



Phare

Indicative  
Programmes

N°2 1995

published by the European Commission



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# Introduction

This brochure aims to give the interested public an insight into the Indicative Programmes, Phare's strategy documents for its partner countries. These set down a partner country's priorities for Phare support and form the framework on which the operational programmes are designed.

There are three types of Indicative Programme. Yearly Indicative Programmes indicate a country's priorities by looking ahead no more than a year. Multi-annual Indicative Programmes, which are becoming the norm, plan ahead for anything up to four years. Finally, Cross-border Indicative Programmes outline the activities foreseen for the programmes that build links between the border regions of European Union Member States and Phare partner countries.

Indicative Programmes are published after they have been approved by both the Commission and the partner countries.

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## What is Phare?

The Phare Programme is a European Community initiative which supports the development of a larger democratic family of nations within a prosperous and stable Europe. Its aim is to help the countries of central and eastern Europe rejoin the mainstream of European development through future membership of the European Union.

Phare does this by providing grant finance to support its partner countries through the process of economic transformation and strengthening of democracy to the stage where they are ready to assume the obligations of membership of the European Union.

In its first five years of operation to 1994, Phare has made available ECU 4,248.5 million to 11 partner countries, making Phare the largest assistance programme of its kind.

Phare works in close cooperation with its partner countries to decide how funds are to be spent, within a framework agreed with the European Community. This ensures that Phare funding is relevant to each government's own reform policies and priorities.

Phare provides know-how from a wide range of non-commercial, public and private organisations to its partner countries. It acts as a multiplier by stimulating investment and responding to needs that cannot be met by others. Phare acts as a powerful catalyst by unlocking funds for important projects from other donors through studies, capital grants, guarantee schemes and credit lines. It also invests directly in infrastructure, which will account for more Phare funds as the integration process progresses.

The main priorities for Phare funding are common to all countries, although every one is at a different stage of transformation. The key areas include restructuring of state enterprises including agriculture, private sector development, reform of institutions, legislation and public administration, reform of social services, employment, education and health, development of energy, transport and telecommunications infrastructure, and environment and nuclear safety.

For countries which have signed Europe Agreements, Phare funding is also focused on meeting the conditions required for membership of the European Community. In particular, this concerns preparation for participation in the European Union's internal market and development of infrastructure, especially in border regions.

# Albania

## Multi-annual Indicative Programme for cross-border cooperation with Greece

Duration	1995-1999
Amount	ECU 9 million per annum (indicative amount only)

The Multi-annual Indicative Programme (MIP) has been prepared under the Phare cross-border cooperation programme for the Albanian-Greek border regions. The time frame for completion of projects within the MIP is five years and coherence is therefore ensured within the long-term development of the region.

The Albanian border region, mainly rural and mountainous, suffers from poor infrastructure connections with limited access to the rest of the country and to Greece. Activities are concentrated in specific sub-areas and small towns like Gjirokastra and Korca. The main economic activities are agricultural in nature, industrial activities being marginal and the mining sector only having local importance. Labour market conditions and unemployment pose a problem, although the unemployment level is lower in the south, owing to high emigration levels, particularly to Greece.

The corresponding region on the Greek side has similar difficulties, being mountainous, isolated for the main part and suffering from demographic and economic inertia, combined with a weak economic structure, despite the relative dynamism of the SME sector and the potential for development of the manufacturing sector. The topography of the region hampers communications and infrastructure is often inadequate.

The strategic location of the area in the north-east Mediterranean renders it a favourable location for trans-European networks. Another asset is the area's natural beauty and valuable ecosystems which offer both tourism and agricultural potential.

The top developmental priorities of the region are to

- harmonise transport infrastructure operations to facilitate the transfer of people and goods between the two countries
- strengthen economic cooperation by increasing economic compatibility between areas on both sides of the border
- improve human conditions through interventions in health care and the environment.

Together with these priorities, the MIP aims to strengthen economic cooperation and integration and overcome the socio-economic gap between Albanian and Greek border areas. More particularly, it aims to

- complement INTERREG programmes on the Albanian side of the border in the case of common projects
- promote cooperation between the Albanian and Greek border regions
- help the border regions overcome specific development problems stemming from their relative isolation in their national economies
- address wider environmental problems
- encourage the creation and development of cooperation networks on each side of the border and the establishment of links between these networks and wider European Union networks.

The following priorities and indicative budgetary split have been agreed:

• transport, including road transport and border crossings	52.5%
• utilities, including telecommunications	5.5%
• environment	12.2%
• economic development, including investment aid and tourism	11.3%
• human resources	13.3%
• agriculture	3%
• programme implementation and management	2.2%

The regions which will be eligible for funding are the districts of

- Saran
- Delvina
- Gjirokastra
- Permeti
- Kolonja
- Devolli
- Korca.

Phare has already financed measures to stimulate cross-border cooperation between the Member States of the European Union and the central European countries. In particular, a number of investments to improve border

crossings were approved in 1993 and are being implemented, including crossings between Albania and Greece.

