countries in acquiring the capacity to implement the 'acquis communautaire'. Phare will thus help the national and regional administrations, as well as regulatory and supervisory bodies, in the candidate countries to familiarise themselves with Community objectives and procedures.

The second priority is to help the candidate countries bring their industries and major infrastructure up to Community standards by mobilising the investment required. This effort will be largely devoted to areas where Community norms are becoming increasingly demanding: environment, transport, industrial plant, quality standards in products, working conditions, etc.

With regard to the non-associated Phare beneficiaries (Albania, FYROM, and Bosnia), Phare's new orientations affect neither the programmes under way nor the budgetary allocations programmed up to 1999. Phare will continue to provide support in their transition to democracy and a market economy.

**Phare in 1997**

## **Relations between the EU and central Europe**

History will remember 1997 as a crucial year for the EU's eastward enlargement. Both the EU and the candidate countries of central Europe took important steps towards the creation of a stronger and wider Union; they also faced up to the obligations of future membership and openly identified where hard work remained to be done. In the summer, the European Commission published Agenda 2000, its all-embracing vision of the EU and how it should prepare for the 21<sup>st</sup> century. This document was accompanied by the Commission's detailed assessment of the membership applications of the candidate countries. Finally, the Luxembourg European Council brought the year to a suitable close, preparing the launch of the enlargement process and pointing the way towards accession negotiations.

### **Agenda 2000 and the Opinions**

The Madrid European Council in December 1995 reaffirmed that the necessary decisions for launching accession negotiations would be taken within six months of the conclusion of the IGC. It called on the Commission to submit an assessment of the candidates' applications for membership as soon as possible after the IGC and to prepare a detailed analysis of the implications of enlargement. In July 1997, the Commission provided its comprehensive response, when it presented Agenda 2000, together with its Opinions on each of the applications for membership.

Agenda 2000 is a single framework in which the Commission outlines the broad perspective for the development of the European Union and its policies beyond the turn of the century; the impact of enlargement on the EU as a whole; and the future financial framework beyond 2000, taking into account the prospect of an enlarged Union. The Agenda 2000 documents, taken together, offer a clear and coherent vision of the EU as it enters the 21st century.

Each of the Commission's Opinions on the countries' applications for membership used the so-called Copenhagen criteria (agreed at the European Council in June 1993) to evaluate the candidates' progress (see box).

According to the **Copenhagen criteria**, candidates must be able to demonstrate

- the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the ability to cope with competitive pressures and market forces within the Union; and
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

The Opinions drew on numerous sources of information, taking as a starting point the countries' replies to the questionnaires sent to them in April 1996. The Commission also took into account assessments made by the Member States; European Parliament reports and resolutions; work of other international organisations and international financial institutions; and progress made under the Europe Agreements, which provide the legal basis for relations between the European Communities, the Member States and the candidate countries. Finally, the Opinions were not only an assessment of the performance of each country up until 1997, but also a forward-looking analysis of expected progress.

On the basis of a comprehensive and objective evaluation of the extent to which the candidates already met the Copenhagen criteria, the Commission recommended that accession negotiations start with the Czech Republic, Estonia, Hungary, Poland and Slovenia.

### **Reinforced pre-accession strategy**

Agenda 2000 also addressed the question of how to help candidates prepare for accession. Specifically, it proposed the reinforcement of the pre-accession strategy for all candidate countries of central Europe. The original pre-accession strategy had been designed to help the candidate countries of central Europe align their political, economic and legal systems with those of the European Union. As such, it comprised three main components: the Europe Agreements, the structured dialogue, and the Phare Programme. However, given the intensification of the enlargement process during 1996 and 1997, it was necessary to strengthen and re-focus the strategy.

The reinforced pre-accession strategy has two main objectives, namely to

- bring together all the different forms of European Community support within a single framework, called an Accession Partnership

- familiarise the applicants with EU policies and procedures through the opening of Community programmes and Twinning projects involving Member States administration with their counterparts in the candidate countries.

With the Europe Agreements, which remain the basis of the EU's relations with the candidate countries, the reinforced strategy centres on Accession Partnerships and increased pre-accession aid. Phare remains the financial instrument of the reinforced pre-accession strategy; its own accession-oriented reform, together with the introduction of the Accession Partnerships, is described in the next chapter.

In addition, the European Commission has proposed that pre-accession support for all candidate countries should comprise two further elements as from the year 2000: aid for agricultural development amounting to ECU 500 million per year, and structural aid totalling ECU 1 billion per year. Structural aid would be directed mainly towards aligning the candidate countries with Community infrastructure standards, particularly in transport and environment.

The reinforced pre-accession strategy also opens a number of Community programmes to candidate countries, in areas such as education, training and research. This will enable them to familiarise themselves with the EU's policies and working methods. Such participation will be determined case-by-case, with each candidate country making a steadily increasing contribution of its own. Phare will, if necessary, be able to continue part-financing the candidates' contributions, but this should not exceed around 10 per cent of the Phare allocation for each country.

## **Enlargement on the horizon**

The European Council meeting in Luxembourg in December 1997 took the historic decisions necessary to launch the overall enlargement process. It also noted that as a prerequisite for enlargement, the operation of the EU's institutions "must be strengthened and improved in keeping with the provisions of the Amsterdam Treaty." The Council retained the Commission's recommendation, set out in Agenda 2000, and decided to convene bilateral intergovernmental conferences with the Czech Republic, Estonia, Hungary, Poland, Slovenia (and Cyprus) in the spring of 1998 to begin negotiations on the conditions for their entry into the Union and the ensuing Treaty adjustments.

However, as the European Council pointed out, this enlargement is a "comprehensive, inclusive and ongoing process, which will take place in stages; each of the applicant states will proceed at its own rate, depending on its degree of preparedness." Therefore, it was decided to create a framework, or accession process, that would include all candidate countries, and which would also begin in the spring of 1998. The European Council underlined that all the candidate countries are "destined to join the European Union on the basis of the same criteria and that they are participating in the accession process on an equal footing."

At the same time as the beginning of negotiations with the Czech Republic, Estonia, Hungary, Poland and Slovenia, the preparation of future negotiations with Bulgaria, Latvia, Lithuania, Romania and Slovakia would be "speeded up in particular through an analytical examination of the *acquis communautaire*". From the end of 1998, the

Commission will make regular reports to the Council, together with any necessary recommendations for opening bilateral intergovernmental conferences, reviewing the progress of each candidate country towards accession.

The **acquis communautaire** comprises the entire body of European Community legislation that has accumulated, and been revised, over the last 40 years. It includes the founding Treaty of Rome as revised by the Single Act, and the Maastricht<sup>1</sup> and Amsterdam Treaties; the innumerable regulations and directives passed by the Council of Ministers; and the judgements of the European Court of Justice.

Negotiations will define the terms and conditions on which each of the candidate countries accedes to the Union. The basis for accession will be the **acquis** as it exists at the time of enlargement. While transition periods may be necessary in some limited cases, the objective must be full adoption of the **acquis** on accession.

The timetable for accession will depend primarily on the progress made by individual countries in adopting, implementing and enforcing the **acquis** (see box). The reinforced pre-accession strategy will support the candidates' efforts. However, the decision to enter into negotiations does not imply that they will be successfully concluded at the same time. Their conclusion and the subsequent accession of the different candidate countries will depend on the extent to which each complies with the Copenhagen criteria and on the EU's ability to assimilate new members.

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<sup>1</sup> The **acquis** also includes measures undertaken by the EU in the field of Justice and Home Affairs.

## **New challenges for Phare**

1997 was a year in which the EU's eastward enlargement began visibly to take shape. Agenda 2000, the Opinions on the candidate countries, and the Luxembourg European Council all demonstrated the EU's commitment to prepare for the next enlargement. An essential part of this preparation was to evaluate the contribution of the Phare Programme to the process of transition in central Europe and, as far as possible, to learn from past mistakes. The interim evaluation published in June 1997, which the European Parliament accepted as fully independent, allowed the Commission to make that step.

In the light of the important political developments set out in the previous chapter, it was necessary to re-focus Phare on the priorities of accession. In this way, Phare made a crucial shift from being a 'demand-driven' programme to one that was 'accession-driven', with the ultimate goal of preparing candidate countries for the obligations of full EU membership.

### **Interim evaluation**

The Evaluation Unit of the European Commission's DG IA was set up in response to the Commission's Sound and Efficient Management initiative (SEM 2000) and has been operational since January 1997. It has the mandate of conducting evaluations of the programmes for which DG IA is responsible. One of the first tasks of the newly formed unit was to undertake an interim evaluation of the Phare Programme. This was part of the Commission's response to a request of the European Parliament.

The evaluation covered the following main areas: the effectiveness of Phare's assistance to transition; Phare's role in reducing government involvement in the economy; the restructuring of the economic base; human resources and social development; the promotion of democracy and civil society. The evaluation identified a number of overall strengths, as follows.

- Phare has developed into the single largest source of know-how transfer to the countries of central and eastern Europe. Without such large-scale assistance, many of the economic reform and stabilisation programmes supported by the international financial institutions would not have been possible on such favourable terms.
- Phare's objectives and activities are perceived as having delivered very relevant support to the transition process in central and eastern Europe. Above all, the Programme has adapted to the changing phases of transition.
- The Programme has made a particular contribution in areas of little interest to other donors, e.g. the development of democracy and civil society; the development of national statistical services and customs offices; cross-border

and multi-country programmes that provided one of the few forums in which central and east European officials could interact.

- Phare has developed an approach to programming that has sufficient flexibility to allow it to respond to changing political and economic circumstances in the partner countries.
- Its financial support and technical impact alone could not measure Phare's overall contribution. Phare has introduced new ways of thinking and working, which are not always visible in facts and figures.

The evaluation also highlighted a number of Phare's overall weaknesses.

- The Programme's demand-driven approach, which allowed the partner countries to set Phare's direction, was also responsible for a number of weaknesses. Broadly-defined priorities and criteria for the selection of programmes had tended to stretch resources over a variety of topics.
- The fragmentation of Phare's efforts limited performance. This, in turn, adversely affected the public perception in the CECs of the impact of EU assistance to reform.
- Political and budgetary spending pressures favoured a strong emphasis on financial and procedural control rather than substantive programme design and performance.
- The decentralised approach to implementation resulted in a tendency for the European Commission to contract out expertise in the transition process and retain in-house expertise in financial and administrative procedures, sometimes weakening the impact of programmes.

These findings assisted the development of the Commission's plans for improving Phare management, as described in the next chapter.

During 1997, and apart from the global interim evaluation, evaluations were started in

- Banking sector programmes in Bulgaria, Hungary, Lithuania and Poland. The objectives are to assess (a) Phare's contributions to institutional reform in the banking sector, in terms of human resources and legal, regulatory and organisational reform; and (b) the present performance of the transformed banking system, particularly with regard to the risk management requirements of a market economy.

- Cross-border cooperation programmes involving Germany and Poland; Austria and the Czech Republic; Greece and Bulgaria. The main aims of the evaluation are (a) to complement the Interreg II evaluation and, with the comparison of results, to identify weaknesses and make recommendations for strengthening common management; (b) to identify options for improving expenditure between now and 1999.
- Enterprise restructuring and privatisation programmes in Bulgaria, Hungary, Lithuania and Poland. The objectives are to assess (a) Phare's overall contribution to the privatisation and restructuring of state-owned enterprises and (b) the need for further Phare support.
- Customs programmes in all candidate countries. The objectives are (a) to assess Phare's contribution to improvements in the performance of customs services in the candidate countries, in line with EC and international standards and (b) to set measurable performance benchmarks for customs services.
- SME support programmes in all candidate countries. This evaluation will produce an in-depth analysis of performance, which will then inform decisions on future support with a view to both the creation of a special SME facility (as part of the new Phare orientations) and possible improvements to existing national SME programmes.

### **Phare's new focus**

Following the conclusion of the IGC, preparations for enlargement entered a decisive phase, which demanded a profound change within Phare. The Commission proposed to achieve this by focusing support on two crucial priorities in the adoption of the *acquis communautaire*: institution building and investment support. In accordance with Agenda 2000, the candidate countries must assume the full *acquis* upon entry into the EU and, if possible, earlier.

- **Institution building** will strengthen candidates' institutional and administrative capacity for the implementation and enforcement of the *acquis*. Institution building goes beyond the legal sphere; it is not simply a question of approximating candidate-country legislation to that of the European Communities. It concerns the ways in which legislation is implemented and enforced on the ground. By emphasising the value of human resources, institution building reaches down to the very roots of the process, namely the people who design, implement and enforce legislation.

Institution building thus helps to develop a culture of European integration in the administrators and regulators of the candidate countries. This means

training and equipping a wide range of civil servants, public officials, professionals and relevant private sector actors: from judges and financial controllers to environmental inspectors and statisticians, to name but a few. Approximately 30 per cent of Phare funds will be used to meet these institution building needs.

- The adoption of the *acquis communautaire* means that the candidate countries will, as soon as possible, have to adapt their enterprises and main infrastructure to respect Community norms. This will require considerable investment.

This is particularly the case for the enforcement of Community rules in areas such as competition, environment, nuclear safety, transport safety, working conditions, marketing of food products, consumer information, control of production processes. The only alternative to long transitional periods is an investment effort to adapt to Community norms and to develop major infrastructure. Such investment would enhance candidate countries' ability to cope with the competitive pressures that await them once they become members of the EU.

The types of investment support will include structural actions, SME development, adoption of EC norms, and large-scale infrastructure. This second priority of investment financing linked to the *acquis communautaire* will account for around 70 per cent of the budget.

Beyond the shift in focus to accession, Phare's new guidelines also introduced a number of important management changes. These will improve speed and efficiency. The most important changes are discussed in the following chapter.

## **Accession Partnerships**

As set out in Agenda 2000, the Accession Partnership is the key feature of the new, reinforced pre-accession strategy, supported by pre-accession aid (Phare, agricultural support, and structural support) and the opening of Community programmes to the candidate countries. Each candidate country has its own Accession Partnership.

Each Partnership mobilises all forms of Community assistance within a single framework for each country. This framework covers in detail the priorities for adopting the *acquis communautaire*, as well as the financial resources available for that purpose, in particular the Phare Programme. Priorities are broken down into the short and medium term, to be adjusted during the subsequent revisions of the Accession Partnerships. The progress made by each candidate country is recorded in a regular report, to be presented by the Commission to the Council. Financial assistance is linked to candidates' progress and, more specifically, to compliance with their programme for adoption of the *acquis*, which is based on the Accession Partnership.

Accession Partnerships greatly simplify the Phare programming cycle and ensure an accession-driven approach. Future financial support, such as the agricultural and

structural funds due to come into effect as from the year 2000, will also fit into the Accession Partnership.

Each country's Accession Partnership is complemented by its own National Programme for the Adoption of the Acquis (NPAA). The NPAA gives details of each country's commitments with regard to achieving the Copenhagen criteria and taking on the *acquis communautaire*.

## **Multi-country programmes**

Work in 1997 concentrated on implementing multi-country programmes that had been approved in 1996. At the same time, the European Commission was already adapting these programmes to comply with the new Phare guidelines. This meant reducing the number of programmes and focusing on the new priorities, institution building and investment support.

Two new multi-country programmes were launched in 1997. The first was a response to the European Parliament's requests to encourage the extension of the trans-European networks (TENs) in central Europe. A sum of ECU 100 million was allocated to transport projects ready for implementation, for which Phare financing provided a positive economic rate of return.

The other new initiative was the first phase of a special programme for the applicant countries, which will help them to develop structural policies and implementation mechanisms for European Community structural funds, which they will receive after accession to the EU. The programme will focus training on the workings of the structural funds and support the development of regional statistics.

In terms of achievements in 1997, the following multi-country programmes stand out.

In infrastructure, Phare improved border crossings and traffic flow on major pan-European corridors, where nine new projects were initiated in 1997. Meanwhile, the energy programme launched activities to promote energy efficiency and completion of energy statistics. A major study on alternative financing of rural telephones was completed with support from the EBRD. In the area of transport, the TINA initiative was supported to identify the infrastructure requirements of the candidate countries and their priorities for the pan-European corridors.

Three multi-country environmental programmes were continued and priority actions completed in the fields of uranium mining and forestry. Elsewhere, 42 projects on environmental legislation were initiated in the candidate countries, while 25 projects were selected for further preparation in anticipation of future financing by the international financing institutions.

Phare multi-country programmes continued their support of regional cooperation. The CREDO programme promoted cross-border cooperation in regions not bordering EU countries and selected 45 pilot projects. The Partnership programme launched 59 economic development projects with NGOs in close cooperation with partners in EU member states. The LIEN programme financed 33 new projects in support of under-

privileged groups and minorities. In the area of social policy, the Consensus programme financed projects involving EU officials in all aspects of social policy and legislation, in particular with a view to the adoption of the *acquis communautaire*.

The Phare Democracy Programme, worth ECU10 million and financed through a separate budget line (B7-7000), supported 46 macro projects, several hundred micro projects, and four ad hoc projects. These projects were implemented by NGOs in areas including human rights, the rule of law, parliamentary practice, civic education, and minorities. The EU-US Democracy Award Scheme, which was also funded through this programme, gave recognition to a number of projects, including the Third Sector Gremium in Slovakia, the Romani Centre for Social Intervention and Studies in Romania, and the Human Rights Ombudsmen of the Federation of Bosnia Herzegovina.

With regard to the internal market, Phare multi-country programmes continued various activities, including training lawyers and officials in competition policy; assisting legislation in consumer protection and intellectual property; strengthening relevant institutions as well as the accreditation and certification process; and undertaking specialised surveys with a view to developing statistical information in conformity with those produced by the EU member states.

In the area of justice and home affairs, the multi-country programme focused on the future external borders of the EU. It sponsored a ministerial conference on illegal immigration and began training activities for police forces in the candidate countries in cooperation with those in the EU.

In the fields of human resources and education, 24 projects in distance learning were selected from a large number of proposals submitted jointly from the central European partner countries and the EU member states. In higher education, efforts concentrated on quality assurance of educational systems in preparation for mutual recognition of degrees.

Finally, the European Commission continued to finance its Technical Assistance Information Exchange (TAIEX) Office, which continued to support the approximation of legislation through technical assistance for workshops, study visits, and expert advice from EU Member State governments.

### **Phare cross-border cooperation programme**

In recognition of the need to reinforce cooperation and stimulate integration across border regions and inspired by the effectiveness of the INTERREG Initiative, a cross-border cooperation programme worth ECU 150 million was established in 1994, at the request of the European Parliament, within the overall framework of Phare.

In the framework of the Phare Programme, the cross-border cooperation regulation provides the rules for financing actions of a structural nature in border regions of CECs sharing a common border with the Community, stressing harmony with EU structural policies and with the INTERREG II Programme in particular.

The primary objectives of the Phare cross-border cooperation programme are to:

- assist border regions of the eligible CECs to overcome specific development problems stemming from their relative isolation in the national economy, whilst preserving the interests of the local population and respecting environmental conditions
- encourage the creation and development of co-operation networks on either side of these borders and the forging of links between these networks and wider EU networks
- accelerate the transformation process in the CECs and their approximation to the EU
- avoid a disruption in the standards of living and growth at the EU's external borders
- contribute to effective "good neighbourly" relations between countries.

