



PHARE

INFOPHARE

NEWSLETTER OF THE PHARE INFORMATION OFFICE ISSUE 1 FEBRUARY 1994

PHARE in 1993: Sharper focus on end users - and longer-term horizons

1993 has seen developments in two key areas. Speed and efficiency in bringing PHARE assistance to its targets have been improved by increasing the emphasis on decentralisation. Over 100 local Programme Management Units are now spread throughout the beneficiary countries. And PHARE programming, originally planned on a yearly basis to respond to the most urgent needs, has now moved on to become multiannual. PHARE priorities can now be selected on the basis of a medium-term policy framework.

The PHARE budget in 1993 was ECU 1005.25 million, which has been committed to a wide variety of programmes to underpin the reform process in the 11 beneficiary countries: Albania, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. Since 1990, some ECU 3.3 billion has been committed by the European Community in technical assistance to these countries.

During that period, almost one quarter of PHARE assistance has gone to Poland, followed by Romania

(13.4%) and Hungary (12.3%). The biggest recipient in per capita terms is Albania, reflecting the severity of problems in that country.

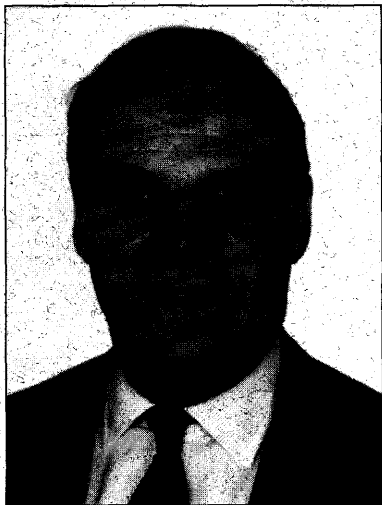
PHARE assistance is demand-driven. It provides the resources and assistance, but the priorities are set by the beneficiary countries. Projects are carried out and supported locally by PHARE technical experts. Responsibility for the planning, implementation and evaluation of the programmes lies with the local Programme Management Units.

The programmes cover many areas. Amongst them, private sector development, industrial base restructuring and privatisation (18% of the total over the past three years); education, training and research (12.7%); environment (9.6%); and humanitarian and food aid (8.5%) were the most important.

The need for support in all beneficiary countries remains just as great, and its success just as critical. PHARE harnesses resources, responds to technology gaps and brings western expertise together with local potential. Every programme represents one more step in bringing the countries of central and eastern Europe closer to structural and technological parity with their western neighbours. It is undoubtedly the most vital and demanding challenge for all of Europe in the years ahead, PHARE is the catalyst to a successful future.



Editorial



Sir Leon Brittan

I am very pleased to be able to present to you the first issue of INFOPHARE, the newsletter of the PHARE programme. Its aim is to bring factual information about PHARE - the decisions, changes, projects, achievements - to all who need it.

Since its creation in 1989, PHARE has mobilised over ECU 3.3 billion in assistance to central and eastern Europe. It is the largest programme of its kind in the world.

The priorities have changed since the early days. What started as emergency assistance has both evolved and expanded. A wide range of technical assistance has been channelled into the areas that most need it, working initially to support social and economic policy reforms, and now committed to multiannual projects aimed at carrying out those reforms and stimulating investment.

It is a vast undertaking, harnessing expert resources from the private and public sectors in the Community, the beneficiary countries and the G 24 countries.

The funding and the expertise is vital, but one further element is perhaps just as important: communication. The exchange of information provides the essential link between producer and consumer. It is also the bridge maintaining constant contact between the two parts of Europe as they move closer together.

INFOPHARE is one element in the Commission's information policy of openness and transparency, and it targets a wide but specialised audience: civil servants, consultants, academics, politicians, workers in development bodies, local and regional authorities and the media. I sincerely hope INFOPHARE will become a forum for an exchange of views and ideas for everyone involved in the historic task of supporting reform in eastern Europe.

A handwritten signature in black ink, appearing to read 'Leon Brittan'. The signature is stylized and written in a cursive-like font.

Sir Leon Brittan.

Green PHARE

"Perhaps the most important issue facing our age is how to create harmony between socio-economic development and our natural environment".

Those words, spoken by Dr Hargitai Sándor of Hungary's Central Environment Protection Secretariat, ring all the more true in central and eastern Europe.

After decades of environmental neglect, the former COMECON countries' pollution is proving more enduring than their technology. The gulf between east and west is huge; repairing the deficit has become a major focus of PHARE activity.