Commission Regulation N° 1628/94, on cross-border cooperation between the Member States and the central European countries in the framework of the Phare Programme, provides the rules for financing actions of a structural nature in border regions of central European countries sharing a common border with Member States, in harmony with the European Union structural policies and with INTERREG II in particular. In 1994, a number of infrastructure projects located in the Greek-Albanian and Italian-Albanian border regions amounting to ECU 20 million were approved. Two out of six of these projects relate to upgrading and rehabilitating major roads accessing the borders and crossing points. Two other projects involve feasibility studies on improving the road between Kakavija-Rrogzhine and the road leading to Gjirokastra from the Greek border at Kakavija. The other two projects relate to new border-crossing facilities at the Greek border and strengthening existing cross-border infrastructure. The 1995-1999 MIP builds on the experience of the 1994 programme, in particular in respect of implementation needs and project selection.

A number of criteria have been influential in project selection, in particular

- cross-border impact
- complementarity of the projects of the Albanian municipalities located on the border with INTERREG projects of the Greek municipalities on the other side of the border
- the development impact on the population of the border areas
- the readiness for implementation
- the coherence of project content with declared project objectives
- the co-financing possibility
- bankability of projects
- the environmental impact.

## Transport

Improved road connections are needed between the two countries to improve economic development and reduce socio-economic discrepancies, particularly since transport plays a significant role in countries at Albania's level of development. Missing links in transport infrastructure must be dealt with to remedy the problem of

the insufficient number of border crossings and the lack of road connections.

Improving the road system will benefit all the Albanian border regions with Greece, creating new investment possibilities in a wide number of sectors, particularly tourism and SME activities in agriculture and industry.

Measures will be taken to improve the technical conditions of roads to adjust them to increased traffic volumes and higher speeds, including improving road surfaces and widening.

Two border-crossing points exist at Kakavija and Kapshtice. The 1994 cross-border programme aims to open two new border points at Tri-Urat and Konispoli and assess the feasibility of a third at Drimada. The 1995-1999 MIP will provide follow-up support for linking the new border points with the nearest principal Albanian roads. Measures will include rehabilitating roads linking existing border crossings and providing infrastructure for new crossings.

Suggested projects for funding under the MIP include rehabilitating 25 km. of the road from Gjirokastra to Kakavija and further works to rehabilitate the Kapshitce-Pogradec, Konispoli-Saranda and Tri-Urat-Leskovic roads.

## Utilities

Investment in Albania's outdated utilities infrastructure is vital to remove barriers to economic development in the border area and to improve the standard of living there. The international telecommunications network has only one automatic national digital exchange which is also used as a terminal international exchange. International connections are mainly by radio link, fraught with difficulties owing to the distance of the transmission route and its routing over the sea.

A telecommunications axis is needed particularly between central/north Europe and the east Mediterranean/Middle East, achieving a combination of low cost, new and high quality technology conferring economic and socio-economic benefits.

Measures will concentrate on connecting Greece and Albania through a submarine fibre optic cable network in the context of the ADRIA 1 programme; the network will eventually be connected to Croatia.

## Environment

The border region comprises the two ecological subregions of the Adriatic sea coast and the inland mountainous region which has sensitive forest and lake ecosystems.

tems. Much of the coastal area is characterised by discharges of waste water and sewage directly into the sea, with residues of pesticides. The pollution levels in the area severely restrict the potential for economic development, particularly for tourism and fisheries.

Measures will concentrate on reducing sewage water disposal through providing sewage treatment facilities in Saranda, the main port in the area. In addition, action will be taken to stabilise the ecosystem of Lake Butrinti and improve fish and mussel exploitation.

### **Economic development**

Private sector activity in the border region is concentrated largely in the area of small enterprises and farming. Marketing and basic commercial management techniques are weak. Infrastructure facilities for small traders are lacking. Little legal and financial information and advice exists for entrepreneurs.

Cooperation and information exchange needs to be developed between enterprises, including SMEs, on both sides of the borders and between commercial centres and institutions. Tourism is likely to be an important growth sector, given the coastal and mountainous nature of the area and its architectural and cultural heritage.

Activities will concentrate on providing legal and financial advice, establishing exhibition and commercial centres, together with facilities to promote local products, information exchanges and cooperation networks. Support will also be provided to promote exploitation of specific tourist sites linked to natural and historical assets in the area.

### **Human resources**

Standards of health care in Albania are poor and many patients travel to Greek hospitals for treatment. A strategy to reform the health sector has been developed for Albania and is being implemented with foreign support. This could be complemented usefully by permanent cooperation with Greece.

Emphasis will be on developing common investment programmes and technical cooperation to deal with common health problems, emergencies, the training needs of health workers and to develop public awareness of health issues.

Indicative projects include rehabilitating the regional hospital in Korca and supporting selected primary health care centres.

### **Agriculture**

More than half the workforce of the southern Albanian border are active in agriculture. Privatisation has advanced rapidly and the land distribution process is nearly complete, but subsistence farming is the norm given the small size of farms.

The efficiency of agriculture needs to be increased. Marketing structures need to be improved and new types of activities developed. This will help to minimise emigration from the region.

Measures will concentrate on establishing an effective system for sustainable management and conservation of the region's fishery sector, promoting private investment in fishery enterprise and developing local fish marketing institutions.

Indicative projects include technical cooperation on know-how for applying modern fishing methods and preparing studies on establishing fish farms. Action will also be taken to strengthen contacts between businessmen from both countries to stimulate joint ventures in the fishery sector. A cross-border fish sales network will also be set up.