In 1997 ECU 141.9 million of Phare financial support was allocated to the following Country and Multi-Country programmes:

<b>Programmes</b>	<b>EU contribution (ECU million)</b>
Albania-Greece	10.0
Albania-Italy	10.0
Baltic Sea Region	14.0
Czech Republic-Germany	25.0
FYROM-Greece	10.0
Hungary-Austria	14.0
Poland-Germany	49.0
Slovenia-Italy	3.0
Slovenia-Austria	3.0
Training & Pilot Actions	3.9
<b>TOTAL</b>	<b>141.9</b>

An analysis of the breakdown of the 1997 programmes by sector reveals that the Phare cross-border cooperation programme continued the trend of past Phare cross-border cooperation programmes in terms of the strong emphasis on provision of support to infrastructure projects in the spheres of transport and the environment. 63 percent of the 1997 funds are allocated to these sectors. The areas of human resources, economic and tourism development received 21 per cent of the cross-border cooperation allocation in 1997.

An effort was made in 1997 to involve more intensely the local and regional authorities in the programming process. This was achieved in some borders through the establishment of Regional Antenna Bureaux (e.g. Slovene-Austrian border) and in

other cases through the provision of workshops and information seminars specifically focused on the provision of information on the Phare cross-border cooperation programme and technical assistance (in terms of preparing project applications) to this target group (e.g. Baltic States).

Many Small Projects Funds became operational during 1997 with the establishment of Steering Committees, Expert Panels and Secretariats in several of the border regions.

Greater decentralisation of the programme was also in evidence in 1997, with Slovenia's and the Baltic States programmes becoming decentralised.

One Phare multi-country cross-border cooperation programme was launched in 1997: the **Cross-border Cooperation Through Training and Pilot Actions Programme**. It finances two measures:

- **Measure 1 (LACE-Phare II):** Networking, information and training activities to enhance the capacity of local and regional authorities and other organisations in border regions eligible under Phare cross-border cooperation.
- **Measure 2 (EEMR):** Exchange of experience, monitoring and reporting activities to enhance the capacity of Phare cross-border cooperation PMUs and other national or decentralised authorities and organisations responsible for Phare cross-border cooperation.

## **Changes in operational management**

Beyond the move towards accession, Phare's new focus also required a number of important changes in operational management.

### **New implementation structures**

Some of Phare's management tasks had already been decentralised towards the partner countries before 1997. For most national programmes, the authorities in these countries had the task of launching tenders and signing contracts on the spot. Nevertheless, the Commission remained entirely responsible for the proper use of funds with regard both to Community rules and the principles of sound financial management.

Agenda 2000, in the context of the reinforcement of the pre-accession strategy, points to the need for increased decentralisation, with a view to establishing a system in which responsibility is shared, along the lines of the relationship existing with the Member States for implementing the Structural Funds.

In order to prepare for increased decentralisation, Phare's new guidelines stipulate that implementation structures should be rationalised in the candidate countries. The main aims are to increase the transparency of operations and avoid the dispersion of funds. In each country, the number of implementing agencies is to be limited as far as possible.

Phare's new guidelines envisage that a single interface - the National Fund - would be created in each candidate country. This body would be responsible for overall management of implementation. It was also proposed that the implementation structure be further decentralised and rationalised by using a limited number of existing agencies that would be sustainable beyond accession. A central financing and coordination unit (CFCU) would administer programmes, handling tendering, contracting and payments on behalf of Ministries and agencies, which themselves would assume responsibility for preparing projects and managing their technical implementation. CFCUs have already been set up in some partner countries.

Under this new system, the Phare management units (PMUs) will be phased out. They will either be closed down or integrated into national institutions, which would later manage Community funds after accession.

The rationalisation of implementation structures in the candidate countries will be accompanied by an enhanced role for the European Commission's Delegations in programme monitoring. This in turn will allow Commission services in Brussels to concentrate on a posteriori control and the evaluation of project results (although a change in the financial regulation will be necessary).

New manuals for the Decentralised Implementation System (DIS) were published in 1997. These explain the practical administration of the Phare Programme and will be used as a source of reference by task managers in Brussels and the partner countries.

### **Maturity and size of contracts**

It was decided that projects should be clearly defined and only proposed for financing when they are ready for implementation. In the case of projects that require tendering, the Commission only proposes to allocate resources to them if they are ready for tendering as soon as the financial commitment has been confirmed.

As far as possible, contracting takes place within the first 6-12 months after the signature of the financing memorandum. In some cases, e.g. for large-scale infrastructure projects, a longer period may be required.

It was decided that the minimum size of projects would be ECU 2-3 million, although this principle is to be applied with flexibility in the case of civil society and certain technical assistance projects.

### **Closer cooperation with the international financing institutions**

With a view to the reinforced pre-accession strategy and the priorities outlined in the candidate countries' Accession Partnerships, the Commission in 1997 organised a series of meetings with the World Bank, the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB). The objective was to agree principles for future cooperation, especially in the area of large-scale investment in transport and the environment.

### **'Clear out' of old contracts**

Procedures for the closure of old programmes were established. By the end of 1997, around 90 old programmes and 1,420 contracts had been closed. Also, 265 de-commitments of funds worth ECU 43.2 million were carried out.

Over ECU 100 million was reallocated for reconstruction after the floods in the Czech Republic, Poland and Romania.

### **New tendering and contracting rules**

The size and scope of the Phare Programme is such that its management involves the signing of many thousands of contracts. In 1997 alone, the Commission signed more than 1,160 contracts, and contracted no less than ECU 1,135.5 million.

The quality of the financial management of the Phare Programme depends to a large extent on the degree of rigour applied in tendering for services. In 1997, the European Commission revised its regulations and instructions to tenderers. By doing so, the Commission reinforced transparency and efficiency in its tendering procedures. The modifications proposed fell broadly under two headings: transparency and rigour.

As far as **transparency** is concerned, the following changes were introduced for service tenders and contracts.

- The function and composition of evaluation committees, both in Brussels and the partner countries, were clarified and standardised to ensure proper control
- Tenderers will be informed when their bids have failed, and why they have failed. Tenderers will also have the right to a motivated response from the Commission if they feel that an earlier response was wrong or incomplete.
- Deadlines for responses to tenders will be clearly defined and in no case will they be less than 40 calendar days.
- Evaluation criteria will be clearly stipulated and the relative weighting of technical and financial criteria fixed at the ratio of 70-30 respectively.
- Information of upcoming tenders, including an expression of interest form, will be published on the Internet. Programme and contract information will be published in the Official Journal and updated every three months. In addition, the Official Journal will publish the results of all tenders.

As far as **rigour** is concerned, the new procedures envisaged the following:

- Firms participating in project preparation and design will be barred from competing for implementation.
- Rules governing the formation of consortia will be more strictly interpreted with the aim of ending the practice whereby contractors on a short-list avoid competition by combining as a consortium and reducing the number of final bidders.
- Rules governing the employment of third-party nationals and firms - those not from the EU or the Phare partner countries - will be tightened.
- Confidentiality will be tightened: commercially useful information obtained by the Commission in the course of tendering may not be divulged.
- Tendering for services over ECU 10 million should in future be carried out using open, and not restricted, tender procedures.

These changes were guided by six years of solid operational experience, backed by evaluation and assessment reports.

## **Monitoring and assessment**

Monitoring and assessment is a process which carries out regular reviews of the implementation of on-going Phare programmes, assessing the relevance of their activities in terms of the objectives stated in the Financing Memoranda. It also assesses programme management at all levels. Evaluation, on the other hand, is an ex-post exercise, which considers mostly the impact of completed programmes in a given sector, generally in more than one country. Mid-way through 1997, the European Commission reviewed the objectives, process and methodology of monitoring and assessment. This review resulted in a refocusing of the objectives and an adjustment to the methodology and process, in turn leading to the publication of a report setting out how monitoring and assessment should be conducted.

The objective of a monitoring and assessment report is to

- review all aspects of programmes and projects that are being implemented or that have just been completed
- assess the progress made and the compatibility of activity with stated objectives
- examine the management structure and the sustainability of the programmes once Phare support is ended.

A report provides a snap-shot of the programmes' situation at a particular moment in time, interprets that situation and puts forward, where needed, recommendations on management and/or design for similar future programmes. To achieve this, a report must be clear, succinct, and made available as quickly as possible. The information provided is intended for programme management to assist in implementation and the decision-making process. Unlike evaluation, monitoring and assessment is an inclusive exercise that concerns programme management at all levels, and requires their involvement in identifying difficulties and applying recommended solutions.

To achieve the refocused objectives, a template for reports was issued. Reports contain factual sections followed by an assessment, conclusions and recommendations. Also, procedures were developed for the drafting and approval process, while the roles of the parties involved - PMUs, Delegations, and National Coordinators - were better defined. The time taken to produce a report, and have it commented upon by the various parties involved, was streamlined and reduced. Finally, a work plan for all reports to be carried out in 1998 was developed with the full participation of all parties; the order of priority for reviewing the programmes was set by programme management in accordance with their own imperatives. Now the start date for each report and the list, or cluster, of programmes to be reviewed in each report is known well in advance. This means that the assessor, thus saving valuable time can gather information in time for the start of work.

All these measures were gradually introduced, and the results can already be seen in the number and effectiveness of reports initiated in the last quarter of 1997. During 1997, 69 monitoring and assessment reports on Phare programmes were issued; of

these 33 were issued in the last quarter of the year. Reports covered 22 sectors and reviewed 119 programmes.

A general overview of assessment reports points to three main difficulties experienced by programmes in their implementation, and which need to be addressed:

- the need to improve programme and project design with clearer identification of measurable objectives, which will allow for better monitoring of performance
- simpler management structures, which will enable the involved parties to relate to each other quicker when responding to changing circumstances during the course of implementation
- a clearly defined ownership of the projects, which will ensure a more committed approach by the partners, who will thus be better equipped to continue with the activity after the end of the Phare project.

These observations, together with others, were fed back into programme management within the Commission services and in the partner countries, and have led to concrete steps being taken in the management of programmes and their design.

Monitoring and assessment reports have had a direct influence on the approach to be adopted towards programmes due for renewal, as was the case of the revision of the JOPP programme in October 1997.

With the monitoring and assessment process becoming more efficient and reports more immediate and relevant, a useful management tool has been developed that will have a positive impact on the way Phare programmes are managed and designed.

## **Common Service for Community assistance**

On 15 October 1997, the European Commission took a decision that would have a significant impact on the way in which Community assistance to third countries is organised. The creation of a Common Service is intended to

- simplify and rationalise the management of Community aid
- increase coherence in its implementation
- promote greater transparency for economic operators
- create economies of scale.

Directorates General with a foreign policy role, i.e. DGs I, IA, IB, VIII and, to a limited extent, ECHO, will retain their policy role, which includes programming; taking political decisions leading to the commitment of credits; taking responsibility for general terms of reference; and signing Financing Memoranda; and carrying out both representation and political relations with third countries.

The SCR would be responsible for all aspects of programme and project implementation, i.e. finance, accountancy, contracts, legal aspects and technical matters linked to programme management.

With operations planned to start in mid-1998, the Common Service will operate under a Steering Committee of the DGs with a foreign policy role (RELEX DGs).

## Financial overview and performance

In 1997, the Phare Programme committed a total of ECU 1,147.7 million to its partner countries. This represents a commitment rate of 99.8 per cent. While it also represented a small decrease when compared with 1996's record figure, this can be explained by the decision not to commit ECU 150 million while the Commission re-focused Phare on accession priorities. This ensured the best use of available resources. To maintain the multi-annual envelope of ECU 6,693 million for the 1995-1999 period, the ECU 150 million will be committed for accession-related activities in 1999. Total commitments over the life of the programme now equal ECU 7,756.1 million.

The following chart shows the break down year by year of the Phare funds committed in the period 1990-1997 (ECU million):

1990	1991	1992	1993	1994	1995	1996	1997
493	766.7	1,004.2	999.1	969.7	1,153.3	1,222.5	1,147.7

In terms of financial performance, 1997 showed marked improvement in the area of contracting. Over the year, Phare (Commission headquarters and partner countries) signed contracts totalling ECU 1,135.5 million. This is over ECU 200 million more than the amount contracted in 1996 (ECU 927.5 million), an increase of 22.4 per cent.

Phare paid ECU 819.1 million on signed contracts in 1997 (payments on Commission headquarters contracts and advance payments to partner countries). This represents a decrease of 1.3 per cent on the 1996 figure (ECU 829.8 million). 25.5 per cent of the payments related to commitments stemming from 1993 and earlier budgets. In total, 70.1 per cent of all Phare funds committed have been contracted.

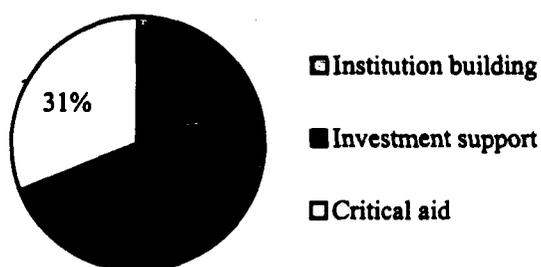
The situation with regard to implementation may therefore be summarised as follows:

Total commitments 1990-1997	ECU 7,756.1 million
Total value of contracts signed 1990-1997	ECU 5,437.3 million (thus 70 per cent of all commitments have been contracted)
Total payments under signed contracts 1990-1997	ECU 4,546.4 million (thus 84 per cent of all contracted funds have been paid).

**Phare in the individual partner countries**

## **Candidate countries**

# Bulgaria



1997 Country Operational Programme

## The year in review

Bulgaria entered 1997 in the midst of a deep socio-economic crisis and a political stalemate following the resignation of the socialist government in December 1996. The political crisis was temporarily resolved in February 1997 with the introduction of a caretaker government and the decision to hold general elections in April. The opposition United Democratic Forces party won an absolute majority in the National Assembly, marking the end of the political crisis. The new Assembly adopted a Declaration on National Accord over the following key reforms and objectives: financial stabilisation, social reform, land reform, the fight against organised crime and corruption, accession to the European Union and NATO.

In May 1997 the Government adopted a comprehensive programme of reforms in all sectors covering the period 1997-2001. The main emphasis in the Bulgaria 2000 Programme is on democratic institutions, financial stabilisation, growth of the real economy, structural reform, land reform and recovery of agriculture, modernisation of the main Bulgarian infrastructure systems, social policy, domestic and external security, integration in Europe.

Bulgaria's macroeconomic policy, which received the backing of the EU, IMF and World Bank and centred around the introduction of a currency board arrangement and restrictive budget policy, succeeded in restoring an important degree of economic stability and rebuilding public confidence in economic policy-making. To underpin the macroeconomic stabilisation process, the government initiated a large-scale privatisation programme in the enterprise and banking sector. It also pursued a liquidation and isolation programme aimed at large loss-making state enterprises.

Nevertheless, while most economic indicators improved in the second part of 1997, the impact of the crisis remained severe. GDP fell in 1997 by 7.5 per cent and annualised inflation stood at 580 per cent. A steep fall in living standards led to social deprivation for a large part of the population.

While the total private sector share in GDP increased from some 7 per cent of GDP in 1991 to over 58 per cent in 1997, industrial enterprise is only about 30 per cent privatised.

Despite a relatively liberal legislative framework and a considerable increase in investment in 1997, Bulgaria is lagging behind other countries of the region in attracting foreign direct investment. Institutional weaknesses and the persistence of the unattractive image of Bulgaria under the previous governments have caused this.

### **Conclusion of the European Commission's Opinion, July 1997**

In the light of its considerations, the Commission concludes that

- the current improvement in Bulgaria, following the arrival in power of a new government, indicates that Bulgaria is on its way to satisfy the political criteria;
- Bulgaria's progress in the creation of a market economy has been limited by the absence of a commitment to market-oriented economic policies; it would not be able to cope with competitive pressure and market forces within the Union in the medium term;
- despite the progress that has been made, Bulgaria has neither transposed nor taken on the essential elements of the *acquis*, particularly as regards the internal market. It is therefore uncertain whether Bulgaria will be in a position to assume the obligations of membership in the medium term. In addition, considerable efforts will be needed in the areas of environment, transport, energy, justice and home affairs as well as agriculture. More generally, substantial administrative reform will be indispensable if Bulgaria is to have the structures to apply and enforce the *acquis* effectively.

In the light of these considerations, the Commission considers that negotiations for accession to the European Union should be opened with Bulgaria as soon as it has made sufficient progress in satisfying the conditions of membership defined by the European Council in Copenhagen.

## **Phare 1997 Programme in Bulgaria**

Total Phare assistance to Bulgaria in 1997 amounted to ECU 66 million:

- In response to the severe social hardship caused by the 1996-97 economic crisis, an Emergency Social Assistance Programme was launched at the beginning of 1997 with a budget of ECU 20 million. The programme was successfully completed by the end of June 1997 (see box below).
- In view of the continued fragile social situation caused by the depressed economic climate and to contribute towards the political sustainability of key structural reforms including full price liberalisation, a second Emergency Social Assistance Programme was implemented from December 1997 onwards with a budget of ECU 20 million. In addition to income support using the mechanisms of the first programme, a job-creation project linked to small-scale public works was included. This component is co-financed with and managed by the United Nations Development Programme (UNDP).
- A Structural Adjustment and Reform Assistance (SARA) programme was launched to support the implementation of the government's new economic reform programme. This will underpin macroeconomic stabilisation, improve the efficiency of the economy by increasing private-sector participation, and re-establish the basis for sustainable growth. With a budget of ECU 20 million, the immediate objectives of the programme include reform and privatisation of state-owned enterprises and banks, strengthening of capital market institutions, reinforced tax administration and acceleration of agricultural land restitution.
- A General Technical Assistance Facility with a budget of ECU 6 million was also introduced to meet two broader aims. First, it will strengthen policies and institutions in key areas of Bulgaria's accession preparation. Second, it will encourage investment and private-sector development, with particular emphasis on small and medium-size enterprises.

### **Phare achievements**

Significant and timely assistance was mobilised in support of the implementation of the **Enterprise Isolation** Law. The Law was adopted in 1996 to ensure that losses of the 70 largest loss-making state-owned enterprises would be eliminated, that financial discipline would be restored and that the budget and banks would cease to refinance the losses. Isolated enterprises can only exit the programme through privatisation, liquidation or return to profitability. Phare assistance amounted to more than ECU 4 million and other donor co-financing some ECU 5 million. While the programme is due to be completed by the end of 1998, significant results have already been achieved. Losses have been drastically reduced, enterprises have effectively been cut off from bank lending, state subsidies have been made transparent and financial discipline markedly improved.

Assistance was provided towards the facilitation and successful **privatisation of the United Bulgarian Bank** in the form of a twinning arrangement with an EU bank, starting in 1996 and leading to the bank's privatisation in July 1997. The arrangement supported the transformation of the bank through the introduction of a comprehensive management accounting function, business planning and financial planning.

The 1993 **tourism programme** was completed in 1997 with an ECU 5 million budget. The programme supported institutional strengthening, including development of a new tourism law, a national master plan, the creation of a new National Tourism Board, establishment of a statistical database and a national information and reservation system. Manpower development was supported through upgrading of training institutions, establishment of a Tourism Training Council, training of trainers and development of Regional Tourism Development Agencies. Tourism promotion was developed through a marketing strategy, improved public relations material and participation in international events.

Overall implementation of Phare continued to improve despite the crisis, and sound progress was registered in most sector programmes. As a result, the backlog of uncommitted funds from previous years was substantially reduced: the overall contracting rate increased from 56 per cent in 1995 to 73 per cent in 1997. In consequence, 1997 was the third consecutive year in which Bulgaria's absorption rate exceeded the rate of new allocations.

#### **Case study: emergency social assistance**

In response to the rapidly deteriorating socio-economic situation and at the request of the Bulgarian Government, an Emergency Social Assistance Programme of ECU 20 million was agreed in December 1996. In order to ensure rapid disbursement, targeting of the most needy and a comprehensive national reach, the programme was designed to use the mechanisms already in place for the Government's existing but heavily under-funded welfare scheme. The programme was prepared in close consultation with the World Bank and supported by the IMF.