In Hungary, ECU 45 million have been committed to environmental projects since 1990. The main priority is urban air pollution, and one successful PHARE project has resulted in the introduction of cleaner buses to the streets of Budapest.

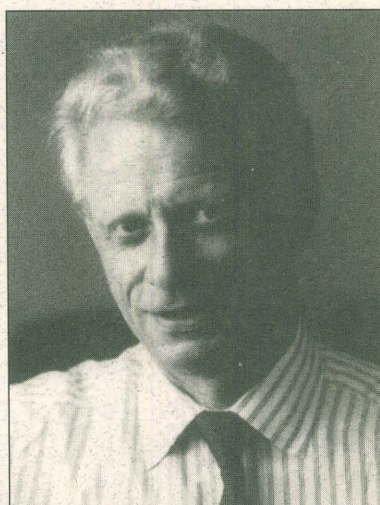
With help from PHARE technical experts, Raba (the Budapest public transport company) and the Auto Industrial Research and Development Company have developed a new, 'green' diesel engine. Dubbed the D-10, it is one of the cleanest diesel engines ever designed, reducing carbon emissions by up to 400 kg per engine per year. 150 buses equipped with the new engine started operations on 5 November 1993. Another 650 will follow over the next year. 23 further cities in Hungary are already actively following up on the project.

Moving on...

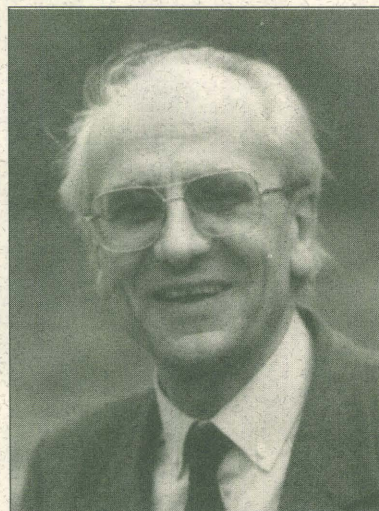
Jean-Louis Cadieux, Deputy Director-General of the Directorate General for External Economic Relations and the man in charge of Commission services dealing with the countries of central and eastern Europe, left his post in 1993. He has been a key player in developing the Community's response to the historic changes sweeping this region.

Among many other successes, Mr Cadieux played a major role in establishing and developing both the PHARE and TACIS programmes.

Our sincere thanks to Mr Cadieux for all his commitment to and enthusiasm for the European cause. He leaves a rich legacy of achievements.



Robert Verrue



Jean-Louis Cadieux

...and moving in...

Mr Cadieux's successor is Robert Verrue, formerly Director for Industrial Policy at the Directorate-General for Industrial Affairs and the Internal Market (DG III).

Mr Verrue is 46 years old, French, and has been at the Commission since 1973, when he started as an Administrator in the Directorate-General for Economic Affairs.

We wish him every success in his challenging new role.

PHARE plays an ACE

Support for 234 projects totalling 5.6
MECU

The European Commission has just given its approval for 234 PHARE projects to be funded from the ACE programme (Action for Cooperation in the field of Economics). The projects will promote links between professional and research economists from the EC and the countries of central and eastern Europe, and will focus on research that is specific to economies in transition.

The lion's share of the ACE funds will target the central issues of privatisation, management changes in state enterprises, industrial reconstruction, debt management, taxation, and labour market reform.

A major element in ACE-funded projects is their international dimension. The economic and management issues addressed apply to all the PHARE countries; not just to the situation in one particular country. By creating networks covering a number of countries, experts are better able to pool their knowledge; and progress on the complex questions of converting to market economy mechanisms is streamlined. Ultimately, the biggest winners will be, appropriately enough, precisely those countries currently struggling hardest to forge ahead with the transformation process.

As an independent evaluation of the first two years of ACE's operations concluded: "The impact of the programme on research into the economics of the transition to the market was very substantial".



PHARE

PHARE's lean systems

Masokombinat is a meat processing plant in Planá nad Luznicí in the Czech Republic. In 1991, Masokombinat's managers decided their business needed a radical shake-up in order to survive in the new economic environment. They called on PHARE's Restructuring and Privatisation Unit in Prague for advice and support.

After extensive discussions, a three-pronged reform strategy was adopted. The targets: to completely rethink the management system, create a new organisational structure and establish an information system to collect and process vital data in real time. The concept was accepted by the Ministry of Agriculture and passed on to the PHARE unit working in the Ministry.

Following a competitive tender, the Dutch company Coveconsult - a proven meat sector expert - was brought in. They in turn teamed up with consultants KPMG, already well-established in the Czech Republic, and work on the project started immediately.