### **Programme implementation and management**

Much work is still needed to clarify projects under the Programme, necessitating a series of technical studies. Although broad agreement has been achieved, priorities and measures will need to be transformed into effective action.

Coordination of the economic development of the area will depend on financing common studies and strategies on regional development.

### **Implementation**

A joint programming and monitoring committee, composed of the appropriate authorities from Albania and Greece, will play the principal role in assuring overall coordination between the two governments in the planning and implementation stages of the Programme. It will be the principal forum for the joint programming of cross-border activities under Phare and INTERREG II. The committee will undertake joint project selection in the context of the Programme and will also monitor and coordinate the implementation of these activities.

The Department for Economic Development and Foreign Aid Coordination in the Council of Ministers will have responsibility for the overall coordination and

financial management of the Programme. The Department will work closely with the Ministry of Construction which will be responsible for implementing the Programme, where a Programme Management Unit has been established for this purpose.

The Programme will specify projects annually in the framework of a financing proposal and financing memoranda. The projects will derive from measures and priorities specified in the MIP, taking account of the development of the MIP and the absorption capacity of the different sectors.

# Albania

## Multi-annual Indicative Programme for cross-border cooperation with Italy

Duration	1995-1999
Amount	ECU 9 million per annum (indicative amount only)

The Multi-annual Indicative Programme (MIP) has been prepared under the Phare cross-border cooperation programme for the Albanian-Italian border regions. The time frame for completion of projects within the MIP is five years and coherence is therefore ensured within the long-term development of the region.

In economic terms, the Albanian maritime area is the most dynamic in the country, accounting for 31 per cent of the population, 37 per cent of total economic activity (with a significant role played by industry and agriculture) and 60 per cent of all foreign investment in the country. The two ports of Dürres and Vlora account for 90 per cent of all maritime and commercial exchanges and transfers of persons between Albania and Italy. The northern part of the area benefits from a clear knock-on effect owing to its proximity to the Dürres-Tirana area, whereas the southern part is more isolated with difficult communications and demonstrates potential more specifically in the tourism sector.

The Albanian maritime area suffers from weaknesses in strategic and organisational development. There is no real comprehensive concept of regional and economic development, nor any sustained private sector strategies for the region, for example for the use of natural resources. Likewise, no clear regional and local cross-border concept or development strategy exists in the context of the market economy. Local government and institutional structures or organisations which could promote private business and cross-border cooperation are also missing.

The corresponding region of Puglia on the Italian side has socio-economic and social characteristics which lag behind the European Union regional GDP (gross domestic product) average but has a fast transforming economy. The province of Bari represents the most developed economy in the area and is undergoing an evolution towards a service economy, characterised by a certain dynamism, based on a high level of innovation and research. However, under-equipped economic and social infrastructures are impeding economic development in the region while the maritime border regions are suffering from specific labour market problems owing to the recent pressure of illegal immigrants.

Shortcomings in the communication system, particularly on the Albanian side, present major obstacles to the exploitation of common economic opportunities in the region. This situation is aggravated by the lack of modern infrastructure, most notably in Albania, and the difficult conditions at Albania's ports and maritime borders, which cause delays and affect trade networks. The common shared maritime coast and environment is an asset for the border region in terms of tourism potential, but development in this sector cannot proceed until satisfactory environmental conditions and infrastructure are established on both sides of the border.

The top priority developmental needs of the region are to

- strengthen communication, land and maritime networks
- increase the complementarities of economic activities in the border regions
- improve environmental and cultural cooperation.

Together with these priorities, the MIP aims to strengthen economic cooperation and integration and overcome the socio-economic gap between the Albanian and Italian border areas. More particularly, it aims to

- complement INTERREG programmes on the Albanian side of the border in the case of common projects
- promote cooperation between the Albanian and Italian border regions
- help the border regions overcome specific development problems stemming from their relative isolation in their national economies
- address wider environmental problems
- encourage the creation and development of cooperation networks on each side of the border and the establishment of links between these networks and wider European Union networks.

The following priorities and indicative budgetary split have been agreed:

• transport, including road transport and port facilities	74.4%
• environment	11.7%
• economic development, including investment aid and tourism	11.7%
• programme implementation and management	2.2%

The regions which will be eligible for funding are the districts of

- Dürres
- Kavaja
- Lushnja
- Fier
- Vlora.

Commission Regulation N°1628/94, on cross-border cooperation between the Member States and the central European countries in the framework of the Phare Programme, provides the rules for financing actions of a structural nature in border regions of central European countries sharing a common border with Member States, in harmony with the European Union structural policies and with INTERREG II in particular. The 1994 cross-border cooperation programme financed actions of a structural nature in Albania which promoted cooperation with bordering European countries. A number of infrastructure projects located in the Greek-Albanian and Italian-Albanian border regions were financed, two relating to upgrading and rehabilitating major roads accessing the border, in particular part of the east-west road from Dürres to Rrogozhine. The 1995-1999 MIP builds on the experience of the 1994 programme, in particular in respect of implementation needs and project selection.

A number of criteria have been influential in project selection, in particular

- cross-border impact
- complementarity of the projects of the Albanian municipalities located on the border with INTERREG projects of the Italian municipalities on the other side of the border
- the development impact on the population of the border areas
- the readiness for implementation
- the coherence of project content with declared project objectives
- the co-financing possibility
- bankability of projects
- environmental impact.