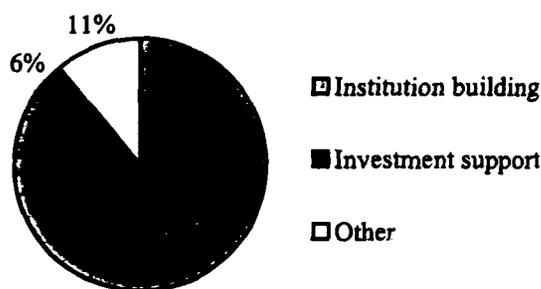
Household income support was granted on the basis of means-testing and a minimum subsistence level. It was distributed by more than 260 social welfare offices involved in the local management of the scheme. Between March and June, a total of ECU 15 million was channelled to some 750,000 low-income households with a total population of 1.5 million, providing an average of ECU 20 per family.

More than 600 social care institutions received a total of ECU 2.5 million in the same period for basic supplies involving a total of 46,000 clients.

Due to the virtual collapse of the social welfare system this income support was the only real assistance available to the poorest households and social care institutions.

In spite of difficult circumstances and fragile institutions, the programme delivered badly-needed financial support, within an extremely short time span, to a significant part of the Bulgarian population most seriously affected by the economic crisis.

# Czech Republic



1997 Country Operational Programme

## The year in review

The Czech economy went through a difficult period in the first half of 1997. Growth stalled due to weak export performance and a lack of enterprise restructuring. At the same time, the trade deficit ballooned on the back of a strong currency, and high wage growth greatly increased household consumption. The Government adopted two special economic packages in April and May to address the situation. However, repeated attacks on the currency resulted in an abandoning of the fixed exchange rate regime, and a devaluation of the currency. Since then there has been a tightening of both fiscal and monetary policy, and the introduction of structural measures by the government. In the third quarter of the year, signs of improvement became evident: output growth was showing signs of picking up and the trade deficit was improving.

On the political scene, Prime Minister Klaus resigned on 30 November 1997, along with his government. This followed a period of tension between the coalition parties. These events had a negative impact on policy-making and legislative activity.

Nonetheless, in relations with the EU, the Czech Republic was recommended for accession negotiations by the European Commission's Opinion on the country's application for membership.

### Conclusion of the European Commission's Opinion, July 1997

In the light of its considerations, the Commission concludes that

- the Czech Republic presents the characteristics of a democracy, with stable institutions guaranteeing the rule of law, human rights and respect for and protection of minorities;

- the Czech Republic can be regarded as a functioning market economy, and it should be able to cope with competitive pressure and market forces within the Union in the medium term;
- if the Czech Republic continues its efforts on transposition of the acquis relating to the single market, and intensifies work on its implementation, the Czech Republic should become capable in the medium term of applying it fully. The import deposit scheme will need to be resolved within the terms of the Europe Agreement. Particular effort, including investment, will be needed to meet the acquis in sectors such as agriculture, environment and energy. Further administrative reform will be indispensable if the Czech republic is to have the structures to apply and enforce the acquis fully.

In the light of these considerations, the Commission recommends that negotiations for accession should be opened with Czech Republic.

## **Phare 1997 Programme in the Czech Republic**

Total Phare assistance in 1997 amounted to ECU 60 million, including ECU 32 million for national programmes, ECU 25 million for cross-border cooperation and ECU 3 million for Tempus.

The 1997 programme aims to implement Phare's new policy guidelines. The national programmes address selected areas where increased pre-accession efforts are necessary. The ECU 32 million available will focus on

- institution building (ECU 18 million), supporting activities for the adoption, implementation and enforcement of the Community acquis, including the modernisation of public administration and participation in Community programmes
- civil society development (ECU 3 million), reinforcing civil society organisations with the aim of becoming self-sustaining, which is an essential element in the further consolidation of a democratic society
- economic and social cohesion and competitiveness (ECU 11 million), focusing on preparation for participation in the Community's Structural Funds.

The cross-border cooperation programme co-finances activities that have a cross border impact and are related to the INTERREG II programme in the border regions of North, West and South Bohemia where the Czech Republic and Germany share a common border. The programme concentrates on investment activities aimed at improving transport links and technical infrastructure, protecting the environment (decreasing pollution in border water sources) and supporting economic development

(especially through the support of tourism). In addition, the programme supports projects related to forest rehabilitation and the development of human resources. Finally, the financing of the Small Projects Fund was continued in order to support intensive co-operation between local and regional authorities on both sides of the common border.

## **Phare achievements**

In the field of **cross-border cooperation**, investment projects worth a total of ECU 30 million were completed, including two sewage pipelines, a wastewater treatment plant, a steam pipeline, upgrading of a railway station and a road bridge. The projects had a positive impact at local level, gave municipalities experience of working with EU funds, and helped improve the environment and transport links on both sides of the border.

The importance of Phare support to **SMEs** can be measured by the five Business Innovation Centres and 23 Regional Advisory and Information Centres that have been created. In addition, a Phare Export Development Fund for SMEs was launched in 1997, including co-financing of the costs of introducing ISO 9000 certification. The fifth anniversary of Czechinvest, the Czech agency for promotion of foreign direct investment, was celebrated in 1997. The success and efficiency of the agency is widely recognised, as is the debt to Phare, which has financed 75 per cent of the agency's costs over the last five years. For the development of the private sector, the first national conference on small and medium-sized enterprises in the Czech Republic was held in November. The conference discussed the conclusions of Phare-funded studies on the impact of enlargement on SMEs.

In **banking and finance**, technical assistance was provided to the Czech National Bank and the Ministry of Finance on issues including the restructuring of indirect taxation, privatisation of banks and improvement of banking supervision. Particularly appreciated were the training programmes for accountants and for commercial bankers. These programmes will continue without Phare funds once the project ends.

The **Energy Saving Fund** was established in 1997, to provide low-cost loans for investments which reduce energy consumption. It is co-financed by Phare and a commercial bank. Advice was provided to the Ministry of Industry and Trade on energy sector regulation, which is expected to form the basis of legislative proposals for harmonisation with the EU in 1998. Negotiations took place for the establishment of the Business Environment Fund to provide low-cost loans to SMEs for environmental investments, also to be co-financed with a commercial bank. The Fund is expected to become operational in spring 1998.

For the development of **civil society**, 162 grants worth ECU 430,000 were awarded to civil society organisations (CSOs). They mainly support projects in the areas of health and social care, environmental protection, human rights and minorities, but also promote training, publications, information and research projects. The civil society programme reacted swiftly to the summer floods in Moravia and diverted available funds to "SOS Flood" for CSOs that were providing emergency shelter, evacuating children and restoring living conditions in the affected areas. In addition, ECU

240,000 was used to support 50 projects under the Democracy and LIEN micro-projects scheme.

After long negotiations, the **project for the improvement of public administration (PIPA)** was launched as a key activity. A team of experts, led by the National Training Fund, was set up in order to analyse the situation of the Czech public administration in the light of EU accession and identify current needs, particularly with regard to the law on the public service and the training of civil servants.

In the area of **human resource development**, the National Training Fund completed a number of analytical studies mapping sectoral training needs in areas such as healthcare, banking and construction. The "Pro Futuro" magazine, which provides information about management development in the context of European integration, aroused great support and interest, and is already considered to be a prime information source by several company managers.

In support of **labour market development**, Phare helped to create employment counselling centres at selected labour offices, and to install modern computerised equipment, such as touch-screen terminals with databases of job vacancies. Elsewhere, the proactive labour market intervention fund, which received a favourable evaluation from the OECD, has provided small-scale investment, mainly in retraining, to help create and safeguard jobs throughout the Czech Republic.

With a view to the Czech Republic's **pre-accession strategy**, Phare ensured that more than 25 impact studies were delivered to line ministries, analysing the impact of the adoption of the *acquis* on their respective sectors. At the same time, the Diplomatic Academy was set up under the umbrella of the Ministry of Foreign Affairs and, with Phare funding, has begun preparing Czech diplomats for their tasks relating to EU membership.

The performance of the Phare programme in the Czech Republic, as measured by the contracting rate, improved considerably in 1997. By the end of December 1997, the contracting rate for 1990-1996 national programmes had reached 85 per cent. Taking the cross-border cooperation programme into account, the contracting rate reached 74 per cent.

### **Case study: regional development**

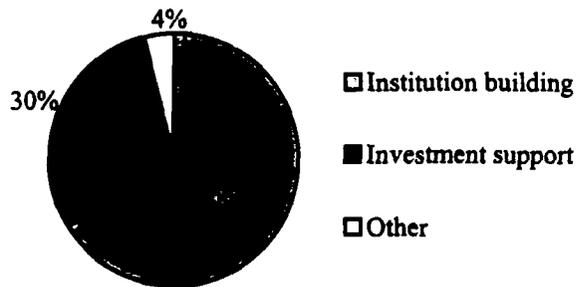
Between 1992 and 1997, Phare supported regional development projects in the Czech Republic by granting some ECU 24 million. Initially, Phare focused on the regions of northern Moravia and northern Bohemia. In northern Moravia a regional development agency was established in Ostrava and a number of projects were financed, thus contributing to the development of the region. A central element was the setting-up of a venture capital fund, which was successful in attracting 250 per cent of additional private-sector funds. In northern Bohemia a regional development agency was set up in Most and investment projects were financed.

From 1995, support aimed at putting in place a national regional development structure. Phare's support includes the financing of

- a Policy Advisory Unit at the Ministry for Regional Development
- a Regional Development Fund providing soft loans for municipal business infrastructure
- pilot projects in selected micro-regions, which should prepare the Czech Republic for its future participation in the Structural Funds.

Phare has been successful with its regional development programme in the Czech Republic in having contributed to making regional development a policy issue. It has also been successful in assisting the Ministry for Regional Development to develop the principles of a modern, effective regional policy compatible with Community practice.

# Estonia



1997 Country Operational Programme

## The year in review

The re-establishment of Estonian independence in 1991 was followed by a deep economic crisis, which was only gradually stabilised during 1993. Positive growth began in 1995 at a yearly rate of nearly 4.3 per cent, and for 1997 stood at 11.4 per cent. Economic reform has remained consistent, allowing Estonia to advance rapidly in terms of stabilising and restructuring the economy. Also, the level of foreign direct investment as a percentage of GDP, has been high compared to other economies in transition.

In recent years, Estonia has continued its course of rigorous liberalisation and rapid privatisation. Privatisation was largely complete by the end of 1995, with the exception of the transport, telecommunications and energy sectors, where reforms are on-going. The banking sector is stable and quite well developed, while the securities market is still in an early stage. Restitution of land property is slow, which hampers the use of land as collateral. In 1997, the privatisation of the Estonian shipping company was completed, and the state sold most of its remaining participation in banks.

After bottoming out in March 1997 at an annualised 9.1 per cent, inflation grew steadily and reached 11.8 per cent in August. Controlled prices and strong consumer demand were important factors. However, the 1997 rate of inflation remained far below that of 1996.

Consolidation of the banking sector continued, with one bank closing down in August and many leading banks reporting higher-than-expected financial results. However, while banks and financial companies have been the leading performers on the stock exchange, their financial situation weakened somewhat in the context of the fast credit expansion at the end of the year.

The Europe Agreement with Estonia was signed in June 1995 and entered into force on 1 February 1998. In December 1997, the European Council, following the Opinion of the European Commission, decided to start accession negotiations with Estonia.

### **Conclusion of the European Commission's Opinion, July 1997**

In the light of its considerations, the Commission concludes that

- Estonia presents the characteristics of a democracy, with stable institutions, guaranteeing the rule of law, human rights and respect for and protection of minorities. But measures need to be taken to accelerate naturalisation of Russian-speaking non-citizens, to enable them to become better integrated into Estonian society;
- Estonia can be regarded as a functioning market economy, and it should be able to make the progress necessary to cope with competitive pressure and market forces within the Union in the medium term;
- Estonia has made considerable progress in transposing and implementing the acquis relating particularly to the single market. With further effort it should become able to participate fully in the single market in the medium term. Particular efforts, including investment, will be needed to apply the acquis fully in sectors such as environment. Strengthening of the administrative structure will be indispensable if Estonia is to have the structures to apply and enforce the acquis effectively.

In the light of these considerations, the Commission recommends that negotiations for accession should be opened with Estonia.

### **Phare 1997 Programme in Estonia**

In 1997 Phare provided ECU 4.3 million of grant aid to Estonia, of which ECU 3.1 million were committed to cross-border cooperation and ECU 1.2 million for Tempus.

The 1997 allocation is part of Estonia's multi-annual indicative programme, which sets aside ECU 120 million for the period 1995-1999. In this framework, the main objective of Phare assistance is to support the socio-economic transformation, so as to facilitate the future integration of Estonia into the European Union and the implementation of the Europe Agreement.

The 1997 Phare cross-border cooperation programme supports activities in the following sectors: human resources, economic development and environment. In addition, it improves programme management capacity through training and other actions.

On October 1 1997, the Ministry of Finance and the Commission signed a Memorandum of Understanding for the establishment of a Central Finance and Contracting Unit (CFCU) in the Ministry of Finance. The CFCU will be responsible for the financial and administrative aspects of the implementation of all Phare programmes in Estonia and will be the cornerstone for the introduction of decentralised implementation in Estonia in the first quarter of 1998.

## **Phare achievements**

A number of Phare projects were completed in 1997. Specifically important projects in this respect were the following.

In the **environment**, a major diagnostic study was completed on the problem of water pollution in the Oil Shale region in north-east Estonia. The study, conducted by the Danish Water Quality Institute, concluded with a series of 17 recommendations on managing the water resource in the region. This formed the basis of a follow-up implementation project recently tendered. The main recommendations were in the following areas: water resource planning; industrial awareness of its impact on water resources; and technical improvements in water supply, distribution and treatment.

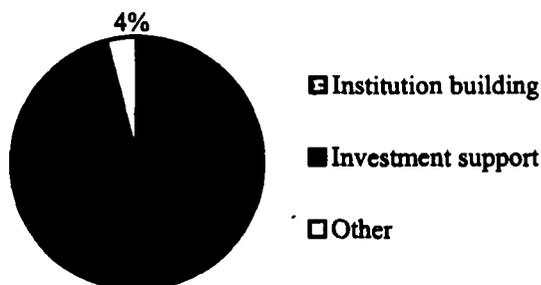
In the field of European integration and **public administration**, Phare provided support to the Estonian Translation and Legislative Support Centre. It also gave advice on strategy implementation in central government, providing support for the decentralisation of local government and developing a public service training programme and information network.

In **public finance**, Phare provided assistance in the institutional development of the budget and treasury functions of the Ministry of Finance. Phare also helped in the institutional development of the State Revenue Service and supported legal approximation in the field of taxation.

### **Case study: road rehabilitation**

Following the decision on giving priority to the development of the Crete Corridors, Phare provided co-financing of ECU 1 million (together with the Estonian Government) for road rehabilitation on a 12 km section of the Via Baltica (Crete Corridor number I) between Ikla and Parnu. The project was planned to be carried out in 7 months but was completed in just 3 months thanks to the performance of the Estonian contractor.

# Hungary



1997 Country Operational Programme

## The year in review

Hungary's economy continued to make important progress in 1997, in terms of both macroeconomic performance and structural reform. Growth was at an estimated rate of 4.4 per cent, while external and internal accounts showed signs of continued improvement: the current account deficit fell below 6 per cent of GDP, and the budget deficit to around 4.6 per cent. Foreign direct investment remained high, allowing Hungary's net external debt to continue its downside trend, reaching ECU 9.5 billion. The average rate of inflation remains relatively high, at an estimated 18.4 per cent year-on-year. Though in decline, this constitutes the country's main macroeconomic problem.

With regard to structural reforms, the size of the public sector continued to shrink in 1997 and a new 'multi-pillar' pension system was introduced. This is due to be complemented by a reform of the health insurance system in 1998, with the twin aims of strengthening its accounts and improving its efficiency.

From a microeconomic perspective, privatisation is nearing completion with close to 75 per cent of GDP originating in the private sector. The sustainability of current economic performance calls for a continued effort from enterprises to restructure and for a restructuring and strengthening of the financial sector (which is now privatised with the exception of two banks). Additional efforts are also needed in terms of public administration and judicial system capacity to enforce legislation.

In 1997 Hungary continued to experience political stability and a satisfactory functioning of the country's democratic institutions. In foreign policy, major developments took place in the field of 'Euro-Atlantic' integration, mainly with the successful completion of negotiations for NATO membership and the signing, on 16 December in Brussels, of the relevant Accession Protocol. Equally successful was the outcome of the NATO membership referendum, which received an 85 per cent positive response.

With regard to EU relations, the most significant events in 1997 were the publication of Agenda 2000, including the Commission's Opinion on Hungary's application for

membership (see box below), and the conclusions of the European Council at Luxembourg in December.

### **Conclusion of the European Commission's Opinion, July 1997**

In the light of these considerations, the Commission concludes that

- Hungary presents the characteristics of a democracy, with stable institutions guaranteeing the rule of law, human rights and respect for and protection of minorities;
- Hungary can be regarded as a functioning market economy and it should be able to cope with competitive pressure and market forces within the Union in the medium term;
- if Hungary continues its efforts on transposition of the acquis relating particularly to the single market, and intensifies its work on its implementation, Hungary should become capable in the medium term of applying it fully. In addition, particular efforts will be needed to meet the acquis in sectors such as environment, customs control and energy. More generally, further administrative reform will be indispensable if Hungary is to have the structures to apply and enforce the acquis effectively.

In the light of these considerations, the Commission recommends that negotiations for accession should be opened with Hungary.

### **The 1997 Phare Programme in Hungary**

Total assistance for Hungary in 1997 amounted to ECU 103.9 million. This included ECU 65 million for national programmes, ECU 14 million for cross-border cooperation, ECU 7 million for Tempus, ECU 2.9 million for participation in Community programmes and ECU 15 million from the Trans-European Networks facility.

In response to the new Phare guidelines, the 1997 national programme has made considerable headway in improving the effectiveness of resource utilisation by concentrating on institution building and investment. At the same time, greater decentralisation was introduced.

The 1997 programmes are designed to support Hungary's preparation for accession by means of three selected priorities: European integration, regional development and infrastructure.

The European integration programme focuses primarily upon institution building to consolidate and complement support provided under the 1996 COP. This includes

- participation in the Community programmes, Leonardo, Socrates, Youth for Europe as well as in the Tempus Programme
- support for approximation of legislation, including alignment of standards and certification
- support in the field of Justice and Home Affairs, aiming to improve law enforcement capabilities as well as border management
- support to a national training foundation (Hungarian Institute of Public Administration), including the establishment of a single training facility to be drawn upon by eligible bodies to meet their acquis-related training requirements.

Regional development is to receive substantial support. On the one hand, the institutional structures needed to undertake regional development initiatives will be strengthened. On the other, funding support will be provided to complement local initiatives in the fields of industrial restructuring, labour market support and rural development in two lesser-developed regions (north-east Hungary and southern Transdanubia). Opportunities will also be taken to support initiatives on the border with Romania. In addition, support for SME development on a national scale will be continued in close coordination with the relevant components of the regional programme.

Finally, infrastructure will receive additional Phare support, mainly to upgrade linkages with the Trans-European Network, in particular railways.

## **Phare achievements**

Phare assistance has provided support in addressing key economic transformation and structural reform issues. It has been delivered mainly in the form of technical assistance and used primarily in support of institution building and policy development. Increasingly, Phare resources have also been mobilised in the form of investment support to address those priorities identified by the Government as essential to the fundamental restructuring of the economy over the medium term.