In-depth inventories and analyses were made of every area of Masokombinat's operation, covering all elements from production techniques and marketing right up to quality systems and future risks.

Recommendations were made in early May; the final report handed over in mid-September. The new system takes in every aspect of the business and is perfectly tailored to Masokombinat's operations.

The full impact of the project will only become known with time, but the initial effects are being felt already. Bohumil Muchna, director of Masokombinat, confirms the benefits: "The result is very positive. What we have now is a kind of recipe book to help us adapt our company to the marketplace and prepare us for competition with the top businesses in Europe"

"What was so important was the fact that we were able to cooperate with western experts and managers over a long period. We saw how they worked, how they approached problems and how they solved them. I'd say we learned a lot".



PHARE

Restructuring agency for Romania

The Commission of the European Communities is taking advantage of the PHARE programme in Romania to finance the design and setting up of a Restructuring Agency.

The Agency's task will be to identify and restructure as many as 100 large-scale loss-making state industries, mainly taken from the chemical, petrochemical, steel and machine tool sectors. The Romanian Government's aim is to stop the drain on national resources caused by these industries and produce restructuring models that are tailored to meet the specific needs of each sector.

The provision of PHARE technical assistance is just one of the Commission-funded initiatives supporting the Romanian Government's enterprise reform programme.

Largest PHARE project to date in financial sector

PHARE technical assistance is being provided to seven of Poland's state-owned commercial banks: BPH Krakow, BDK Lublin, PBG Lodz, PBK Wasa, Bank Zachodni, Bank Gdanski and PBK Szczecin.

Each will receive more than 7500 man-hours of support over an initial period of 10 months. This represents a total value of 5.1 MECU in contracts signed. The formal objective is to support the implementation of the new law on Enterprise and Bank Restructuring.

More immediately, however, each of the consulting teams will be helping its bank to recover loans by developing plans for restructuring debtor companies. Long-term, the objective is to create self-sufficient, in-house loan workout departments supporting viable private enterprises.

This is the largest financial sector programme ever financed by PHARE, and its impact will be far-reaching. The assistance will play a vital part in accelerating the development of a sound commercial banking sector, and its success will be central to the success of Poland's rapidly emerging market economy.

PHARE helps Poland's local communities

Nine local Polish communities have received a total of over 6 MECU in PHARE support to develop self-help action programmes to combat unemployment.

The projects have brought together local authorities, trade unions, employers, local interest groups and individuals from each of the communities concerned.

Selected from entrants to a competition run by the grass-roots Local Initiatives Advisory Council, the nine winning communities all suffer from spiralling unemployment, often due to the closure of former state-run factories.

The initiatives include enterprise clubs, computer and business skills, training in tourism and advice on finance.

One project in Wicko will train unemployed people in traditional craft skills to tap into the flourishing local tourist industry. Another in Lubawka, where unemployment currently runs at a frightening 33%, will provide training in the skills required to tackle the market economy. Lubawka's Mayor, Szymon Tadeusz Kalizsuk, stated:

"Working together on the programme has lit a fire in the hearts of the local people. Getting the seed finance means we can move more quickly, and we are really grateful to the European Community for this opportunity".

Commenting in Brussels on the awards, Sir Leon Brittan underlined the high quality of the action plans proposed. "Many are of a standard it would be difficult to beat in comparable communities in western Europe", he said.

PHARE backing for business networks

PHARE

PHARE is using EC know-how to set up business information and support networks in the East.

Contracts worth 1.8 MECU have been finalised.

Eurochambers, representing the national Chambers of Commerce and Industry from 24 European countries, is working on two programmes. The first will strengthen the Chambers of Commerce and Industry in PHARE countries to improve on-the-spot services provided to local enterprises. 50 staff will visit the PHARE countries to provide hands-on help with the scheme.

In the second project, 100 middle managers will develop solutions to the specific problems they face in their countries. The scheme underlines the value of information exchange and communications between businesses.

Another related project involves EBN, the European Business and Innovation Centre Network. EBN is helping with the establishment of Business and Information Centres in PHARE countries.

Finally, EVCA, the European Venture Capital Association with members in 15 countries, is working on a number of PHARE-funded projects to support venture capital and entrepreneurship in PHARE countries. This includes organising management development, information exchange and networking.

Slovakia: From swords to ploughshares

At its peak, the Slovak defence industry employed 80,000 people - almost 1 in 20 of the entire national workforce. With its former markets now collapsed and unable to compete on equal technological terms with the West, the implosion of the Slovak defence industry is a social disaster on a massive scale. Not surprisingly, converting it to civilian production is a key priority of Slovak economic policy.