## Transport

Further development of transport infrastructure along the Albanian-Italian border is necessary to open up the region generally and contribute to its growth and its foreign investment potential.

Emphasis will be placed on providing missing links in transport infrastructure, with particular attention to improving maritime connections and modernising/constructing major road links. Investment in roads and ports in the maritime coastal area will generate new investment possibilities in various sectors, such as tourism, small and medium-sized enterprises (SMEs) and agro-industry.

The main objective in the road transport sector will be to open up the border area, improve traffic flows on major axes, increase safety and reduce accidents, increase capacity by raising traffic speeds, reduce travel time, reduce pollution and stimulate economic development in the region generally. Emphasis will be on improving the technical conditions of roads to adjust them to increased traffic volume and higher speeds through improving road surfaces and road widening.

The sea is the principal means of communication between the two countries and cross-border cooperation is very dependent on effective communication between the regions covered in the MIP. Therefore, it is important to ensure that the ports are fully operational and able to cope with the increased traffic flows resulting from the opening up of Albania's borders. Emphasis will be on strengthening the port of Vlora to enable it to handle the rapid increase in passenger and freight exchanges.

Indicative projects include

- upgrading and rehabilitating the Rrogozhine-Fier-Vlora road, which links the port of Vlora to the primary highway network and which also forms part of the proposed north-south corridor linking Tirana and the port of Dürres with northern Greece
- upgrading and rehabilitating the Dürres-Rrogozhine-Elbasan road, to improve traffic with Italy along the Kakavija-Rrogozhine-Dürres-Elbasan-Pogradec-Kapshtica axe
- strengthening the port of Vlora to help it face the rapid increase of traffic flows, by developing a safe ferry terminal at the old port and conducting a feasibility study to assess the long-term needs of the whole port.

## Environment

Much of the Adriatic coastal area is polluted by discharges of waste water and sewage directly into the sea, together with pesticide residues. The pollution levels not only have detrimental effects on health but also restrict the potential for economic development in the region, particularly with regard to the tourism and fisheries sectors.

Indicative projects include

- reducing sewage water inflows into the Adriatic from the Vlorë/Durrës area, in particular by providing sewage treatment facilities.

## Economic development

The envisaged improvements in transport infrastructure under the MIP and the consequent opening up of the area will provide the necessary basic framework to capitalise on existing economic development possibilities, particularly in the Durrës-Tirana-Rrogozhinë triangle.

Infrastructure facilities, in particular sites and premises, are needed to support the emerging private sector and the growing number of foreign investors in the region. A more supportive environment is also needed to encourage foreign investment and to promote cooperation, exchanges and the transfer of know-how between entrepreneurs on both sides of the border.

Activities to promote investment in the region will concentrate on creating industrial parks to provide necessary infrastructure (such as basic services and warehouses), offer legal and financial advice and information exchange, and develop cooperation networks.

There is considerable potential for tourism development in the Durrës-Fieri-Vlorë zone, based on the natural assets of the sea, beaches and mountains and the area's architectural and cultural heritage.

Indicative projects include

- material support to investors from Bari, in the form of basic services, warehouses, equipment, etc., and soft support, in the form of legal and financial advice, exchange of information and the creation of cooperation networks
- support for the creation of industrial parks through providing the necessary infrastructure
- support for tourism development, through activities to promote the exploitation of specific sites linked to natural and historical assets in the border area.

## Programme implementation and management

Much work is still required to clarify further the measures and projects under the MIP and a series of technical studies will need to be conducted. The broad agreement achieved on priorities and measures will need to be transformed into effective actions to implement projects.

Economic development in the area must also be coordinated and this will necessitate the preparation of common studies, strategies and regional development plans.

Technical support, monitoring, evaluation and institutional development activities will also be necessary.

## Implementation

A joint programming and monitoring committee, composed of the appropriate authorities from Albania and Italy, will play the principal role in assuring overall coordination between the two Governments in the planning and implementation stages of the Programme. It will be the principal forum for the joint programming of cross-border activities under Phare and INTERREG II. The committee will undertake joint project selection in the context of the Programme and will also monitor and coordinate the implementation of these activities.

The Department for Economic Development and Foreign Aid Coordination in the Council of Ministers will have responsibility for the overall coordination and financial management of the Programme. The Department will work closely with the Ministry of Construction which will be responsible for implementing the Programme; a Programme Management Unit has been established at the Ministry for this purpose.

The Programme will specify projects annually in the framework of a financing proposal and financing memorandum. The projects will derive from measures and priorities specified in the MIP, taking account of the development of the MIP and the absorption capacity of the different sectors.

# Baltic Sea region

## Multi-annual Indicative Programme for cross-border cooperation

Duration	1995-1999
Amount	ECU 14 million per annum (indicative amount only)

The Multi-annual Indicative Programme (MIP) has been prepared to provide a strategic basis for the Phare cross-border cooperation programme for the Baltic Sea region. The time frame for completion of projects within the MIP is five years and coherence is therefore sought within the long-term development of the region.