In the **environment**, the principal success story has been in co-financing capital investments through the Central Environmental Protection Fund (CEPF), which combines government funds (from pollution fines) with Phare grants to support investments by the municipal sector. The CEPF has financed a wide range of environmental capital investments and has become a major player in environmental improvement in Hungary.

In the **transport** sector, support has been provided for the mobilisation of domestic and foreign resources for the further development of infrastructure. This included Phare support for a major road rehabilitation programme. Phare funding for the co-financing of major infrastructure projects has proven to be instrumental in supporting

the Government's ambitious investment programme, which is faced with severe domestic budgetary constraints.

Phare has supported **SME development** in Hungary since 1990. Some 90 per cent of all enterprises are SMEs and they provide for the bulk of employment. Phare has been the main mechanism for developing the Hungarian Foundation for Enterprise Promotion, which has established the Phare loan scheme and micro-credit schemes to start up SMEs and guarantee the viability of existing ones. More than 10,000 SMEs have received financial support. The Foundation has also built an extensive network of SME supporting subsidiaries, the so-called Local Enterprise Agencies (LEAs). 20 LEAs and their regional offices provide technical assistance to SMEs.

### **Cross-border cooperation Hungary-Austria**

Hungary became eligible for cross border co-operation when Austria joined the Union in 1995. Since then ECU 32 million (ECU 7 million in 1995, ECU 11 million in 1996, and ECU 14 million in 1997) have been allocated and the Hungarian government undertook to provide a further ECU 15.8 million in co-financing. The area covered is made up of three counties in the Hungarian border region: Győr/Moson+sopron, Vas and Zala. These counties are home to 10 per cent of the Hungarian population and are among the most dynamically developing regions of the country. The cross-border cooperation programme is fully coordinated with INTERREG II with regard to the established priorities and the allocation of funds. Its objective is to stimulate economic activities in the border regions and to assist the regions in overcoming specific development problems arising from their peripheral location in the national economy.

As in the previous years the 1997 programme concentrated on five priorities: regional planning and development, infrastructure, economic development, human resource development and environment and nature protection. Within these priorities 20 projects were financed covering: improved traffic flow in the border region including the modernisation of existing border-crossing stations and the opening of new ones, joint ventures, increased foreign investment and better performance of business, particularly in the manufacturing and tourism sectors as well as co-operation in the fields of human resource policy and training. Environment priorities are addressed through projects aimed at reducing water and solid waste pollution and improved management of joint environmental resources.

The Ministry of Environment and Regional Planning implements the Hungarian cross-border cooperation programme.

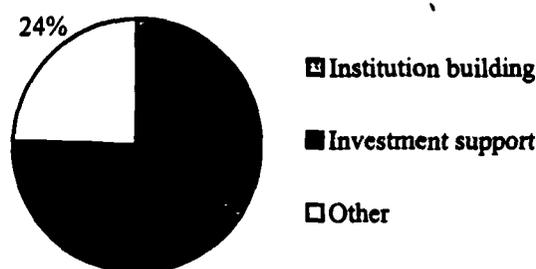
### **Case study: privatisation and industrial restructuring**

Phare support has had a qualitative impact on Hungary's privatisation process. This can be seen in the

- success of the privatisation of Hungarian state television (MATAV), where Phare financed preliminary legal work on regulation, which was a prerequisite for investors
- improvement in the standards and consistency of the methods used in company valuation as well as in the audit of environment-related liabilities of companies
- development of a restructuring methodology, based on the Phare-funded approach of
  - multi-specialist teams with a strong industrial background
  - emphasis on hands-on assignments with measurable results
  - close monitoring through the phasing of the consultant's intervention
  - close cooperation between owner organisation, company management and consultant teams
- the inclusion in restructuring projects of leading industrial companies such as Raba (motor and automotive components manufacturer), Ikarus (bus manufacturer), Hungalu (aluminium producer), Taurus (manufacturer of agricultural tires and technical rubber products), Tisza Cipő (shoe manufacturer and retail company).

It is estimated that Phare restructuring assistance has contributed to the stabilisation of over 15,000 jobs.

# Latvia



1997 Country Operational Programme

## The year in review

After modest economic growth of 3.3 per cent in 1996, real GDP growth in Latvia accelerated sharply to 6.5 per cent in 1997. A high level of investment was the main factor behind this improvement on the demand side. Activity in services, especially in the transport, storage and communications sector, continues to drive growth on the output side. However, there are signs that economic growth is becoming more balanced, with manufacturing showing significant signs of recovery in 1997.

Despite the strong upsurge in economic activity, inflation continued to fall rapidly. By the end of the year, 12-month inflation was down to 7 per cent from 13.1 per cent at the end of 1996. However, the faster growth is contributing to a widening of the trade and current account deficits. In 1997, the trade deficit reached ECU 900,000. Around half of all imports were intermediate goods, of which energy formed a substantial share. Imports of capital goods, which are crucial to future growth prospects in Latvia, constituted a healthy proportion of the country's imports at around 18 per cent.

The 1997 budget plan foresaw balanced central government and social security budgets, and a small deficit (around 0.5 per cent of expected GDP) in the local government budget. The final budget result was more favourable than had been planned, with the overall public finances registering a surplus of 1.8 per cent of GDP. The surplus was due to improved tax collection and higher than expected economic growth.

By the end of 1997, 93 per cent of all state-owned companies had been transferred to the Latvian Privatisation Agency (LPA) for privatisation, and the government had set a target date of mid-1998 for the completion of the process. In 1997, privatisation of the major state-owned companies was launched, but has progressed more slowly than initially expected. This is because of underlying structural problems, including difficulties in conducting audits, the sizeable customer arrears for utility companies, and the challenge of ensuring a competitive energy sector following privatisation. However, towards the end of 1997, important progress was made in eliminating these structural impediments and the privatisation of the four largest state enterprises began to progress rapidly.

A new government was accepted by the parliament on 7 August 1997, following a government crisis triggered by alleged violations of the anti-corruption law. At the same time, the post of Minister for European Union Affairs was abolished. The European Integration Bureau, which was coordinating European integration matters, now reports directly to the Prime Minister. The European Integration Council, chaired by the Prime Minister, develops and coordinates EU policy at ministerial level.

In December 1996, the Latvian government presented a National Programme for Integration into the EU, which outlines the principles, measures and schedules of legal approximation with the *acquis communautaire*. This Programme was up-dated in November 1997 and will form the basis of the Latvian National Programme for the Adoption of the *Acquis* (presented by the end of March 1998), which should indicate the precise commitments undertaken to deal with the priorities identified in the Opinion and its obligations under the Europe Agreement together with a timetable for their implementation.

#### **Conclusion of the European Commission's Opinion, July 1997**

In the light of its considerations, the Commission concludes that

- Latvia presents the characteristics of a democracy, with stable institutions, guaranteeing the rule of law, human rights and respect for and protection of minorities. But measures need to be taken to accelerate the rate of naturalisation of Russian-speaking non-citizens to enable them to become better integrated into Latvian society
- Latvia has made considerable progress in the creation of a market economy, but it would face serious difficulties to cope with competitive pressure and market forces within the Union in the medium term
- Latvia has made some progress in transposing and implementing the *acquis* relating particularly to the single market. With considerable further effort it should become able to participate fully in the single market in the medium term. Particular efforts, including investment, will be needed to apply the *acquis* fully in sectors such as environment and agriculture. Strengthening of the administrative structure is indispensable if Latvia is to have the structures to apply and enforce the *acquis* effectively.

In the light of these considerations, the Commission considers that negotiations for accession to the European Union should be opened with Latvia as soon as it has made sufficient progress in satisfying the conditions of membership defined by the European Council Copenhagen.

## **The 1997 Phare Programme in Latvia**

In 1997 Phare committed ECU 42.6 million to Latvia, of which ECU 37.6 million for the national programme, ECU 3.2 million for cross-border cooperation and ECU 1.8 million for Tempus. This is part of the multi-annual indicative programme (MIP) for Latvia, which amounts to ECU 150 million for the 1995-1999 period. The overall aim of this programme is to strengthen the key public sector institutions, to support implementation of the Europe Agreement and to facilitate Latvia's future accession to the European Union. At the same time, completion of the medium-term restructuring and transition to a market economy continued to be an important objective.

The following main areas of assistance were covered by the national allocation in 1997:

- European integration including support for the introduction of the *acquis communautaire* (ECU 5.5 million), public sector development (ECU 4.85 million) and third pillar activities (ECU 0.75 million)
- Economic development including private sector development (ECU 6.1 million) and financial services (ECU 2.2 million)
- Human resource development including educational reform (ECU 1.5 million) and participation in EU programmes (ECU 0.15 million)
- Infrastructure including energy (ECU 3.95 million), environment (ECU 6.15 million) and transport (ECU 5.1 million)
- Management and decentralisation (ECU 1.35 million).

The 1997 Phare cross-border cooperation programme (ECU 3.2 million) supports activities in the following sectors: human resources, economic development, transport and environment. In addition, it improves programme management capacity through training and other actions.

### **Phare achievements**

A number of Phare programmes were completed in the course of 1997. Specifically important projects in this respect were the following.

In the **environment**, a pilot investment programme was developed, initially for three municipalities. The project has led to the rehabilitation of existing facilities for water treatment and waste-water treatment, as well as new construction where necessary. This project, worth ECU 1.7 million, is expected to be the first of many to upgrade the water sector to meet the EU Directives. Already a tender for the next four towns has been launched.

In the **transport** sector, Phare has financed a railway restructuring study in order to develop a model for the re-organisation of the Latvian Railways. The study proposes self-managing departments dealing with freight and passenger traffic, infrastructure, maintenance and rolling stock. The Latvian Government has already taken its decision on the implementation of the recommended measures, which will start in summer 1998 with the financial support of Phare (railway restructuring implementation phase).

#### **Case study: Bank of Latvia**

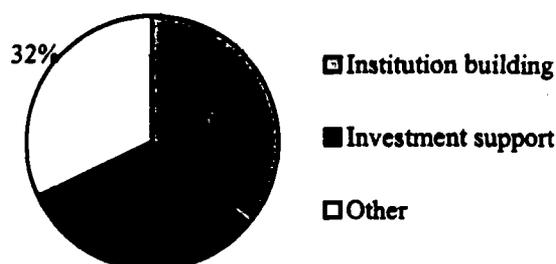
In response to the 1995 banking crisis in Latvia, Phare helped reinforce the Bank of Latvia's capacity to supervise the banking sector. Phare entered into a procurement contract with the Bank of Latvia whereby the Bank would procure the services of international audit companies, in order to carry out on-site examinations of banks licensed to accept private sector deposits. To date, ECU 1.4 million have been used under this project.

The project has helped build the reputation of a supervisory body that keeps a close surveillance of the banking system of the country. This has helped restore the confidence of local and foreign investors in the banking environment.

The continued examining presence of auditors in the banks has resulted in a clear improvement in internal controls, procedures and compliance with Bank of Latvia requirements.

The procurement contract mechanism has also given the Bank of Latvia the flexibility to respond to urgent needs and to select the auditor most suited to each individual task.

# Lithuania



1997 Country Operational Programme

## The year in review

During recent years, Lithuania's economic policy has been guided by two powerful support mechanisms: a three-year IMF programme and a currency board regime that rigidly fixed the exchange rate and monetary policy. The IMF arrangement expired in October 1997 and the government is gradually abandoning the currency board in favour of a more flexible regime. The authorities will thus rely more on their own credibility to sustain the recent improvements in economic performance. The main challenge will be to maintain macroeconomic stability, while completing the structural reforms that underpin it.

The Lithuanian economy grew by 5.7 per cent in 1997, following the 4.2 per cent achieved in 1996. In the past, growth was accompanied by falling rates of unemployment and inflation. However, in the latter stages of 1997, these trends came to a halt, even if both unemployment and inflation remain relatively low. By the end of 1997, the unemployment rate had reached 6.7 per cent. Consumer prices increased by 8.5 per cent year-on-year, while producer price inflation remained lower, at 6 per cent.

Investment and consumption have driven GDP growth. Investment in 1997 was up 7 per cent in the first half of the year. Real wages grew by 18.5 per cent, while retail sales also rose 18.5 per cent. However, these dynamics have not so far spread to the industrial sector. Industrial production increased by 5 per cent, while that of the utilities decreased by 11.8 per cent. Moreover a survey indicates that only half of the country's industrial capacity was being utilised during the third quarter.

The rise in domestic demand has caused a significant deterioration of the current account in spite of a rather buoyant export performance. In 1997, the value of imports increased by 38 per cent, while exports grew by 13.1 per cent.

Fiscal developments during the year were generally satisfactory, and the budget deficit in 1997 rose slightly above 1 per cent of GDP.

Privatisation was put at the forefront of the government's programme. The divestiture process has been re-launched, but the picture remains mixed as various implementation obstacles have prevented privatisation from picking up momentum. In the banking sector, the authorities are designing a new divestiture strategy for the State Commercial Bank. While the non-performing loans will be transferred to the Work-Out Unit (Turto Bankas) the few remaining assets will go to the State Savings Bank (Lietuvos Taupomasis bankas). The State Commercial Bank will be liquidated. To avoid repeating past mistakes, a consortium of international advisors has been hired to draw up the programme for the privatisation of the Lithuanian Agriculture Bank later in 1998.

The European Integration Programme in Lithuania started soon after the signing of the Europe Agreement in June 1995. The policy of the current Lithuanian government towards the European Union is clearly set out in the Government Action Plan for 1997-2000. The Lithuanian national programme for approximation of legislation, the National Law Harmonisation Programme, was prepared in 1996, with the help of all Lithuanian relevant ministries and institutions. On September 8, 1997 the new expanded version of the National Law Harmonisation Programme was approved. This fits into an overall strategy for legislative approximation, which should mean entry into effect of internal market legislation by the year 2000.

#### **Conclusion of the European Commission's Opinion, July 1997**

In the light of its considerations, the Commission concludes that

- Lithuania presents the characteristics of a democracy, with stable institutions guaranteeing the rule of law, human rights and respect for and protection of minorities
- Lithuania has made considerable progress in the creation of a market economy, but it would face serious difficulties to cope with competitive pressure and market forces within the Union in the medium term
- Lithuania has made some progress in transposing and implementing the acquis relating particularly to the single market. With considerable further effort it should become able to participate fully in the single market in the medium term. Particular efforts, including investment, will be needed to apply the acquis fully in sectors such as agriculture, energy and environment. Strengthening of the administrative structure is indispensable if Lithuania is to have the structures to apply and enforce the acquis effectively.

In the light of these considerations, the Commission considers that negotiations for accession to the European Union should be opened with Lithuania as soon as it has made sufficient progress in satisfying the conditions of membership defined by the European Council in Copenhagen.

## **The 1997 Phare Programme in Lithuania**

In 1997, the EU committed ECU 50.3 million to Lithuania, ECU 43.2 million of which for national programmes, ECU 4.3 million for cross-border cooperation and ECU 2.8 million for Tempus. This is part of the multi-annual indicative programme for Lithuania, the budget of which amounts to ECU 210 million for the 1995-1999 period. The main objective of Phare support is to foster the preparation of Lithuania's pre-accession strategy, and to support the process of socio-economic transformation, thus facilitating the future integration of Lithuania into the European Union.

The 1997 national programmes covered the following main areas of assistance:

- European integration, including production reforms: legislative and institutional reforms concerning products and production processes in the areas of agriculture, energy, environment and standards (ECU 4.25 million), organisational reform (ECU 3.0 million); specialised training (ECU 2 million); third pillar (ECU 0.5 million) and coordination and information (ECU 1.25 million)
- Infrastructure development including transport (ECU 3.25 million) and public investment in the areas of energy, environment and nuclear safety (ECU 10.75 million)
- Economic development, including agriculture (ECU 2.35 million), enterprise and export promotion (ECU 5 million); financial sector (ECU 4.5 million) and privatisation (ECU 1 million)
- Health and human resources, including education and training ( ECU 1.7 million) and health (ECU 2.8 million)
- Management support (0.8 million).

The 1997 Phare cross-border cooperation programme (ECU 4.3 million) supports activities in the following sectors: human resources, economic development and environment. In addition, it improves programme management capacity through training and other actions.

## **Phare achievements**

A number of Phare programmes were completed or initiated in the course of 1997. Specifically important projects and achievements in this respect were the following:

In the area of **nuclear safety**, Phare has been actively assisting the Lithuanian authorities with improvements to Ignalina, Lithuania's nuclear power facility. The plant has received investment assistance through the Phare/Tacis nuclear safety unit; the projects funded have run in parallel with those from other donors such as the EBRD, and bilateral funding. In addition, the Commission has provided high-level technical assistance through the Phare national programme for energy. The latter has provided a senior expert to advise both the Lithuanian government and the nuclear safety inspectorate (VATESI) on safety and operational matters, and has assisted in Lithuania's efforts to meet the requirements of the international Nuclear Safety Panel.

In the **banking sector**, Phare has continued to provide support to the Bank of Lithuania in the area of banking supervision. Phare has also given assistance through the development of a distance learning scheme and provided support to several strategic banks through twinning activities. Future support will be given in privatising the solvent state-owned banks if the Government of Lithuania supports this strategy.

In the area of European integration and **public administration**, the following major projects were initiated in 1997:

- drafting of a law on the civil service to be adopted in 1998
- technical assistance to the approximation of Lithuanian law to EU legislation supporting all the inter-ministerial working groups
- support to the modernisation of basic commercial laws
- assistance to the establishment of a Training Centre for the Public Service and support to municipal and local authorities.

In the **environment**, the Panevezys-Siaulai gas pipeline was re-coated with a high-quality anti-corrosion layer at a cost of approximately ECU 2.1 million. The contractor completed the 25 kilometres of pipeline in just 3 months. The project has ensured the safe supply of gas to the northern part of Lithuania: gas is an environmentally friendly fuel, clean burning and easy to transport. As a follow-up to this project, Phare has also invested around ECU 3 million in a gas distribution network in the Utena region, where a new gas pipeline is being constructed.

In the **transport sector**, the first phase of the construction of the Ro Ro Terminal in Klaipeda has been finalised. This included the construction of 200-metre long concrete harbour walls and the metallic super-structure for unloading trucks from ships on a roll-on/roll-off basis. It will be followed by a second phase involving the construction of the access road to the Ro Ro and Container Terminals and the dredging of the port in the section related to the Ro Ro. The project has been contracted with an amount of ECU 5 million from Phare (co-financed by EIB and the Lithuanian Government) and will start in spring 1998. The realisation of this project

will improve substantially the traffic in the port and increase the capacity of the freight transport to the hinterland.

### **Case study: SME credit line**

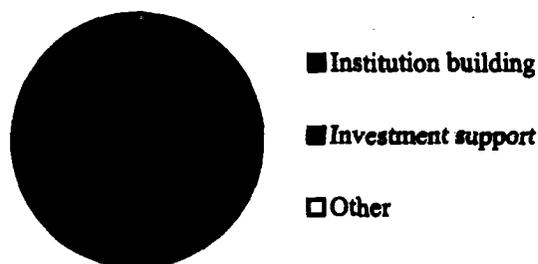
A budget of ECU 7 million has been devoted to establishing a credit line with special focus on the long-term financing needs of small and medium enterprises. More than 200 loans have been provided.

The credit line is distributed via Lithuanian commercial banks that have expressed an interest in cooperating with SMEs and fulfil the eligibility criteria, which have been defined in discussion with the Central Bank. The credit line is co-ordinated by the Central Bank.