PHARE has been helping the Slovak Government with its conversion programme since early 1991, developing conversion models and improving the efficiency of exclusively non-military production.

What these companies most need now, however, are western contacts and partners. Slovakia offers major investment potential to the entrepreneur: a skilled workforce, specialist skills and low running costs.

To bring the two together, PHARE organised and hosted an international conference on the conversion of the Slovak military industry in Brussels in November 1993. Businessmen from more than 100 western European enterprises were able to meet their Slovak counterparts from 22 of the largest Slovak defence companies and discuss conditions for foreign investment. As well as prominent western industrialists, the conference was attended by senior Slovak Government officials including Mr Prokes, the Deputy Prime Minister of Slovakia.

Each Slovak company made a presentation on its conversion plans, followed by workshops and individual discussion sessions. The western firms offered cooperation and consultancy advice and many agreed on mutual exchange of production and commercial plans with Slovak companies with a view to future joint-venture activity. Both Mr Prokes and Alan Mayhew, Director of the PHARE programme expressed their satisfaction with the conference.



PHARE

PHARE contributes to Polish rail- way upgrade

Under the PHARE programme, the European Commission is contributing to funding for an ECU 200 million project to upgrade the 630 km of track and services on the Polish section of the Berlin-Warsaw railway. PKP, the Polish railway company, will use the funds to finance track-renewal, platform construction, and laying fibre-optic telecommunication cables.

The result: radically improved communications with the West.

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Summary of the PHARE Programmes 1993

All figures in MECU

A. NATIONAL PROGRAMMES	801		
Albania		Romania	
Balance of payments support	35	TEMPUS	18
TEMPUS	2.5	Restructuring and private sector	70
Health Sector	6	General Technical Assistance Facility	27
Private Sector	7	Agriculture	5
Environment	3.3	Customs	<u>10</u>
Public Administration	1.2		130
Agriculture	<u>10</u>		
	65	Slovakia	
Bulgaria		Private Sector	19
Nuclear Safety	4.8	General Technical Assistance Facility	5
Health	10.8	Infrastructure	5
TEMPUS	15	Human resources	3
Privatisation & Tourism	6	Agriculture and Land Registration	3
Infrastructure	24.7	TEMPUS	<u>5</u>
Financial & Banking	5		40
Customs	8	Slovenia	
General Technical Assistance Facility	<u>16</u>	General Technical Assistance Facility	7.5
	90	TEMPUS	<u>3.5</u>
			11
Czech Republic		Ex-Yugoslavia	
General Technical Assistance Facility	8	FYR Macedonia Import Programme	<u>25</u>
Infrastructure	9		25
Private Sector	27		
Human Resources	8	B. HUMANITARIAN AID	19.9
TEMPUS	<u>8</u>	Albania: schools, etc.	10
	60	Romania: food aid	9.9
Estonia			
General Technical Assistance Facility	10.5	C. REGIONAL PROGRAMMES	112.25
TEMPUS	<u>0.5</u>	Nuclear Safety	20
	11	TEMPUS - technical assistance	5.5
Hungary		TEMPUS - regional	10.25
Technical Assistance: Europe Agreements	1	Energy extension	5
TEMPUS	16	Joint venture programme (JOPP)	27.5
Private Sector	31	Transport	20
Agriculture	30.5	Drug extension	10
Health	10	Transport extension	4
Technical Assistance: Aid Coordination	1.5	Customs extension	10
Quality Management &			
Technology Development	<u>10</u>	D. OTHERS	72.1
	100	EBRD - Multidisciplinary	12.5
Latvia		Multidisciplinary'93	27
General Technical Assistance Facility	16	Information	2.7
TEMPUS	<u>2</u>	TEMPUS: extra Albania and Baltic States	9.9
	18	Democracy	10
Lithuania		Partnership & Institution Building	10
General Technical Assistance Facility	22.5	TOTAL FUNDING	1005.25
TEMPUS	<u>2.5</u>		
	25		
Poland			
TEMPUS	35		
Statistical Information System	12		
Financial Sector	10		
Investment Promotion	10		
Standards and norms	5		
Customs	15		
Safe Society	10		
Agriculture and rural development	30		
Training and educational reform	10		
Transport infrastructure	30		
Telecommunications and postal services	7		
Flexible reserve for technical assistance	18		
Enterprise restructuring	8		
Tourism	8		
Transport	<u>18</u>		
	225		

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