Commission Regulation N° 1628/94, on cross-border cooperation between the Member States and the central European countries in the framework of the Phare Programme, provides the rules for financing actions of a structural nature in border regions of central European countries sharing a common border with Member States, in harmony with the European Union structural policies and with INTERREG II in particular. The 1994 European Union budget included a new budget line allocating ECU 11 million for cross-border cooperation between the Baltic republics and Denmark and ECU 3.6 million for cooperation between Poland and Denmark. This was designed to provide co-finance for projects linked with measures supported under INTERREG. Formal linkages between INTERREG and the Phare cross-border cooperation programme can now be established for 1995-1999.

The borders between the Phare partner states and the European Union Member States in the Baltic Sea region are sea borders. This means that the priority axes and measures will address issues specific to sea borders, for example the development of port infrastructure, customs controls and water treatment. Given the similarities and needs of sea borders in the field of cross-border cooperation, and to keep administrative requirements to the minimum, the countries concerned have agreed to adopt a multi-country programme approach.

The border regions of the Baltic republics and Poland have a broadly similar development pattern. They all have a strategic position as transport links. These links are accompanied by strong historical and cultural links and the existence of networks in different areas of cooperation. Attractive coastlines, a diversity of natural resources and a rich heritage of architectural and cultural traditions make the region ideal for tourism

development. However, the coastal area of the Baltic Sea is highly polluted, infrastructure is inadequate for tourist needs and the roads and communication systems are poor. The region also suffers from relatively high unemployment in rural areas. Port infrastructure and transport connections to the interior need to be developed to maximise the potential which arises from the strategic position of the countries as a link between east and west.

The Multi-annual Indicative Programme reflects the results of the findings of a number of multinational studies and the policy priorities of Estonia, Latvia, Lithuania and Poland. These have identified transport bottlenecks, especially relating to cross-border communications at ports, high levels of environmental pollution in the Baltic Sea and inadequate public utilities as the major constraints to development. The Programme therefore gives high priority to measures which address these issues.

The top developmental priorities of the region are to

- improve communication, infrastructure and transport links within the Baltic Sea region, in particular to complement the development of the 'Via Baltica' east-west European transport network
- protect the environment and reduce pollution levels, particularly in the Baltic Sea
- encourage cross-border cooperation as a mechanism to maximise the growth potential of the region as a whole and to complete the transition to a mature market economy
- stimulate new, and support existing, cooperation between local and regional authorities in the countries of the region
- support activities to facilitate the preparation of the Baltic republics and Poland for accession to the European Union.

The following priorities have been agreed:

- transport, including border-crossing improvements
- environment
- utilities and municipal infrastructure
- economic development
- human resources
- technical support and programme management.

The following indicative budgetary split has been agreed.

Priorities	Estonia	Latvia	Lithuania	Poland
Transport	30%	40%	50%	15%
Environment	30%	40%	20%	55%
Utilities	-	-	25%	10%
Economic development	30%	10%	-	10%
Human resources	5%	5%	-	5%
Technical support, etc.	5%	5%	5%	5%

The following regions will be eligible for funding:

**Estonia:** the counties of Ida Viru, Lääne Viru, Harju, Lääne, Hiiu, Saare, Pärnu and parts of Viljandi; these include counties on the mainland adjacent to the Baltic Sea as well as the islands (Hiiumaa, Saaremaa).

**Latvia:** all coastal regions bordering eligible regions in other Baltic sea countries, including Liepāja, Ventspils, Talsi, Jūrmala, Rīga city and region and Limbaži.

**Lithuania:** seven municipalities (cities and regions) forming part of the Klaipėda district, including the cities of Klaipėda, Palanga, Neringa and the regions of Klaipėda, Kretinga, Skuodas and Silute.

**Poland:** the five voivodships bordering the Baltic Sea, namely Szczecin, Koszalin, Slupsk, Gdansk and Elblag.

The 1994 cross-border cooperation programme between Estonia, Latvia, Lithuania, Poland and Denmark included projects in several areas of cooperation. Estonia benefited from projects on hazardous waste management, a feasibility study for a mobile treatment facility for contaminated ground water, the provision of infrastructure and facilities for an old people's home and training of health workers. Latvia benefited from projects on waste water treatment, hazardous waste disposal and the establishment of a media centre to promote environmental research and awareness. Lithuania was granted support for modernising the Klaipėda port facilities. Poland benefited from projects on waste water treatment, river management, coastal monitoring and harbour works in Leba to encourage tourism development.

## Priorities and measures

The MIP is set out in the form of a series of priorities (axes of fields of cooperation) which comprise a set of measures under each priority. This framework will be

used to identify projects for the annual programmes. Annual programmes will consist of a range of projects taken from these measures and will be prepared in the form of a financing proposal, to be submitted to the Phare Management Committee for approval. A series of eligibility criteria will be established for selecting projects for funding, such as

- cross-border and interregional impact
- coherence with the overall objective of a priority
- level of combination and integration of the measures with other measures under the same priority or under other priorities
- readiness for implementation
- general development impact on the border area as a whole
- promotion of inward investment
- involvement of local and regional authorities
- links to national Phare programmes and other programmes
- levels of co-financing
- technical indicators, such as the internal rate of return based on a cost-benefit analysis and environmental impact.