In addition to the financing provided to the companies, it is expected that as a result of the credit line, a certain number of banks will learn to work with SMEs, and develop abilities to deal with this type of operations. The credit line has also been supported with a training package for the Central Bank, the commercial banks and the SMEs.

The operating principles and working methods of a guarantee fund for SMEs are currently under discussion with the Ministry for the Economy. The fund would aim, up to a certain limit, to guarantee loans requested by companies that do not have sufficient collateral. When the measure is launched, it will support the credit line by enhancing the range of companies able to apply.

# Poland



1997 Country Operational Programme

## Year in review

The Polish economy has performed very well since the transition process began. In 1997, real GDP increased by an estimated 6.9 per cent, up from 6.1 per cent in 1996. Inflation, at 14.9 per cent, and unemployment, at 10.5 per cent, remain high but are falling. However, the country's current account deficit remains a cause of concern.

As in previous years, Poland continued along the road of economic reform. Privatisation stayed on track in 1997 with some ECU 1.7 billion of privatisation revenues. For the most part, however, a small number of large privatisations (e.g. Bank Handlowy, KGHM copper) accounted for this relative success, while problems in some important sectors, such as steel and coal, remain unresolved. In addition, there was growing concern about the government's methods and plans for privatisation by means of stock exchange quotation or popular mass privatisation schemes. These methods neither guarantee a clearly defined corporate governance structure nor attract foreign capital or know how.

More than 60 per cent of GDP and 63 per cent of employment now come from the private sector. Foreign direct investment, which was relatively slow to start in Poland if compared to its neighbours, has gained momentum, reaching an estimated ECU 6.6 billion in 1997, according to figures released by the government's Foreign Investment Promotion Agency. More than half of total accumulated foreign direct investment now comes from EU member states, reflecting the growing confidence in Poland. Investors' confidence is partly the result of considerable improvements in the government's public finances. Total public debt now stands at 49 per cent of GDP, while the central government's budget deficit reached 1.4 per cent of GDP in 1997.

A number of important political developments took place in Poland in 1997. On 21 September 1997, parliamentary elections were held and resulted in a new government, composed of former Solidarity parties under the banner of Solidarity Election Platform (AWS) on the one hand and the Freedom Union (UW) on the other. At the same time, a new Constitution came into effect, following its adoption by referendum in April 1997. The policy priorities outlined by the new government indicate that

integration into western political and security structures continues to be the main policy goal of successive Polish governments since 1989.

The Europe Agreement will remain the basis for the European Communities' relations with Poland. There have been a number of implementation difficulties in the field of trade, notably regarding steel industry restructuring and milk product exports to the Community.

#### **Conclusion of the European Commission's Opinion, July 1997**

In the light of its considerations, the Commission concludes that

- Poland presents the characteristics of a democracy, with stable institutions guaranteeing the rule of law, human rights and respect for and protection of minorities
- Poland can be regarded as a functioning market economy, and should be able to cope with competitive pressure and market forces within the Union in the medium term
- if Poland continues its efforts on transposition of the acquis relating particularly to the single market, and intensifies work on its implementation, Poland should become able to participate fully in the single market in the medium term. Particular effort and investment will be needed to meet the acquis in sectors such as agriculture, environment and transport. Further administrative reform will be indispensable if Poland is to have the structures to apply and enforce the acquis effectively.

In the light of these considerations, the Commission recommends that negotiations for accession should be opened with Poland.

#### **The 1997 Phare Programme in Poland**

In 1997, the European Community committed a total of ECU 227.9 million to Poland. This included ECU 75.5 million for national programmes, ECU 52.4 million for cross-border cooperation, ECU 20 million for Tempus and ECU 80 million from a Trans-European Networks facility. This was the third year of the multi-annual indicative programme for Poland, whose budget for 1995-1999 totals ECU 1.015 million. As in the previous year, the main objective of the 1997 programme was to facilitate Poland's gradual integration into the European Union by providing funding for approximation of Community legislation, institution building, infrastructure co-financing and continuing support for the process of socio-economic transformation.

In 1997 Phare therefore concentrated on the gradual integration of Poland into the EU. An important institution building programme was agreed, which will help Poland remedy some of the problems identified in the Commission's Opinion, notably in the fields of taxation legislation and administration, financial control, standards and certification, industrial relations, health and safety at work, consumer protection, competition, and assistance to the legal drafting system. In addition, the agricultural programme will continue to provide support to the approximation of laws and directives in the agricultural sector, notably related to restructuring and modernisation of the services dealing with food quality control, and veterinary and phytosanitary services.

The ability of Poland to secure its borders and to cooperate with its neighbours' border regions will be an essential part of EU membership. The 1997 Phare-funded eastern border programme is the first phase of a multi-annual integrated programme combining measures of cooperation, regional economic development and border management. In the medium term, this should help to stem the rise of illegal transit but the long-term capacity to combat such activities lies in developing close trans-national cooperation and alternative legal ways of economic development.

A total of ECU 17 million from the national programme was earmarked in 1997 for the renovation of rail and road border stations and access roads, and ECU 80 million from the special TENs facility for the development of the country's transport infrastructure within the Trans-European Networks programme, notably for the bypass of Poznan on A2-motorway (part of TEN Corridor n° 2 Berlin-Moscow) and the continuation of the A4 Motorway between Gliwice and Katowice (part of TEN Corridor n° 3 Berlin-Katowice-Kiev).

ECU 52.4 million were committed to the cross-border cooperation programme, whereby funds are provided mainly for transport and environment infrastructure projects in regions on the border with Germany and the Baltic Sea. Further efforts were also undertaken to strengthen the implementation capacity of the Polish authorities dealing with the cross-border programme.

## **Phare achievements**

In **agriculture**, an agri-environmental scheme was tested and completed in regions of Poland which were heavily polluted by cattle breeding and nitrate run-off. Together with the Government's Agricultural Property Agency, a two-year scheme to generate employment among former state farm employees coupled to privatisation of state farmland was successfully completed. In addition, the land information project provided complete coverage of the country through low and high-altitude aerial photography and produced high quality topographic maps of the entire country. These will facilitate land-use planning, town planning, transport infrastructure and utilities networks planning.

Implementation of **SME support** programmes gathered speed in 1997, focusing on the provision of support to activities in the policy, regulatory and services environment for SMEs. This included direct support to the SME Agency, promotion of SMEs' export competitiveness, media coverage of SME issues as well as training and servicing of SMEs. The Polish government is clearly committed to SME

development, as reflected by the fact that the SME Agency will from 1998 onwards be entirely funded from Polish national budget resources.

In the transport sector, Phare made a major contribution to the development of Poland's rapid integration into the Trans-European transport network by providing major co-financing to the A4-motorway construction project. The A4 motorway, being part of the Crete corridor n° 3 (Berlin - Dresden - Wroclaw - Katowice - Krakow - Lvov - Kiev) and linking Germany with the industrialised southern part of Poland, has been designed to stimulate Poland's economic development. The total budget for this project amounts to ECU 350 million, co-financed by the Phare Programme with ECU 47 million as well as by the EIB with ECU 225 million and the Polish Government with ECU 57 million.

In the early years, the Phare experienced implementation difficulties in Poland, partly due to organisational problems in the responsible ministries and lack of viable delivery mechanisms. Implementation in 1995 however accelerated considerably. In 1997, performance was generally satisfactory, in the sense that contracting amounted to ECU 275 million and stood at 73 per cent of all funds committed to Poland in the period 1990-1997.

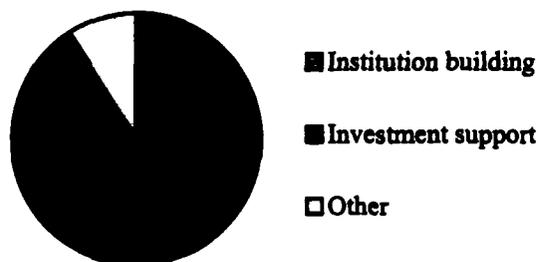
#### **Case study: flood damage reconstruction**

The floods along the Oder river which started on 8 July 1997 were the worst disaster of this kind in Poland for 200 years and caused considerable loss to life and property: at least 55 people perished and more than 20 million people were affected by the floods. More than 10 per cent of the territory of Poland was under water for more than three weeks. The damage was estimated at ECU 2.6 billion. The European Commission responded swiftly and provided emergency relief, through the Humanitarian Office, and reconstruction aid, through the Phare Programme.

Following an official request from the Prime Minister of Poland on 16 July for EU support for a flood damage reconstruction programme, a reallocation of Phare funds worth ECU 65 million was agreed and signed with the Polish authorities on 21 August. In addition, on 30 July, again at the request of the Polish authorities, an expert team was sent to Poland in order to help estimate the nature and extent of the damage.

The Phare-funded flood damage reconstruction programme is being implemented by the Polish authorities, using rapid implementation mechanisms, which had been tested and used for several years in the Phare-funded regional development programme (STRUDER) involving municipalities and regional authorities. These mechanisms are now also being used in the flood damage reconstruction programme in order to finance local and municipal infrastructure projects (schools, medical centres, roads, bridges, strengthening of dykes). The work will be completed in 1998.

# Romania



1997 Country Operational Programme

## The year in review

Further to the presidential and parliamentary elections late 1996 and the victory of a centre-right coalition composed mainly of Christian- and Social Democrats, 1997 was the first year of transition in which a reform-minded government undertook a wide range of measures. However, following the new Government's launch of an ambitious economic 'shock therapy', reform slowed down in the second half of 1997, accompanied by deteriorating macroeconomic indicators. This in turn led to frictions within the coalition government. A major reshuffle of the government aimed to solve internal problems by bringing in new reform-minded ministers.

Romania had experienced three years of economic growth since 1994. However, the 1997 figures were negative, with the economy shrinking by 6.5 per cent and inflation reaching about 150 per cent. Unemployment was relatively low, at 8.1 per cent in December 1997, but unevenly distributed among the regions. Also, hidden unemployment exists within overstuffed state-owned enterprises and subsistence agriculture.

The 1997 state budget provided for a deficit of about 5.4 per cent of GDP. A revised budget, drafted on the basis of the macro-economic adjustments made in the first months of the year, was approved in August 1997. It aimed to keep the overall public deficit at 4.5 per cent of GDP.

Romania's foreign trade shrank dramatically in 1991, but improved thereafter. This trend came to a halt in 1996 when an overall deficit of about ECU 2.1 billion was recorded. By October 1997 the trade deficit had fallen to ECU 1.75 billion against a background of moderately decreasing imports, down 1.7 per cent, and increasing exports, up 5.1 per cent.

Although the private sector has grown quickly, privatisation has advanced only slowly. The exceptions to this are agriculture, which was privatised up to 87 per cent, and the retailing sector, 78 per cent. The number of privatised companies had, by November 1997, reached 3,889 out of a total of about 8,700. Most of these are small-scale. Sales were primarily carried out through management and employee buy-outs.

To accelerate privatisation, the Government launched a mass privatisation programme in 1995; this is still underway, and involves 3,900 undertakings. The programme of the new government plans to speed up privatisation with priority for SMEs, agriculture and energy-intensive sectors.

In terms of foreign policy, the country's two main objectives are accession to the EU and NATO. The basis for relations with the EU is the Europe Agreement, which constitutes the appropriate framework for the gradual integration of Romania into the EU.

#### **Conclusion of European Commission's Opinion, July 1997**

In the light of these considerations, the Commission concludes that

- the current improvement in Romania, following the arrival in power of a new government, indicates that Romania is on its way to satisfy the political criteria
- Romania has made considerable progress in the creation of a market economy, but it would still face serious difficulties to cope with competitive pressure and market forces within the Union in the medium term
- despite the progress that has been made, Romania has neither transposed nor taken on the essential elements of the acquis, particularly as regards the internal market. It is therefore uncertain whether Romania will be in a position to assume the obligations of membership in the medium term. In addition, considerable efforts will be needed in the areas of environment, transport, employment and social affairs, justice and home affairs as well as agriculture. More generally, substantial administrative reform will be indispensable if Romania is to have the structures to apply and enforce the acquis effectively.

In the light of these considerations, the Commission considers that negotiations for accession to the European Union should be opened with Romania as soon as it has made sufficient progress in satisfying the conditions of membership defined by the European Council in Copenhagen.

## **The 1997 Phare Programme in Romania**

The 1997 allocation to Romania is part of the multi-annual indicative programme agreed in 1996, and amounts to ECU 106.3 million. This includes the national allocation (ECU 90 million), Tempus (ECU 10 million), and an allocation for participation in Community programmes (ECU 6.3 million).

Further to the heavy floods in summer 1997, a Damage Rehabilitation Programme was agreed in the autumn. Its budget amounts to ECU 22.9 million and comes from re-allocations from non-performing components of a number of programmes.

### **Phare achievements**

Although there have been initial difficulties, partly due to the lack of a reform policy orientation and also organisational problems in the responsible ministries, implementation improved in 1995-97 when the contracting rate more than doubled. Phare has provided an overall positive contribution to the transition process in Romania and its integration with the EU.

Phare's contribution has been important in ensuring that the privatisation process has become irreversible. Support was handled with a significant level of transparency, even though a lack of long-term planning and coordination did not allow for optimum use of technical assistance.

Since 1990, Phare has provided ECU 28 million for the development of **business support** facilities and long-term investment finance. These included

- setting up of consultancy services
- support to the development of a policy and regulatory framework
- setting up of a national framework of SME service provision
- promotion of entrepreneurship and business ethics
- media coverage of SME issues
- training of SMEs.

All this background work will be enhanced considerably with the definition of an overall SME policy together with the definition of roles and responsibilities of bodies responsible for its implementation.

In the area of **public administration reform**, Phare's main contribution has been policy development, modernisation and development of management capacity, and the introduction of public service ethics. On all three accounts, there is still a lot of work to do. One of the reasons for the limited progress is the reluctance of the previous administration to commit itself to a specific direction of reform and to adopt a law on civil service.

### **Case study: regional policy**

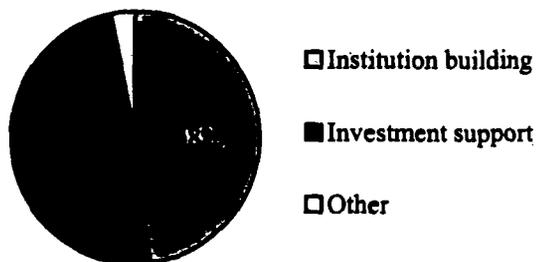
Romania inherited a highly centralised system of government from the former regime, which was designed to implement central government policies. It lacked regional structures to set development priorities, and implement programmes. Government policies for public administration in the period since 1989 have been moving in the direction of a greater decentralisation, particularly through increasing the role and responsibilities of democratically elected local authorities. At the same time there has been an increasing awareness in Romania of the potential for creating regional institutions to act as a catalyst for development at a sub-national level.

Since 1994 a Phare-financed project has been drawing on the varied experience of regional development in the EU Member States, in order to help Romania define an approach to regional development adapted to the country's specific conditions. A team involving an EU expert on regional policy and the Structural Funds, and a group of Romanian experts including economists, geographers and sociologists, held wide-ranging consultations with key national and local interest groups, and in May 1997 presented a Green Paper to a National Conference on Regional Policy.

The Green Paper proposed, at regional level, the creation of eight macro-regions, to be formed through voluntary associations between groups of *judets* (counties). Each macro-region would establish a regional development agency to analyse priorities and opportunities for development, and to prepare and seek support for specific development programmes and initiatives. At national level, structures would be set up to establish overall national priorities and policies for regional development, and to take decisions about the allocation of national resources to regional programmes.

Following the National Conference the government adopted the proposals of the Green Paper with only minor modifications, and has prepared legislation, along the lines laid out in the Green Paper, providing for the creation of national and regional structures. Phare support, through the Regional Development Institution Building Programme, will assist in the establishment of relevant structures.

# Slovakia



1997 Country Operational Programme

## The year in review

Although Slovakia continues to enjoy strong economic growth, at 6 per cent in 1997, as well as relatively low inflation, 6.1 per cent, the underlying macroeconomic imbalances are mounting. As a result of high growth in domestic demand, the current account deficit has surged to levels that cannot be sustained over a long period of time. In 1997, the external deficit was fuelled further by the expansionary effect of the growing government deficit, and by the appreciation of the Slovak crown against the currencies of the country's main trading partners, Germany and the Czech Republic. Initially, fast economic growth had a beneficial impact on unemployment. The unemployment rate declined from a peak of 15.2 per cent in January 1995 to 12.8 per cent in December 1996. However, in 1997 the number of unemployed was constantly higher than in the corresponding period of 1996. By the end of 1997, the rate of unemployment had reached 12 per cent.

From a microeconomic perspective, privatisation is nearing completion. The sustainability of economic performance will depend on the ability of government to significantly reduce the general government budget deficit and of privatised enterprises to restructure with a view to increasing export competitiveness. Equally important are the reform of the financial system and the capacity of the public administration and judicial system to enforce the basic market regulations and legislation that are in place.

In 1997 Slovakia continued to experience difficulties in consolidating a pluralistic democracy. Shortcomings in democratic practice were particularly visible in the referendum on NATO membership and the direct election of the president.

Two of the most significant bilateral events in 1997 were the publication of Agenda 2000, including the Commission's Opinion on the Slovakia's membership application, and the conclusions of the European Council at Luxembourg.

### **Conclusion of the European Commission's Opinion, July 1997**

In the light of its considerations, the Commission concludes that Slovakia does not fulfil in a satisfying manner the political conditions set out by the European Council in Copenhagen, because of the instability of Slovakia's institutions, their lack of rootedness in political life and the shortcomings in the functioning of its democracy.

This situation is so much more regrettable since Slovakia could satisfy the economic criteria in the medium term and is firmly committed to take on the *acquis*, particularly concerning the internal market even if further progress is still required to ensure the effective application of the *acquis*.

In the light of these considerations, the Commission considers that negotiations for accession to the European Union should be opened with Slovakia as soon as it has made sufficient progress in satisfying the conditions of membership defined by the European Council in Copenhagen.

### **The Phare Programme in 1997 in Slovakia**

In 1997, the European Community committed ECU 44.5 million to Slovakia. In addition to the ECU 39 million set aside for national programmes, the total allocation also includes funds for the Tempus programme worth ECU 4 million and an allocation for participation in Community programmes worth ECU 1.5 million.

The national programmes, adopted in mid-1997 with an allocation of ECU 39 million, constitute an accession-oriented programme aimed at assisting Slovakia in consolidating a pluralistic democratic society and a fully functioning market economy, while ensuring that an adequate social safety net is in place. This multi-sectoral programme focuses on the following areas.

In private sector development, Phare assistance supports the restructuring and revitalisation of medium to large-sized enterprises in key sectors. It also supports SMEs by providing a range of financial and technical assistance, and by strengthening supporting institutions. Phare will also support export promotion initiatives in an effort to foster the long-term international competitiveness of Slovak enterprises, and increase foreign-exchange earnings.

Phare will provide assistance to the Ministry of Agriculture by providing appropriate policy advice and training for the implementation of the Slovak pre-accession strategy. This will include harmonisation of the Slovak phytosanitary and veterinary

infrastructure, support to rural development policy, and the modernisation of the food sector.

The civil society development programme will focus on helping new and more established NGOs obtain information and services, to enable them to function efficiently and influence policy-makers and authorities in improving the legal framework.

The health programme aims to improve further the cost-effectiveness, quality and availability of the Slovak health care system.

### **Phare achievements**

In **agriculture**, an agricultural extension services project is being successfully implemented. An extension services network is being developed as an autonomous body, in collaboration with the Ministry of Agriculture. Phare has assisted other private-sector associations such as the Agriculture and Food Chamber and the Association of Private Farmers.

In the field of **legal approximation**, a central translation unit, providing translations of Community Law into the Slovak language, has been set up in cooperation with TAIEX at the Institute of Approximation of Law. A lawyers consortium continued to provide the Slovak Government with advice on the whole spectrum of issues in this domain.

A large **public administration reform** project focused on the development of a legal framework for a professional, non-political civil service. Public administration institutes from Germany, Finland and the United Kingdom have been involved. Under the same programme, the Slovak National Council (Parliament) received Phare-funded printing and publishing equipment in order to support the legislative process. A number of commercial courts benefited from new information technology to computerise the commercial registers, speeding up the registration of companies and providing more transparency in the economic sphere.

The **SME programme** and the Slovak Post Privatisation Fund (SPPF) continued to make a key contribution to the strengthening of the Slovak market economy and its competitiveness. The SME sector plays a dynamic role in stimulating economic growth and providing new opportunities for the labour force in Slovakia. Since 1991 the number of SMEs has grown from a total of 470 to 298,363 in 1995, and they now account for 50.8 per cent of total production (not including the industrial sector). Also, SMEs now contribute to 48.7 per cent of total employment.

Phare's performance in contracting and disbursement rates has substantially improved. By the end of 1997, all 1990-1994 programmes had been fully contracted. The contracting rate of the 1995-1996 programmes (cross-border cooperation included) reached 68 per cent at the end of 1997. A Central Finance and Contracting Unit (CFCU) was set up at the end of 1997 to rationalise and streamline the implementation of Phare assistance. This will ensure sound financial management and effectiveness.

### **Case study: strengthening democracy**

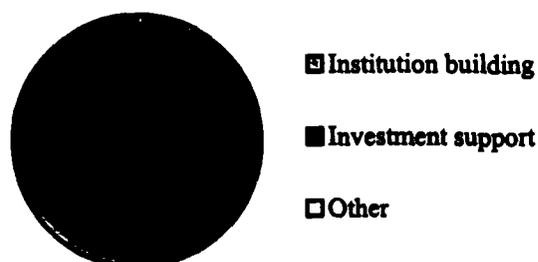
The Civil Society Development Foundation was established in 1993 within the framework of the Phare Programme. Currently it is one of the three most important grant-providing foundations in Slovakia. It has a unique position within the community of Slovak non-governmental organisations. As an independent grant-giving foundation it is aimed at giving grants to a wide spectrum of Slovak non-governmental organisations (civic associations, foundations and charitable organisations) and thus supports the development of a strong civil society in Slovakia.

Within a very short time the Foundation succeeded in establishing itself in all of the regions in the country. The decisive body of the Foundation is an independent nine-member Board of Directors, which decides about projects and awards grants to NGOs. Since 1993 the Foundation has supported 387 projects of Slovak NGOs in different areas (human rights and minorities, health, environment, education, social services, volunteer development) spending approximately ECU 2 million. An additional ECU 3 million have been allocated in the 1997 national Phare programme, which is presently being implemented.

In addition to providing grants, the Foundation's assistance is targeted at improving

- awareness of the role and functioning of NGOs in an open civil society
- the level of information exchange among NGOs
- the legal framework of the third sector by assisting to enhance the qualification of NGOs to influence policy-makers and authorities
- networking and cooperation among NGOs
- organisational capacities of NGOs by strengthening their infrastructure as well as by extending their activities.

# Slovenia



1997 Country Operational Programme

## The year in review

The 1997 macroeconomic indicators confirm the trend of stabilisation, even if key medium-term structural reforms remain on the agenda. These include pension reform, and the introduction of VAT. GDP growth in 1997 was estimated at 2.9 per cent, compared with 3.1 per cent in 1996 and 3.9 per cent in 1995. Nonetheless, GDP per capita stands at about 59 per cent of the EU average. Inflation decreased from 247 per cent in 1991 to 18.3 per cent in 1994, and reached 9.4 per cent in 1997. This achievement, which is better than expected, was due mainly to the further liberalisation of government-controlled prices. The government is committed to bring inflation down to 8 per cent in 1998. The unemployment rate was steady at 14.5 per cent, the same level as in 1996.

In recent years, privatisation and the birth of new enterprises have led to an increase in the role of the private sector. Privatisation has focused on socially-owned enterprises, while the privatisation of state-owned enterprises still has to be dealt with. Foreign direct investment in Slovenia has remained low compared to the size of the economy: annual inflows have never surpassed 1 per cent of GDP. The main reasons for this are, on the one hand, restrictions on capital movement introduced in 1997 by the Bank of Slovenia and, on the other, the small size of the market, the preferential treatment of domestic investors during the privatisation process and an incomplete legal framework. However, 1997 did see some increase in inward investment.

National parliamentary elections were held on 10 November 1996 and more than 30 parties competed for 90 seats. Representing the strongest party (Liberal Democrats), Mr Drnovsek was re-elected as Prime Minister on 9 January 1997 by the President. His first broad coalition government, with a very narrow majority, was presented to parliament on 24 January but failed by one vote to win the necessary majority. After this first attempt, Mr Drnovsek managed to win the biggest 'Spring Block' Party (Slovene People's Party) for the new government with a 52:38 majority in Parliament.

In relations with the European Communities, the Europe Agreement was signed with Slovenia on 10 June 1996, with the inclusion of an Annex that foresaw the liberalisation of the Slovene property market four years after the ratification of the

Agreement and the right of EU citizens to purchase property. It was also foreseen that constitutional amendments and other changes in Slovene legislation would precede the final ratification of the Agreement. By adopting the amendment of Article 68 of the Slovene Constitution on 14 July 1997, the National Assembly enabled the Slovene ratification of the Agreement on 15 July 1997.

In July 1997, the European Commission's Opinion on Slovenia's application for EU membership recommended that accession negotiations be started.

### **Conclusion of the European Commission's Opinion, July 1997**

In the light of its considerations, the Commission concludes that

- Slovenia presents the characteristics of a democracy, with stable institutions guaranteeing the rule of law, human rights and respect for and protection of minorities
- Slovenia can be regarded as a functioning market economy and should be able to cope with competitive pressure and market forces within the Union in the medium term
- Slovenia has to make considerable efforts to take on the *acquis*, particularly as regards the effective application in the area of the internal market. In addition, important progress will be necessary in the sector of environment, employment and social affairs and energy. More generally, further administrative reform will be indispensable if Slovenia is to have the structures to apply and enforce the *acquis* effectively.

In the light of these considerations, the Commission recommends that negotiations for accession should be opened with Slovenia.

### **Phare 1997 programme in Slovenia**

In 1997, the European Community committed funds amounting to ECU 30 million to Slovenia. Apart from the ECU 17.75 million set aside for national programmes, a further ECU 6 million was allocated to the cross-border programmes with Austria and Italy, as well as ECU 1.25 million to the Tempus programme and ECU 5 million to Trans-European Networks.

In line with Phare's new accession-driven guidelines, Slovenia's national programmes focus on institution building, economic competitiveness, and investment financing.

Support to institution building will be devoted to programmes on pre-accession measures and adoption of Community norms and standards. In the area of pre-accession, Phare will

- provide support to the development of a civil society, higher education, legislation and policy, and help the European Affairs Units through specific training programmes and the recruitment of local experts
- provide support in the field of Justice and Home Affairs
- facilitate the access of targeted groups to information on European issues
- support the Parliament in accelerating the adoption of the acquis.

The adoption of EC norms and standards and the setting up of the implementation and enforcement structures involves the various sectors covered by the internal market acquis, namely agriculture; transport; energy; public finance, financial sector and customs; health and safety at work; industrial standards; and professional qualification and certification.

Support to economic competitiveness will be achieved through trade and investment promotion; support to Local Business Advisory Centres; the implementation of technical regulations in the private sector; family support and social services; and the completion of on-going programmes related to vocational education and training.

Financing of investment will be directed at areas of key importance to the adoption of the acquis communautaire. Phare will contribute to two financial schemes covering regional micro and small enterprises, and the environment.

### **Phare achievements in 1997**

The amount of work involved in the approximation of laws and technical regulations, as well as their coordination and enforcement, does not differ significantly according to the size of the country. Slovenia, as a small country, is facing this workload with a small administration. The pre-accession strategy programme, introduced by the 1996 COP, enabled the Office for European Affairs, and various other ministries, to handle the tasks of planning, coordinating, and supporting the pre-accession process.

In the field of indirect taxation, Phare played a major role in supporting the introduction of VAT and excise duties by supporting, through technical assistance, the formulation of the legal framework, policy and organisation. Phare assistance concentrated on

- merger of the two sides of the tax administration and two related laws (on tax service and procedure)
- review and reform of other tax laws
- organisational aspects related to the new tax administration (business development, strategic plan, national audit plan, strengthening of line functions)
- drafting of an audit manual

- training of trainers in auditing and enforcement
- preparation of VAT introduction.

In the energy sector, the energy audits and the demonstration projects for efficient use of energy in industry and buildings were the most successful projects in 1997. These projects have supported the implementation of the Slovene conservation policy measures as provided in the 1996 'strategy for energy use and supply'. Support helped establish a financial scheme aiming to overcome the barriers for investment in this area. Energy managers were trained on the energy audits to be able to identify problems relating to energy use in industry, the public sector and private buildings. Six energy-saving demonstration projects were co-financed, three in industry and three in the public sector.

In 1997, the cross-border cooperation programmes in Slovenia continued to have a positive impact in stimulating economic and social development in the regions bordering Italy and Austria. Projects having a clear cross border effect were identified and implemented in close collaboration with counterpart Austrian and Italian authorities in a range of sectors. Activities included the improvement of cross border links, protecting and improving water catchment areas, local development initiatives, SME development, and improvement to infrastructure (e.g. water).

The Decentralised Implementation System (DIS) was introduced in March 1997 with the setting up of a Central Finance & Contract Unit (CFCU) within the Ministry of Finance, initially for cross-border cooperation programmes. This CFCU will develop a national mechanism to monitor the sound use of financial resources and will introduce ex-post control mechanisms. The financial and contract administration of the 1997 COP and subsequent Phare programmes will be fully decentralised, under this DIS, to the CFCU from 1998.

The CFCU has however already been in charge of the management of all the cross-border cooperation programmes and has demonstrated its capacity, by allowing the programmes with Italy (1994) and Austria (1995) to be contracted from 15 per cent in March 1997 to 99,8 and 90 per cent respectively by December 1997.

### **Case study: enterprise restructuring**

The post-privatisation facility (ECU 1.2 million) and the programme for industrial performance and competitiveness (ECU 1.2 million) were both aimed at offering assistance to post-privatised and state-owned companies respectively. Support was offered through a framework-type contract in which beneficiary companies contributed up to 10 per cent of the value of the assistance received. While the first project clearly targeted post-privatised companies, the second was directed more towards specific sectors of the industry, i.e. machine building, electronics and electrical equipment, construction and building materials. In both cases, the 'cost-sharing principle' was applied and has proven to be very successful: companies' interest in and commitment to the project has probably been bigger than it would have been in a project that required no counterpart.

The post-privatisation facility will be continued under the 1997 COP, with a cost-sharing rate increased to approximately 20 per cent.

Within the framework of the post-privatisation facility, a sub-project on corporate governance, re-capitalisation and finance has been carried out with the Agency for Privatisation. The main outcome of this sub-project was the publication of a manual distributed to all privatised companies in the country with more than 70 employees. This manual was distributed during a conference attended by more than 180 representatives of Slovene industry. This sub-project successfully complements the shareholders' education campaign of 1995-1996, which targeted a broader public of shareholders through telephone information lines, advertisements on TV and in newspapers.

**Non-candidate countries**

# **Albania**

## **The year in review**

Although Albania undertook a series of successful major economic and structural reforms from 1992 onwards, the important area of finance remained untouched. Large-scale fund-raising operations were established outside the formal banking system and high-risk pyramid investment schemes managed to attract a large part of private savings.

A major crisis broke out in early 1997, when the collapse of these pyramid schemes led to social unrest and violence, destabilising most of the public institutions, including the army and the police. The process of economic recovery was interrupted and the government lost control over large parts of the country, while most aid programmes were effectively interrupted.

A multinational protection force was deployed on the request of the Albanian authorities between April and August 1997 to facilitate humanitarian aid and to protect international missions. General elections were held in June-July 1997 with assistance from the Organisation for Security and Cooperation in Europe (OSCE), funded by Phare.

The priorities in the country's recovery needed to be reviewed and adapted, particularly taking into account the impact of damage suffered during the civil strife. It was important that the level of external financing be maintained and even increased. A Donors' Conference was therefore organised by the Commission and the World Bank on 22 October 1997 in Brussels. Its objectives, all of which have been met, were to

- gather enough funds to start urgent short-term investment assistance and to start financing medium-term projects jointly elaborated by the European Commission, the World Bank and the EBRD.
- pledge funds (ECU 96 million) to meet the needs under the macroeconomic stabilisation and structural reform programme agreed by the Albanian government with the IMF.
- confirm substantial financial support to a fund for winding down the pyramid schemes.

The task of recovery is enormous, since economic activity is profoundly depressed. In 1997, GDP was 8 per cent below 1996 levels. As a result, unemployment has risen greatly. Inflation went from 17 per cent in 1996 to an estimated high of 42 per cent in 1997.

## **Phare 1997 Programme in Albania**

In 1997, Phare committed ECU 31.5 million in national and ECU 20 million in cross-border cooperation programmes, together with ECU 2.5 million for Tempus. In addition, a special assistance of ECU 14.9 million was committed for budgetary support to the reform of the public administration. Support was also given to the OSCE in organising the June-July elections, amounting to ECU 1.5 million.

During the 1997 crisis, however, Phare assistance to Albania was interrupted. Humanitarian aid through ECHO continued in order to cover the most urgent needs of the poorest sections of the population. This aid amounted to ECU 17 million and consisted of food and medical supplies. The European Commission also continued to finance some activities promoting democracy, security and economic stability, including support to the OSCE for organising elections.

The 1997 crisis underlined the necessity for all donors to adjust and streamline their programmes in order to increase the efficiency of aid and to promote international coordination. At present, Phare resources are concentrated in four main areas of interest:

- public administration and institutional reform
- local community development
- large-scale infrastructure development
- agriculture.

A number of existing Phare programmes were reoriented to deal with the new situation that emerged after the civil strife. The following breakdown shows Phare support totalling ECU 70.4 million in 1997:

Public administration reform and police	ECU 6.3 million
Local community development	ECU 5 million
Transport infrastructure	ECU 7 million
Agriculture and land market	ECU 6 million
Water and environment	ECU 6.7 million
Financial sector and audit	ECU 500,000
Tempus	ECU 2.5 million
Cross-border cooperation	ECU 20 million
Special budgetary assistance (public administration)	ECU 14.9 million
OSCE election support	ECU 1.5 million

In 1997, the Albania-Greece cross-border cooperation programme focussed on the north-south corridor section (Kakavija-Gjirokaster) and on the construction of border crossing facilities at Tri Urat and Konispoli. For Albania-Italy, priority was given to the rehabilitation and upgrade of the Rrogozhine-Fier-Vlore road.

## **Phare achievements**

The crisis in 1997 impeded Phare programme implementation. Nonetheless, an effort was made to keep programmes active.

In the area of **public administration reform**, a programme is under implementation, which consists of technical assistance as well as special budget support worth ECU 14.9 million, which aims to secure key budgetary expenditures in the key ministries (Finance, Justice, Home Affairs).

In the area of **customs**, a Customs Assistance Mission (CAM) was established in June 1997 for a nine-month period. Its main task is to help the Albanian customs authorities restore their ability efficiently to collect customs and excise revenue. Total revenues collected at customs (VAT, duties and excises) increased substantially and at the end of 1997 reached about 150 per cent of the pre-crisis level.

As far as **infrastructure** is concerned, the contracting of Phare funds restarted slowly at the end of the year. For example, the contract for the construction of the Durres-Roghizina road was signed at the end of 1997, with works due to start in March 1998.

Nationwide **waste and water** strategies funded by Phare were finalised in line with the recommendations of the Albanian National Environment Action Plan in early 1997. These will serve as a basis for further infrastructure investments in sectors that are critical for both human health and environment.

In **agriculture**, efforts were concentrated on extension services, land mapping, cadastre and fisheries. A new development has been the establishment of a Policy Advisory Unit within the Ministry of Agriculture to help the Albanian government with its strategy.

Finally, Phare is to provide financial resources of up to ECU 1.2 million for winding down the pyramid schemes. A trust fund has been set up, coordinated by the World Bank. Within this fund, ECU 6 million is available for auditing and administrating existing closed pyramid schemes. Auditors and administrators were nominated in late 1997.

# **Bosnia and Herzegovina**

## **The year in review**

Two years after the signing of the peace agreements, the political situation remained very fragile. Major political conflicts persisted at all levels: Bosnia and Herzegovina, the Federation, and Republika Srpska. The intimidation of refugees continued, particularly in areas where minorities are returning.

The war years have left a destroyed economy and a disorientated population. The demobilisation of soldiers increased unemployment in a country that has no basic infrastructure: schools, hospitals, public transport, roads and telecommunications are in poor condition. Bosnia and Herzegovina has to deal with the double effects of social and economic stagnation. This results from the damage inflicted by the previous economic system; the war and its consequences; and the almost anarchic management of private property without clearly established procedures. All of this complicates the distribution of assistance for the return of refugees.

The consequences of the war, in particular ethnic cleansing, economic disorder and the absence of clear political prospects for inhabitants, has precipitated the unravelling of Bosnian society. This makes it all the more difficult to implement long-term social, institutional, and economic support for the reconstruction of the country.

At the Peace Implementation Council, held in London in December 1996, the international community decided to concentrate on a number of fields during 1997. These included institutional development (including civil society and the media); reconstruction and refugee return; and economic development. The European Commission developed an integrated approach for Bosnia and Herzegovina in order to bind economic reconstruction with the return of refugees and displaced persons. Also, the following regions were retained:

- the canton Una Sana
- the regions of Anvil and of Banja Luka
- Sarajevo and its peripheral areas
- the Posavina corridor, including Brcko and Tuzla
- central Bosnia and Mostar.

Political difficulties delayed the implementation of Community assistance. For example, the Memorandum of Understanding was only signed on 2 September 1997 after numerous discussions with Bosnian authorities. The absence of political agreement between the various entities, the lack of effective institutions able to approve the projects and the multiplicity of speakers surrounding divergent interests prevented a swift adoption of the approval procedures and consequently delayed the effective implementation of the projects.

## **Phare 1997 Programme in Bosnia and Herzegovina**

The third international donor conference, held on 23-24 July 1997 after six successive cancellations, saw the European Commission announce that it intended to contribute ECU 237 million for reconstruction and peace implementation. In fact, at the end of 1997, the European Community's contribution through Phare amounted to ECU 73 million, while ECU 54 million was allocated to humanitarian assistance. In addition, the European Commission's Obnova 'reconstruction' programme, which complements Phare's activities in the field of reconstruction, received a substantial allocation of ECU 144 million.

1997 Phare programmes for Bosnia and Herzegovina continued where the previous year had left off. Assistance programmes for democracy-building and the implementation of the peace agreements were continued. The reconstruction process was continued and strengthened.

ECU 6.6 million was committed to the return of refugees. The return of refugees and displaced persons and the country's general recovery on all levels - political, economic and social - must go hand-in-hand. This is why the European Community adopted an integrated approach to the question of refugees, recognising that large numbers of individuals will return home only if

- their personal security is guaranteed
- their rights as homeowners or tenants can be enforced
- their basic needs for public utilities and services are met
- their economic prospects are improved.