The priorities and measures for each participating country are

### Estonia

- transport: port infrastructure, improvement of transport network
- environment: waste management, waste water treatment
- economic development: business development, tourism development
- human resources: education and training
- programme management: Central Financial Contracting Unit

### Latvia

- transport: port infrastructure
- environment: waste management, waste water treatment
- economic development: regional development
- human resources: education and training
- programme management: Central Financial Contracting Unit

**Lithuania**

- transport: port infrastructure, railway infrastructure
- utilities/municipal infrastructure: energy supply, telecommunications infrastructure
- environment: waste management
- programme management: Central Financial Contracting Unit

**Poland**

- transport: port infrastructure, improvement of road and rail infrastructure, air and water transport
- utilities/municipal infrastructure: provision of energy, water and gas supply, urban renewal
- environment: waste management, waste water treatment, environmental monitoring, management of environmental resources
- economic development: business development, tourism development
- human resources: disadvantaged groups, employment measures, education and culture
- programme management: Programme Management Unit, technical support, studies/regional development plans, small projects fund.

**Estonia****Transport, including cross-border infrastructure**

Many of the country's ports need reconstructing and repair if they are to remain viable and are to continue to play an important role in international freight traffic. This applies equally to the smaller ports and harbours for local transport. Although the road network is relatively well developed and meets the needs of present traffic loads, the physical state of roads and bridges needs improving and the Via Baltica road, linking Finland with western Europe, needs rebuilding. Customs procedures need to be streamlined and facilities improved to ensure a more efficient service.

The objective of measures under this priority field is to assess which parts of the transport infrastructure require improvement (physical and procedural), in particular as regards cross-border links, and to carry out the necessary improvements in selected parts.

The first measure will aim to assess the problems facing port infrastructure in selected ports and to evaluate what improvements are needed. This will take into account the ports' competitive position in the region and the

economic costs/benefits arising from investment in port development. This will help improve efficiency and upgrade the harbours with a view to tourism and economic development generally.

The second measure will aim to improve selected parts of the road, rail and maritime transport systems which have particular importance in providing efficient cross-border links.

**Environment**

The Baltic Sea, especially the Riga Gulf, is suffering from a high nutrient content, stemming mainly from extensive use of fertilisers in agriculture and municipal waste systems. Ground water is seriously affected by untreated sewage and leaks from waste dumps while inadequate waste management is causing problems generally.

The first measure will aim to lay a good basis for developing waste management systems, including waste collection, transfer and disposal, subsequently leading to improvement in environmental conditions. This will be achieved through the construction of hazardous waste collection and transfer stations.

The second measure will aim to treat contaminated soil and ground water, through creating monitoring systems and providing water and soil treatment plants. The measures will be directed both at ground water and coastal water.

**Economic development**

Measures are needed to encourage the process of economic development through small business promotion, international cooperation and tourism development.

Measures will be taken to promote the process of economic cooperation in the islands of Saaremaa and Hiiumaa, which are suffering from lack of economic infrastructure, technology and access to information networks, restricting the possibilities of new investment. Activities will include introducing training facilities and establishing local and international networks to encourage exchanges of information and cooperation with businesses in other countries of the border region. Support will also be given to developing rural businesses to safeguard environmental improvements, and assist employment creation.

A second measure aimed at the entire region covered by the MIP will aim to develop tourism facilities and upgrade existing ones to attract large numbers of national and international tourists.

## Human resources

A key factor for regional economic development is the human capital in the region and measures are needed to ensure that this is improved through enhancing skill levels.

Emphasis will be placed on a broad range of activities in the field of education and training, including cooperation through schools, universities and other training/educational institutes in the border region to set up short-term exchanges, joint training courses and combined research.

## Latvia

### Transport infrastructure

Port infrastructure needs to be rehabilitated and more favourable conditions developed for cargo handling and transportation in order to promote the international competitiveness of the country's major ports.

Measures will concentrate on improving the quality of the port infrastructure, in particular breakwaters, so as to improve the overall efficiency of harbour operations. Physical maritime infrastructure will be a priority, as well as other issues, such as radio communication systems, to ensure better safety standards.

### Environment

No special system for managing hazardous waste exists and dangerous substances are disposed of along with non-hazardous waste in uncontrolled land-sites or dumps. This poses direct risks to health and to the environment, through direct contact with waste materials, and leakage from disposal sites into ground and surface water, which may subsequently enter surface water and/or drinking water systems. The water quality of numerous small rivers and lakes has deteriorated rapidly in recent years and is affected by pollution from untreated municipal waste water and leaching from agricultural land. Pollution of ground and surface water have a direct impact on the Riga Gulf and the Baltic Sea, as well as zones of ecological value along the coastline which lie in the vicinity of river estuaries.

Activities will concentrate on a spectrum of projects to prepare waste management strategies and to develop existing sites for better, more environmentally-friendly waste management.

In addition, measures will be taken to improve water quality, in particular through upgrading existing water supplies, sewage and waste water treatment systems.

## Economic development

The region covered by the MIP comprises major urban areas which have developed through port activities as well as highly rural areas which are characterised by a narrow economic base and comparatively high unemployment rates.

Measures will be taken to encourage economic development, particularly in the rural areas, through technical support, advice and training for national and local authorities on the main issues of regional development. Support will also be provided for preparing a needs assessment for regional development plans for parts of the border region.