The integrated approach combines the general improvement of living conditions with more specific measures for the return of identified groups of refugees or displaced persons. Efforts benefiting the community as a whole ease social tension between resident population and returnees, who might appear privileged in comparison to the residents.

ECU 5 million was committed to employment generation and the social re-integration of refugees. This responds to the need for active measures to ensure that the labour force is suitably skilled for the demands of the labour market and that labour policies and institutions are designed to ensure labour force mobility. The anticipated mass repatriation of refugees is likely to raise social tensions further because of the difficulties the refugees will face in re-integrating their original communities.

The village employment and environment project is aimed at employing some 5,000 workers over a 12-months period, particularly vulnerable groups such as unskilled and internally displaced persons or demobilised soldiers. The project will have a visible impact at the community level through the completion of minor infrastructure works and environmental improvements.

In the social field, education received ECU 1.5 million. Activities were underway to set up a Tempus Office in Bosnia and Herzegovina. This office will set an example of

inter-entity cooperation in the field of higher education. The Vocational Education and Training Programme received ECU 3.5 million. The objective of this programme is the reform of vocational education and training to cope with the revitalisation and reform of the economy.

The health programme in 1997 received ECU 5.7 million. Its main aim is to reduce the country's dependence on emergency relief and humanitarian assistance, and reform the country's healthcare structure. The immediate objectives of the programme are to

- develop and strengthen the infrastructure of primary healthcare by providing training and implementing primary healthcare policy in pilot projects
- develop a manpower planning function within the Ministries of Health and assist in the upgrading of clinical skills of medical personnel
- update and implement the national drug policy
- develop the health financing structure in both entities, the internal management of the health insurance funds and the fund collection and registration functions
- update and strengthen the national Health Information System capacity, to provide data on resources, activity, costs and health status.

In agriculture, ECU 10 million was allocated. The restarting of agricultural activities is seen as an important incentive for refugees and displaced people to return to rural areas of the country thus decongesting urban centres.

In the area of basic infrastructure, ECU 31 million was allocated to the water sector. Phare has already supported the development of infrastructure in municipalities listed as priority areas for the return of refugees, in particular, to restore services to a level that would mitigate health risks.

Furthermore, Phare has financed institutional activities

- to assist in the development of long-term sector strategies for the proper management of waste and water resources
- to rebuild and strengthen sector institutions so that the rehabilitation projects remain sustainable
- to improve the commercial operation and financial management at the utility level, including the introduction of a cost-conscious water accounting policy.

ECU 7 million was allocated to the telecommunication sector. The aim of the project is to help rebuild telecommunications networks in Bosnia and Herzegovina by installing inter-entity links between the Federation and the Republika Srpska. Phare has supported the requirements of the Dayton peace agreement by making a range of basic telephone services available to ordinary citizens, business and state organisations across inter-entity boundary line. With the completion of the first section of RS long-distance backbone financed through the EC telecommunication Programme, the first inter entity link between Sarajevo and Pale went into service on

19 September 1997 just at the time of the Municipal Elections and for the first time, direct telephone links between the Federation and the Republika Srpska have become operative. A second and a third section of the backbone has been completed before the end of 1997.

In terms of direct support to the Peace Agreement and, in particular, to human rights and democracy, ECU 1 million was allocated. Phare is supporting the Commission for Human Rights, which is an independent institution of Bosnia and Herzegovina, composed of two organs: the Office of the Human Rights Ombudsperson and the Human Rights Chamber. Their mandate is to consider alleged or apparent violations of the human rights set out in the European Convention on Human Rights and its Protocols, as well as any alleged discrimination in the enjoyment of rights set out in other international instruments.

Phare support to independent media was worth ECU 1.7 million. Freedom of the press and the development of independent media are key elements in the process of democratisation. In May 1996, the High Representative Mr. Carl Bildt, and the Head of OSCE Mission Ambassador Frowick called for international support for the setting up of an independent TV network (OBN) so as to secure equitable access to the media for all political parties and candidates during the period leading to the September 1996 General Elections. Phare contributed in 1997 to the running costs of the OBN/TVIN network.

### **Case study: Phare opens the phone lines**

After nearly five years of silence, people living in the two entities that now make up Bosnia-Herzegovina are able to speak to each other by telephone. On September 19 1997, Donato Chiarini, head of the European Commission Representation Office in Sarajevo, made the first direct call from the Federation (the Muslim and Croat part of the country) to the Republika Srpska (the Serb entity). He did so over an inter-entity telephone link that was financed and put in place by the Phare programme. Mr Chiarini's call - to Bijeljina in the Republika Srpska - vindicated the European Commission's decision to go ahead with this controversial project, which from the outset faced enormous political and technical obstacles.

Opposition to the project came not only from within Bosnia-Herzegovina, where each side doubted the other's good faith. It also came from within the international donor community where doubts were expressed concerning the European Commission's ability to honour its commitment to deliver the project.

The project has enabled families and friends in the Federation and the Republika Srpska to talk to each other again. It is also helping to foster business contacts between the ethnic communities in support of the economic recovery of Bosnia-Herzegovina. Given that physical travel between the entities remains limited, the significance of the project should not be underestimated.

The project, part of Phare's ECU 8 million 1996 programme for Bosnia and Herzegovina, consisted of rebuilding a long-distance radio-relay network in the Republika Srpska, using synchronous digital hierarchy (SDH) technology. As the reconstruction work advanced, three inter-entity links with the Federation were installed, enabling subscribers in all parts of the Federation to contact all parts of the RS and vice-versa. The project connects more than 30 relay stations in an arc around the Republika Srpska with links into the Federation at Tuzla, Sarajevo and Mostar.

In addition to the SDH network and the inter-entity links, the 1996 programme included management training for the three PTTs - PTT Sarajevo and PTT Mostar for the Federation and Telekom Srpske for the RS - and the re-establishment of local access networks in priority areas of the Federation. The training programme has been fully operational for several months. The tender for the local access networks was initially caught up in political problems but was set for launch in early 1998.

# **The Former Yugoslav Republic of Macedonia**

## **The year in review**

In 1997 the national authorities continued their efforts towards achieving economic stabilisation and reform. While the country suffered its own financial scandal (failure of several savings houses and companies dealing with foreign currency savings and loans), there were signs of progress. A 16 per cent devaluation of the denar in July 1997 encouraged a moderate increase in output and export growth. GDP growth rose to 1.5 per cent (up from 0.9 per cent in 1996). With the help of tight financial policies and a wage-freeze, inflationary pressures of the devaluation were limited. Inflation for 1997 stood at 4.4 per cent. The country's balance of payments improved, culminating in reserves worth ECU 250 million, though the situation remains fragile due to the short-term nature of capital flows. The current account deficit should remain at 8 per cent of GDP.

The second half of 1997 saw progress in structural adjustment as further steps were taken to liberalise trade, privatise socially-owned enterprises, create required legislation for private-sector development and improve banking supervision. Nonetheless, much more is needed in terms of the implementation of privatisation legislation, while unemployment remains extremely high at some 30-40 per cent of the labour force. This figure could also be interpreted as an indicator of the large shadow economy, which is unable to emerge due to an inappropriate and unfavourable formal economic environment.

A Government reshuffle took place in May 1997, after three key ministerial posts became vacant. However, this did not cause any serious political instability. On the political front, it was ethnic tension that dominated the scene.

UNPREDEP's mandate was extended to the 21 August 1998, but should be phased out soon after, much to the Government's concern. Other options are being investigated.

Nonetheless, the country did benefit from the following types of EU support:

- entering into force of the Cooperation agreement
- financial protocol of the Cooperation agreement allowing a ECU 150 million loan facility under EIB for transport infrastructure and a ECU 20 million interest subsidy
- macro-financial assistance worth ECU 40 million (disbursement of the second and final tranche of ECU 15 million in February 1998)
- 1997 allocation (ECU 15 million) of the Phare multi-annual indicative programme
- Phare 1997 cross-border cooperation programme with Greece (ECU 10 million).

## **1997 Phare Programme in FYROM**

In 1997, ECU 23 million were committed as part of the national Phare allocation, including an exceptional reallocation of uncommitted funds from the Phare ex-Yugoslavia budget line, while ECU 10 million were committed to cross-border cooperation.

Meanwhile, the implementation of the 1996 country operational and cross-border cooperation programmes started, and the 1996-1999 multi-annual indicative programmes for both national and cross-border support were introduced.

The implementation of the 1996 COP was a long and arduous process of starting up the first set of projects. There were delays on the Government side in approving terms of reference and setting up implementation structures. At the same time, Brussels had to come to terms with a centrally-managed programme, since there is no Delegation in the country.

The national multi-annual indicative programme (MIP) allocates ECU 60 million worth of assistance for 1996-1999. The cross-border MIP foresees ECU 40 million for the same period. The main principles underlying the national MIP are to

- avoid a scattering of resources over too many sectors and components
- achieve complementarity between the various parts of the MIP
- avoid sectors where other donors are very active already or, if appropriate, complement them
- ensure project sustainability and reform impact
- achieve a healthy balance between technical assistance and investment
- build on the activities approved in 1996.

In the light of these considerations, it was decided to concentrate available resources on

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|--|------------------|
| • enterprise and financial sector      | ECU 14 million   |
| • infrastructure and public investment | ECU 10 million   |
| • agriculture and natural resources    | ECU 12.9 million |
| • social sector and human resources    | ECU 12.4 million |
| • reform sustainability                | ECU 9.9 million. |

For the 1997 COP, there has been an attempt to focus on complex sectors which are fundamental to the reform process, as described below.

ECU 1.9 million will go to support the creation of an inter-bank clearing facility that fulfils the requirements of the finance sector and all its dependent operations, and which is capable of full compatibility with international bank operations. Phase one of this project is a feasibility study on the reform of the payments system, which at present involves many interdependent areas, such as tax collection and statistical analysis. After the feasibility study is completed and the longer-term strategic and

operational requirements are agreed with the government, the second phase will tackle specific activities. Through the feasibility study, Phare hopes also to attract other international financing institutions and bilateral donors.

In commercial banking, the allocation of ECU 1.5 million aims to improve specific areas of commercial bank capabilities - particularly credit evaluation and risk management, and the introduction of financial accounting systems and liquidity management commensurate with the planned reform of the payment system, and to strengthen the operational efficiencies of the National Bank.

In the area of public administration reform, ECU 3 million will provide help in the work of the Government Commission on Public Administration, improve financial control and audit arrangements, develop a financial basis for municipalities, and support improved court administration.

Elsewhere, Phare will also intervene in the environment (ECU 2 million) by assisting the Ministry of Environment in creating a solid and sustainable platform for implementing the National Environmental Action Plan, focusing on developing the institutional framework, water, waste-water and solid waste management.

In the public investment programme, ECU 2 million will be supported through a Public Investment Preparation and Management Facility which will finance feasibility studies and technical designs to attract intervention from other donors as well as technical assistance to the Ministry of Development to help identify, analyse and implement projects of importance to the infrastructure.

Finally, there is a cultural development component worth ECU 1.6 million consisting of technical assistance to the Ministry of Culture and directly administered institutions, support for the conservation of monuments and sites of outstanding historic and archaeological importance, and creation of a Cultural Fund providing support for major national and regional institutions and for small-scale arts and cultural activities linked to cultural tourism.

Under the cross-border MIP for 1996-1999, which is worth ECU 40 million, the general aim is to promote cross-border relations and communication, help the development of the poorest areas in the cross-border region with Greece, finance ready-to-implement projects, and involve local authorities as much as possible in project implementation. The main focus will be on the financing of improvements to transport and cross-border infrastructure.

The cross-border cooperation programme in 1997 allocated ECU 7.4 million for the border crossing points (veterinary and phytosanitary inspection and control) and the E75 motorway, as well as ECU 1.6 million for the environment (monitoring of the river Vardar). ECU 1 million was allocated for regional and socio-economic development and programme management.

## **Statistical overview**

## Bulgaria

Funds allocated by sector 1990-1997 (ECU million)	1990-1993	1994	1995	1996	1997	Total
Admin. reform, public institutions, approximation of laws, consumer protection	16	1,2	2	2	0	21,2
Agricultural restructuring	51	0	5	0	0	56
Civil society and democratisation	0	1,2	0	1,5	0	2,7
Critical aid	24,9	0	0	0	20	44,9
Education, training and research	30,3	12	21	12	0	75,3
Environment and nuclear safety	49,1	5	7	6	0	67,1
Infrastructure (energy, transport, telecommunications)	39,9	62,6	48	40	0	190,5
Private sector, financial sector, integrated regional measures	63,3	3	0	1	20	87,3
Social development, employment and public health	31,8	0	0	0	20	51,8
Other (Multidisciplinary, general technical assistance, etc.)	1,5	0	0	0	6	7,5
<b>Total</b>	<b>307,8</b>	<b>85</b>	<b>83</b>	<b>62,5</b>	<b>66</b>	<b>604,3</b>

## Czech Republic

Funds allocated by sector 1990-1997 (ECU million)	1993	1994	1995	1996	1997	Total
Admin. reform, public institutions, approximation of laws, consumer protection	0	11	7	0	18	36
Agricultural restructuring	0	4,5	0	0	0	4,5
Civil society and democratisation	0	0	0	0	3	3
Critical aid	0	0	0	0	0	0
Education, training and research	8	5,5	8	7,5	3	32
Environment and nuclear safety	0	0	0	5	0	5
Infrastructure (energy, transport, telecommunications)	9	25	91	34	25	184
Private sector, financial sector, integrated regional measures	27	0	1	7,5	0	35,5
Social development, employment and public health	8	14	2	0	11	35
Other (Multidisciplinary, general technical assistance, etc.)	8	0	1	0	0	9
<b>Total</b>	<b>60</b>	<b>60</b>	<b>110</b>	<b>54</b>	<b>60</b>	<b>344</b>

Note: Phare funding was provided separately to the Czech Republic and Slovakia from 1993

Tables show Phare funds allocated as part of national programmes, cross-border cooperation programmes, and the Tempus programme.

## Estonia

Funds allocated by sector 1990-1997 (ECU million)	1990-1993	1994	1995	1996	1997	Total
Admin. reform, public institutions, approximation of laws, consumer protection	0	0	2,8	25,3	0	28,1
Agricultural restructuring	0	0	0	3	0	3
Civil society and democratisation	0	0	0	0	0	0
Critical aid	0	0	0	0	0	0
Education, training and research	2,5	4,5	4,2	4	1,2	16,4
Environment and nuclear safety	0	2,5	0	1	0	3,5
Infrastructure (energy, transport, telecommunications)	0	6	5	18,3	3,1	32,4
Private sector, financial sector, integrated regional measures	0	8	9,1	9	0	26,1
Social development, employment and public health	0	0	2,9	0	0	2,9
Other (Multidisciplinary, general technical assistance, etc.)	19,2	1,5	0	1,2	0	21,9
<b>Total</b>	<b>21,7</b>	<b>22,5</b>	<b>24</b>	<b>61,8</b>	<b>4,3</b>	<b>134,3</b>

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## Hungary

Funds allocated by sector 1990-1997 (ECU million)	1990-1993	1994	1995	1996	1997	Total
Admin. reform, public institutions, approximation of laws, consumer protection	24	0	3	18,5	13	58,5
Agricultural restructuring	68,5	0	10	0	0	78,5
Civil society and democratisation	0	0	0	0	0	0
Critical aid	0	0	0	0	0	0
Education, training and research	71,4	24	16	10	10	131,4
Environment and nuclear safety	47	15,5	12	0	0	74,5
Infrastructure (energy, transport, telecommunications)	8,3	29	36	26	29	128,3
Private sector, financial sector, integrated regional measures	142,4	16,5	11	46,5	36	252,4
Social development, employment and public health	39	0	2	0	0	41
Other (Multidisciplinary, general technical assistance, etc.)	5	0	2	0	0	7
<b>Total</b>	<b>405,6</b>	<b>85</b>	<b>92</b>	<b>101</b>	<b>88</b>	<b>771,6</b>

Tables show Phare funds allocated as part of national programmes, cross-border cooperation programmes, and the Tempus programme.

Latvia

Funds allocated by sector 1990-1997 (ECU million)	1990-1993	1994	1995	1996	1997	Total
Admin. reform, public institutions, approximation of laws, consumer protection	0	0	1,3	16	11,1	28,4
Agricultural restructuring	0	0	0	0,8	0	0,8
Civil society and democratisation	0	0	0	0	0	0
Critical aid	0	0	0	0	0	0
Education, training and research	3,5	5	2	3,6	3,5	17,5
Environment and nuclear safety	0	5,5	0	1,1	0	6,6
Infrastructure (energy, transport, telecommunications)	0	0	9,2	7,1	18,4	34,7
Private sector, financial sector, integrated regional measures	0	14,5	10,8	6,1	8,3	39,7
Social development, employment and public health	0	0	9,2	2,4	0	11,6
Other (Multidisciplinary, general technical assistance, etc.)	29	4,5	0	0	1,4	34,8
<b>Total</b>	<b>32,5</b>	<b>29,5</b>	<b>32,5</b>	<b>37</b>	<b>42,6</b>	<b>174,1</b>

Lithuania

Funds allocated by sector 1990-1997 (ECU million)	1990-1993	1994	1995	1996	1997	Total
Admin. reform, public institutions, approximation of laws, consumer protection	0	0	5,5	12,8	11	29,3
Agricultural restructuring	0	0	0	4,5	0	4,5
Civil society and democratisation	0	0	0	0,5	0	0,5
Critical aid	0	0	0	0	0	0
Education, training and research	4	6	3,5	5,7	7,3	26,5
Environment and nuclear safety	0	1	0	2,5	0	3,5
Infrastructure (energy, transport, telecommunications)	0	16,5	19	16,6	18,3	70,3
Private sector, financial sector, integrated regional measures	9,4	14,4	9,6	7,7	12,9	53,9
Social development, employment and public health	0	0	4,4	2,8	0	7,2
Other (Multidisciplinary, general technical assistance, etc.)	30,6	1	0	0	0,9	32,4
<b>Total</b>	<b>43,9</b>	<b>38,9</b>	<b>42</b>	<b>53</b>	<b>50,3</b>	<b>228,2</b>

Tables show Phare funds allocated as part of national programmes, cross-border cooperation programmes, and the Tempus programme.

Poland

Funds allocated by sector 1990-1997 (ECU million)	1990-1993	1994	1995	1996	1997	Total
Admin. reform, public institutions, approximation of laws, consumer protection	58,6	21,5	2	0	35,5	117,6
Agricultural restructuring	165	2,5	13	14	8	202,5
Civil society and democratisation	0	0	0	0	0	0
Critical aid	0	0	0	0	0	0
Education, training and research	104,3	39	37	30	20	230,3
Environment and nuclear safety	75	12	22	5	0	114
Infrastructure (energy, transport, telecommunications)	105,4	93,8	91	117	69,4	476,6
Private sector, financial sector, integrated regional measures	219,2	31	9	37	15	311,2
Social development, employment and public health	45,2	9	0	0	0	54,2
Other (Multidisciplinary, general technical assistance, etc.)	30	0	0	0	0	30
<b>Total</b>	<b>802,7</b>	<b>208,8</b>	<b>174</b>	<b>203</b>	<b>147,9</b>	<b>1536,3</b>

Romania

Funds allocated by sector 1990-1997 (ECU million)	1990-1993	1994	1995	1996	1997	Total
Admin. reform, public institutions, approximation of laws, consumer protection	10	9,6	0	0	28,6	48,2
Agricultural restructuring	71	0	10	0	4	85
Civil society and democratisation	0	5	0	0	2	7
Critical aid	80,3	0	0	0	0	80,3
Education, training and research	40,8	37	18	23	16,4	135,2
Environment and nuclear safety	5	0	0	8,4	35	48,4
Infrastructure (energy, transport, telecommunications)	8,9	25	38	75,5	0	147,4
Private sector, financial sector, integrated regional measures	115	23,4	0	8	10	156,4
Social development, employment and public health	40	0	0	0	4	44
Other (Multidisciplinary, general technical assistance, etc.)	69	0	0	3,5	0	72,5
<b>Total</b>	<b>440</b>	<b>100</b>	<b>66</b>	<b>118,4</b>	<b>100</b>	<b>824,4</b>

Tables show Phare funds allocated as part of national programmes, cross-border cooperation programmes, and the Tempus programme.