Measures will also be aimed at establishing new and developing existing contacts and links to promote cooperation between businesses and local tourism bureaux, and at supporting economic development through training, exchanges and the provision of small-scale infrastructure.

## Human resources

A key factor for regional economic development is human capital, and measures are needed to ensure that this is improved through enhancing skill levels.

Measures will be taken to improve education and training through activities aimed at facilitating the process of exchange of experience and know-how on policy issues and labour market concepts.

In addition, a broad range of activities will be designed to improve skill levels, including cooperation through schools, universities and other training/educational institutes in the border region to set up short-term exchanges, joint training courses and combined research.

## Lithuania

### Transport infrastructure

The port of Klaipeda is the focal point of the country's transit industry and a major economic stimulus for the country. Improvements to the port's infrastructure are needed, in particular as regards the harbour entrance, railway-port junction and road access.

Railways are vital for imports and exports through Klaipeda and they generate considerable revenue from transit traffic. Their deterioration through lack of investment and maintenance has caused a fall in efficiency.

Measures will be taken to improve the port of Klaipeda, with concentration on improving the harbour entrance and building a new ro-ro terminal.

The modernisation and improvement of key railway links will also be a priority.

### **Utilities**

Measures are needed to promote energy efficiency and to integrate Lithuania's energy and telecommunications networks into European Union networks. In particular, this will help to improve the environment and improve security of energy supplies, given the country's high dependence on supplies from Russia.

Measures will be taken to connect the national power system to the western European power system, with concentration on electricity supply.

Activities will also be directed at modernising the telecommunications system.

### **Environment**

Lithuania produces some 200,000 tons of hazardous waste each year, including chemical and heavy metals, most of which is untreated and stored on production sites. 1.5 million tons of solid waste are dumped each year in landfills, many of which pose a threat to surface and ground water. The contamination of former military sites is also a major problem.

Measures will concentrate on constructing several regional waste storage sites for hazardous waste, mainly industrial waste and unused agro-chemicals. This will help to reduce health hazards and water-borne pollution of ground and surface waters which discharge into the Baltic Sea.

### **Poland**

#### **Environment**

Measures are needed to curb water-borne pollution to protect the water in the coastal zone of the Baltic Sea which is used for tourism and recreational purposes.

Waste water treatment activities will be directed at cleaning rivers flowing into the sea and at communal, industrial and harbour waste management. The number of nature reserves will also be increased, to encourage ecological and agri-tourism. Consideration will also be given to modernising production techniques in line with environmental protection requirements.

Measures will be taken to reduce the number of untreated waste dumps, produce recyclable materials

and curb the illegal dumping of waste material from domestic and industrial sources.

Other measures will include activities to help monitor key indicators concerning the condition of the environment and to support management of national parks and forests in the region.

### **Transport**

Transport links in Poland are poor. There are few roads connecting the coast with the hinterland and these are generally in a poor state. Although 40 per cent of Poland's foreign trade is sea-borne, there are no adequate motorway connections to the ports, which are themselves ill-adapted to the needs of modern sophisticated shipping transport. The two international airports of Gdansk and Szczecin have few facilities for international passenger traffic.

Measures for road transport will concentrate on upgrading strategic road infrastructure, particularly access roads to the ports. Railway links will be upgraded, with emphasis on completing the electrification of the main trunk lines, completing some sections with a second line of track and modernising the signals system and rolling stock. Consideration will be given to building a new passenger terminal at Gdansk airport and converting ex-military airports for civil purposes. Other activities may involve improvements to various ports and to ferry transport.

### **Economic development**

Most investment in the region is concentrated in the Szczecin and Gdansk port areas. The effective liquidation of state farms has led to a sudden rise in structural unemployment which is very difficult to combat. On the other hand, the wealth of natural resources provided by the coastal area and the lake district make the area very attractive for tourism development.

Measures to develop the tourism sector will concentrate on activities to develop the necessary physical infrastructure, as well as to promote agri-tourism and an information and marketing system on the region's tourism possibilities.

Measures will also be taken to develop cooperation between enterprises in the region, through organising events such as conferences and fairs and publishing information on the region and its investment possibilities.

## Municipal infrastructure development

Most municipal facilities are in a poor and deteriorating state owing to lack of funds and poor original quality. Water and energy provision, especially clean energy provision, are priorities. Improvements to urban transport and investment for urban renewal generally are also issues of concern.

Measures in the water sector will concentrate on improving waste water treatment plants, building small storage reservoirs, monitoring water resources quantity and quality, and activities aimed at reforestation to raise the water table. In the energy sector, measures will be taken to extend the gas piping system. Activities will also be directed at refurbishing historical buildings and monuments to make towns and villages more attractive for tourism.

## Human resources

The region suffers from high unemployment, which has suddenly emerged since the state farm system ended. A key priority is to reorient the working population away from old working methods and attitudes into alternative forms of employment, with emphasis on the service sector.

Measures will be taken to encourage the transfer of the Scandinavian experience in setting up special care facilities to educate and train mentally disabled children and youngsters. Measures will also be directed at creating alternative employment for the potential workforce and at stemming the wave of emigration from the region. Cross-border cultural cooperation and training activities will be a priority.

## Studies, management and implementation

Spatial planning documents will be developed with the other Baltic Sea countries to establish closer and permanent contacts between the relevant authorities.