Slovakia

Funds allocated by sector 1990-1997 (ECU million)	1993	1994	1995	1996	1997	Total
Admin. reform, public institutions, approximation of laws, consumer protection	0	4	5,3	0	0	9,3
Agricultural restructuring	3	5	2,6	0	4	14,6
Civil society and democratisation	0	0	0,5	0	3	3,5
Critical aid	0	0	0	0	0	0
Education, training and research	5	9	5	4,5	4	27,5
Environment and nuclear safety	0	0	1	0	0	1
Infrastructure (energy, transport, telecommunications)	5	6,5	8,2	0	0	19,7
Private sector, financial sector, integrated regional measures	19	5	18,7	0	25	67,7
Social development, employment and public health	3	5,5	4,4	0	6	18,9
Other (Multidisciplinary, general technical assistance, etc.)	5	5	0,3	0	1	11,3
<b>Total</b>	<b>40</b>	<b>40</b>	<b>46</b>	<b>4,5</b>	<b>43</b>	<b>173,5</b>

Note: from 1993 Phare funding was provided separately to the Czech Republic and Slovakia

Slovenia

Funds allocated by sector 1990-1997 (ECU million)	1990-1993	1994	1995	1996	1997	Total
Admin. reform, public institutions, approximation of laws, consumer protection	0	0	0	8,3	10,3	18,6
Agricultural restructuring	0	0	0	0	0	0
Civil society and democratisation	0	0	0	0	0	0
Critical aid	0	0	0	0	0	0
Education, training and research	5,7	5,5	2,6	1,3	2,3	17,3
Environment and nuclear safety	0	0	0	0	4	4
Infrastructure (energy, transport, telecommunications)	0	6	7,4	3,9	3	20,3
Private sector, financial sector, integrated regional measures	0	12,5	3	6,6	5,5	27,6
Social development, employment and public health	0	0	4,4	2	0	6,4
Other (Multidisciplinary, general technical assistance, etc.)	13,6	0	7,6	0	0	21,2
<b>Total</b>	<b>19,3</b>	<b>24</b>	<b>25</b>	<b>22</b>	<b>25</b>	<b>115,3</b>

Tables show Phare funds allocated as part of national programmes, cross-border cooperation programmes, and the Tempus programme.

**Albania**

<b>Funds allocated by sector 1990-1997 (ECU million)</b>	<b>1990-1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Admin. reform, public institutions, approximation of laws, consumer protection	1,1	4,6	0	8,8	21,2	35,7
Agricultural restructuring	25	5	0	1,7	6	37,7
Civil society and democratisation	0	0	0	0	0	0
Critical aid	67,5	7	0	0	0	74,5
Education, training and research	3,7	2,4	3,5	4	2,5	16,1
Environment and nuclear safety	3,3	0	0	1,5	6,7	11,5
Infrastructure (energy, transport, telecommunications)	4,3	23	34	37	32	130,3
Private sector, financial sector, integrated regional measures	77	0	43,5	0	0,5	121
Social development, employment and public health	6	7	0	0	0	13
Other (Multidisciplinary, general technical assistance, etc.)	3,8	0	7	0	0	10,8
<b>Total</b>	<b>191,8</b>	<b>49</b>	<b>88</b>	<b>53</b>	<b>68,9</b>	<b>450,6</b>

**Bosnia and Herzegovina**

<b>Funds allocated by sector 1990-1997 (ECU million)</b>	<b>1990-1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Admin. reform, public institutions, approximation of laws, consumer protection	0	0	0	9	0	9
Agricultural restructuring	0	0	0	0	10	10
Civil society and democratisation	0	0	0	0	2,7	2,7
Critical aid	37,3	0	0	125	0	162,3
Education, training and research	0	0	0	1	5	6
Environment and nuclear safety	0	0	0	0	0	0
Infrastructure (energy, transport, telecommunications)	0	0	0	0	38	38
Private sector, financial sector, integrated regional measures	0	0	0	3	0	3
Social development, employment and public health	0	0	0	0	17,3	17,3
Other (Multidisciplinary, general technical assistance, etc.)	0	0	0	2	0	2
<b>Total</b>	<b>37,3</b>	<b>0</b>	<b>0</b>	<b>140</b>	<b>73</b>	<b>250,3</b>

Tables show Phare funds allocated as part of national programmes, cross-border cooperation programmes, and the Tempus programme.

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**FYROM**

<b>Funds allocated by sector 1990-1997 (ECU million)</b>	<b>1990-1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Admin. reform, public institutions, approximation of laws, consumer protection	0	2	0	4,1	5,8	11,9
Agricultural restructuring	0	0	0	3,9	0	3,9
Civil society and democratisation	0	0	0	0	0	0
Critical aid	34,6	22,9	24,9	0	0	82,4
Education, training and research	0	0	0	2	2	4
Environment and nuclear safety	0	0	0	0	2	2
Infrastructure (energy, transport, telecommunications)	0	0	0	10	14	24
Private sector, financial sector, integrated regional measures	0	0	0	4,8	7,4	12,2
Social development, employment and public health	0	0	0	0	0	0
Other (Multidisciplinary, general technical assistance, etc.)	0	0	0	0,2	1,8	2
<b>Total</b>	<b>34,6</b>	<b>24,9</b>	<b>24,9</b>	<b>25</b>	<b>33</b>	<b>142,4</b>

**Multi-country programmes**

<b>Funds allocated by sector 1990-1997 (ECU million)</b>	<b>1990-1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Admin. reform, public institutions, approximation of laws, consumer protection	21,9	25	0	22	25,5	94,4
Agricultural restructuring	0	0	0	0	0	0
Civil society and democratisation	0	0	0	0	0	0
Critical aid	51	0	0	0	0	51
Education, training and research	93,1	13	8,5	5	2,5	122,1
Environment and nuclear safety	88,5	13	20	10	17	148,5
Infrastructure (energy, transport, telecommunications)	58,6	31	70,5	39	21	220
Private sector, financial sector, integrated regional measures	68,6	4	5	49	16	142,6
Social development, employment and public health	0	0	0	0	0	0
Other (Multidisciplinary, general technical assistance, etc.)	1,5	0	0	0,5	1,2	3,2
<b>Total</b>	<b>383,1</b>	<b>86</b>	<b>104</b>	<b>125,5</b>	<b>83,2</b>	<b>781,7</b>

Tables show Phare funds allocated as part of national programmes, cross-border cooperation programmes, and the Tempus programme.

**Other programmes**

<b>Funds allocated by sector 1990-1997 (ECU million)</b>	<b>1990-1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Admin. reform, public institutions, approximation of laws, consumer protection	0	7	2	32	18,9	59,9
Agricultural restructuring	0	0	0	0	0	0
Civil society and democratisation	14,5	9,2	10	21,7	10	65,4
Critical aid	37,7	0	0	0	0	37,7
Education, training and research	16,8	6,7	17,8	12,9	13,9	68,2
Environment and nuclear safety	20	23	20	15	11,7	89,7
Infrastructure (energy, transport, telecommunications)	0	2	0	0	100	102
Private sector, financial sector, integrated regional measures	0	21	106	0	2	129
Social development, employment and public health	0	6	20	10,5	30	66,5
Other (Multidisciplinary, general technical assistance, etc.)	120,9	41,3	66,1	69,7	76	374
<b>Total</b>	<b>209,9</b>	<b>116,2</b>	<b>241,9</b>	<b>161,8</b>	<b>262,5</b>	<b>992,4</b>

Tables show Phare funds allocated as part of national programmes, cross-border cooperation programmes, and the Tempus programme.

**Admin. reform, public institutions,  
approximation of laws, consumer  
protection**

**Funds allocated by country 1990-1997  
(ECU million)**

	1990-1993	1994	1995	1996	1997	Total
Albania	1,1	4,6	0	8,8	21,2	35,7
Bosnia and Herzegovina	0	0	0	9	0	9
Bulgaria	16	1,2	2	2	0	21,2
Czech Republic	0	11	7	0	18	36
Estonia	0	0	2,8	25,3	0	28,1
FYROM	0	2	0	4,1	5,8	11,9
Hungary	24	0	3	18,5	13	58,5
Latvia	0	0	1,3	16	11,1	28,4
Lithuania	0	0	5,5	12,8	11	29,3
Poland	58,6	21,5	2	0	35,5	117,6
Romania	10	9,6	0	0	28,6	48,2
Slovakia	0	4	5,3	0	0	9,3
Slovenia	0	0	0	8,3	10,3	18,6
Multi-country programmes	21,9	25	0	22	25,5	94,4
Other	0	7	2	32	18,9	59,9
<b>Total</b>	<b>131,6</b>	<b>85,9</b>	<b>30,9</b>	<b>158,8</b>	<b>198,9</b>	<b>606,1</b>

Phare funding was provided separately to the Czech Republic and Slovakia from 1993

**Agricultural restructuring****Funds allocated by country 1990-1997  
(ECU million)**

	1990-1993	1994	1995	1996	1997	Total
Albania	25	5	0	1,7	6	37,7
Bosnia and Herzegovina	0	0	0	0	10	10
Bulgaria	51	0	5	0	0	56
Czech Republic	0	4,5	0	0	0	4,5
Estonia	0	0	0	3	0	3
FYROM	0	0	0	3,9	0	3,9
Hungary	68,5	0	10	0	0	78,5
Latvia	0	0	0	0,8	0	0,8
Lithuania	0	0	0	4,5	0	4,5
Poland	165	2,5	13	14	8	202,5
Romania	71	0	10	0	4	85
Slovakia	3	5	2,6	0	4	14,6
Slovenia	0	0	0	0	0	0
Multi-country programmes	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total</b>	<b>383,5</b>	<b>17</b>	<b>40,6</b>	<b>27,9</b>	<b>32</b>	<b>501</b>

Phare funding was provided separately to the Czech Republic and Slovakia from 1993

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## Civil society and democratisation

### Funds allocated by country 1990-1997 (ECU million)

	1990-1993	1994	1995	1996	1997	Total
Albania	0	0	0	0	0	0
Bosnia and Herzegovina	0	0	0	0	2,7	2,7
Bulgaria	0	1,2	0	1,5	0	2,7
Czech Republic	0	0	0	0	3	3
Estonia	0	0	0	0	0	0
FYROM	0	0	0	0	0	0
Hungary	0	0	0	0	0	0
Latvia	0	0	0	0	0	0
Lithuania	0	0	0	0,5	0	0,5
Poland	0	0	0	0	0	0
Romania	0	5	0	0	2	7
Slovakia	0	0	0,5	0	3	3,5
Slovenia	0	0	0	0	0	0
Multi-country programmes	0	0	0	0	0	0
Other	14,5	9,2	10	21,7	10	65,4
<b>Total</b>	<b>14,5</b>	<b>15,4</b>	<b>10,5</b>	<b>23,7</b>	<b>20,7</b>	<b>84,8</b>

Phare funding was provided separately to the Czech Republic and Slovakia from 1993

**Critical aid****Funds allocated by country 1990-1997  
(ECU million)**

	1990-1993	1994	1995	1996	1997	Total
Albania	67,5	7	0	0	0	74,5
Bosnia and Herzegovina	37,3	0	0	125	0	162,3
Bulgaria	24,9	0	0	0	20	44,9
Czech Republic	0	0	0	0	0	0
Estonia	0	0	0	0	0	0
FYROM	34,6	22,9	24,9	0	0	82,4
Hungary	0	0	0	0	0	0
Latvia	0	0	0	0	0	0
Lithuania	0	0	0	0	0	0
Poland	0	0	0	0	0	0
Romania	80,3	0	0	0	0	80,3
Slovakia	0	0	0	0	0	0
Slovenia	0	0	0	0	0	0
Multi-country programmes	51	0	0	0	0	51
Other	37,7	0	0	0	0	37,7
<b>Total</b>	<b>333,3</b>	<b>29,9</b>	<b>24,9</b>	<b>125</b>	<b>20</b>	<b>533</b>

Phare funding was provided separately to the Czech Republic and Slovakia from 1993

## Education, training and research

### Funds allocated by country 1990-1997 (ECU million)

	1990-1993	1994	1995	1996	1997	Total
Albania	3,7	2,4	3,5	4	2,5	16,1
Bosnia and Herzegovina	0	0	0	1	5	6
Bulgaria	30,3	12	21	12	0	75,3
Czech Republic	8	5,5	8	7,5	3	32
Estonia	2,5	4,5	4,2	4	1,2	16,4
FYROM	0	0	0	2	2	4
Hungary	71,4	24	16	10	10	131,4
Latvia	3,5	5	2	3,6	3,5	17,6
Lithuania	4	6	3,5	5,7	7,3	26,5
Poland	104,3	39	37	30	20	230,3
Romania	40,8	37	18	23	16,4	135,2
Slovakia	5	9	5	4,5	4	27,5
Slovenia	5,7	5,5	2,6	1,3	2,3	17,4
Multi-country programmes	93,1	13	8,5	5	2,5	122,1
Other	16,8	6,7	17,8	12,9	13,9	68,1
<b>Total</b>	<b>389,1</b>	<b>169,6</b>	<b>147,1</b>	<b>126,4</b>	<b>93,6</b>	<b>925,7</b>

Phare funding was provided separately to the Czech Republic and Slovakia from 1993

**Environment and nuclear safety**

**Funds allocated by country 1990-1997  
(ECU million)**

	1990-1993	1994	1995	1996	1997	Total
Albania	3,3	0	0	1,5	6,7	11,5
Bosnia and Herzegovina	0	0	0	0	0	0
Bulgaria	49,1	5	7	6	0	67,1
Czech Republic	0	0	0	5	0	5
Estonia	0	2,5	0	1	0	3,5
FYROM	0	0	0	0	2	2
Hungary	47	15,5	12	0	0	74,5
Latvia	0	5,5	0	1,1	0	6,6
Lithuania	0	1	0	2,5	0	3,5
Poland	75	12	22	5	0	114
Romania	5	0	0	8,4	35	48,4
Slovakia	0	0	1	0	0	1
Slovenia	0	0	0	0	4	4
Multi-country programmes	88,5	13	20	10	17	148,5
Other	20	23	20	15	11,7	89,7
<b>Total</b>	<b>287,9</b>	<b>77,5</b>	<b>82</b>	<b>55,5</b>	<b>76,4</b>	<b>579,3</b>

Phare funding was provided separately to the Czech Republic and Slovakia from 1993

**Infrastructure (energy, transport,  
telecommunications)**

**Funds allocated by country 1990-1997  
(ECU million)**

	1990-1992	1994	1995	1996	1997	Total
Albania	4,3	23	34	37	32	130,3
Bosnia and Herzegovina	0	0	0	0	38	38
Bulgaria	39,9	62,6	48	40	0	190,5
Czech Republic	9	25	91	34	25	184
Estonia	0	6	5	18,3	3,1	32,4
FYROM	0	0	0	10	14	24
Hungary	8,3	29	36	26	29	128,3
Latvia	0	0	9,2	7,1	18,4	34,7
Lithuania	0	16,5	19	16,6	18,3	70,4
Poland	105,4	93,8	91	117	69,4	476,6
Romania	8,9	25	38	75,5	0	147,4
Slovakia	5	6,5	8,2	0	0	19,7
Slovenia	0	6	7,4	3,9	3	20,3
Multi-country programmes	58,6	31	70,5	39	21	220,1
Other	0	2	0	0	100	102
<b>Total</b>	<b>239,4</b>	<b>326,4</b>	<b>457,3</b>	<b>424,4</b>	<b>371,2</b>	<b>1818,6</b>

Phare funding was provided separately to the Czech Republic and Slovakia from 1993

**Private sector, financial sector,  
integrated regional measures**

**Funds allocated by country 1990-1997  
(ECU million)**

	1990-1993	1994	1995	1996	1997	Total
Albania	77	0	43,5	0	0,5	121
Bosnia and Herzegovina	0	0	0	3	0	3
Bulgaria	63,3	3	0	1	20	87,3
Czech Republic	27	0	1	7,5	0	35,5
Estonia	0	8	9,1	9	0	26,1
FYROM	0	0	0	4,8	7,4	12,2
Hungary	142,4	16,5	11	46,5	36	252,4
Latvia	0	14,5	10,8	6,1	8,3	39,7
Lithuania	9,4	14,4	9,6	7,7	12,9	54
Poland	219,2	31	9	37	15	311,2
Romania	115	23,4	0	8	10	156,4
Slovakia	19	5	18,7	0	25	67,7
Slovenia	0	12,5	3	6,6	5,5	27,6
Multi-country programmes	68,6	4	5	49	16	142,6
Other	0	21	106	0	2	129
<b>Total</b>	<b>740,9</b>	<b>153,3</b>	<b>226,7</b>	<b>186,2</b>	<b>158,6</b>	<b>1459,6</b>

Phare funding was provided separately to the Czech Republic and Slovakia from 1993

**Social development, employment and public health**

**Funds allocated by country 1990-1997  
(ECU million)**

	1990-1993	1994	1995	1996	1997	Total
Albania	6	7	0	0	0	13
Bosnia and Herzegovina	0	0	0	0	17,3	17,3
Bulgaria	31,8	0	0	0	20	51,8
Czech Republic	8	14	2	0	11	35
Estonia	0	0	2,9	0	0	2,9
FYROM	0	0	0	0	0	0
Hungary	39	0	2	0	0	41
Latvia	0	0	9,2	2,4	0	11,6
Lithuania	0	0	4,4	2,8	0	7,2
Poland	45,2	9	0	0	0	54,2
Romania	40	0	0	0	4	44
Slovakia	3	5,5	4,4	0	6	18,9
Slovenia	0	0	4,4	2	0	6,4
Multi-country programmes	0	0	0	0	0	0
Other	0	6	20	10,5	30	66,5
<b>Total</b>	<b>173</b>	<b>41,5</b>	<b>49,3</b>	<b>17,7</b>	<b>88,3</b>	<b>369,8</b>

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Phare funding was provided separately to the Czech Republic and Slovakia from 1993

**Other sectors**

**Funds allocated by country 1990-1997  
(ECU million)**

	1990-1993	1994	1995	1996	1997	Total
Albania	3,8	0	7	0	0	10,8
Bosnia and Herzegovina	0	0	0	2	0	2
Bulgaria	1,5	0	0	0	6	7,5
Czech Republic	8	0	1	0	0	9
Estonia	19,2	1,5	0	1,2	0	21,9
FYROM	0	0	0	0,2	1,8	2
Hungary	5	0	2	0	0	7
Latvia	29	4,5	0	0	1,4	34,9
Lithuania	30,6	1	0	0	0,9	32,5
Poland	30	0	0	0	0	30
Romania	69	0	0	3,5	0	72,5
Slovakia	5	5	0,3	0	1	11,3
Slovenia	13,6	0	7,6	0	0	21,2
Multi-country programmes	1,5	0	0	0,5	1,2	3,2
Other	120,9	41,3	66,1	69,7	76	374
<b>Total</b>	<b>337,1</b>	<b>53,3</b>	<b>84</b>	<b>77,1</b>	<b>88,3</b>	<b>639,7</b>

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