Support will also be provided for small projects at the level of municipalities, to cover conferences and seminars with Baltic region partners, common training and common publications about the region.

Support for proper management and implementation of the Programme will be necessary to ensure that the priorities and measures agreed are transformed into effective actions.

## Implementation

A joint programming and monitoring committee, composed of delegates from Estonia, Latvia, Lithuania, Poland, Denmark, Finland and Germany, will play the principal role in assuring overall coordination between the four governments in the planning and implementation stages of the Programme. It will be the principal forum for the joint programming of cross-border activities under Phare, INTERREG II and European Union Member State bilateral programmes. The committee will undertake joint project selection in the context of the Programme and will also monitor and coordinate the implementation of these activities.

Mechanisms for implementing, monitoring and evaluating the Programme will be

- for Poland, the Programme Management Unit at the Department for Trans-border Cooperation in the Council of Ministers
- for Estonia, Latvia and Lithuania, the Central Financial Contracting Units, while responsibility for the overall coordination of the Programme will lie with their respective national aid coordination units.

The Programme will specify projects annually in the framework of a financing proposal and financing memoranda. The projects will derive from measures and priorities specified in the MIP, taking account of the development of the MIP and the absorption capacity of the different sectors.

# Hungary

## Multi-annual Indicative Programme

Duration	1995-1999
Amount	ECU 425 million (indicative amount only)

### Background

Hungary concluded a Europe Agreement with the European Union in December 1991 and, in April 1994, formally submitted its application for full membership of the European Union.

In the pre-accession context, Phare support is a tool to

- facilitate Hungary's participation in the process of European integration, notably as regards the accomplishment of necessary political, economic and legal reforms
- facilitate the sustainable growth of the Hungarian economy.

Hungary has established a system of democratic political institutions which enjoy general support both at the central and local levels from the country's main social and political forces.

The main features of a well-functioning market economy have also been established although a variety of problems are still impairing sustainable growth. The main areas of concern relate to budgetary and external deficits, the social security and welfare systems and the privatisation and restructuring of large state enterprises, particularly those engaged in manufacturing and banking. A package of stabilisation measures has been adopted to address these problems and a comprehensive medium-term programme for social and economic modernisation has been proposed, which treats preparation for European integration and modernisation measures as part of a single process.

Major efforts are being made to assimilate the 'acquis communautaire' and to approximate legislation, although this enormous exercise will take time.

### New orientations

The main issues which must be overcome before Hungary can fully integrate with the European Union include the need to

- restructure the economy so that it can function effectively within, and withstand the competitive forces of, the European Union's internal market

- develop human resources and improve the quality of management, both in the public administration and enterprise sectors.

The Phare Multi-annual Indicative Programme for Hungary is geared to helping the Government tackle these issues and to build up private sector capabilities. Support will be directed at the following areas in particular:

- European integration, including approximation of laws and public administration reform
- education and training, in particular establishing a human resources development fund
- public finance and social sector reform
- economic development, with emphasis on agriculture, privatisation and restructuring, SME development, regional development, trade and investment promotion, tourism development and the labour market
- infrastructure development, with concentration on road and rail transport, communications, transit, water management, energy and the environment
- participation in European Union programmes
- flexible non-sector-specific technical support.

### European integration

The Government's commitment to implement the Europe Agreement successfully has meant that particular attention has been paid to harmonising legislation in key areas with that of the European Union. The objective of Phare support for the approximation process is to introduce progressively the 'acquis communautaire', making sure that the economy is ready to sustain the effects of integration within the European Union and that the structures inside and outside the public administration are ready to manage this through adequate training. The political aspects of the integration process also need to be tackled, especially those related to public opinion and information on the European Union.

Support will be provided in the form of technical expertise to help introduce and implement laws and related structures in all fields, in particular as regards internal market legislation, with emphasis on

- sector and legal analysis, drafting of legislation and translations
- assessing and establishing the necessary institutional structures for effective implementation and operation of the new legislation

- providing technical supporting infrastructure and monitoring of the process
- training sessions and study visits for public officials, decision makers, judges and other selected target groups
- public relations actions targeted at different segments of society, together with documentation and information support.

### **Public administration**

The transformation of the economy necessitates changes to the nature of the tasks which the public administration must reform. The Europe Agreement requires numerous administrative operations and procedures to be adapted to prepare for accession to the European Union. In addition, apart from the changes necessitated by budgetary reform, the Government has embarked on a major rationalisation of state operations, involving the elimination and replacement of regulations which are no longer appropriate in the context of economic transformation, and a redistribution of functions between central, regional and local government. These measures raise the issue of mobility within services, human resources management and retraining.

Phare support will take account of these problems by

- introducing a flexible facility to provide technical expertise, training and access to European Union Member State training institutions for civil servants
- continuing pilot projects aimed at upgrading, strengthening and decentralising the administrative organisation, together with new projects for central and local government and sector-specific organisations
- continuing the provision of computer and information technology expertise and supplies to central and local government
- contributing to the establishment of a training institute for the civil service
- providing technical expertise, training and equipment for establishing efficiency units
- establishing a national list of experts.

### **Education and training**

Phare will continue to support human resources development, given its crucial role in the economic transformation process. Economic transition and enterprise restructuring have led to an increase in unemployment and a growing share of the unemployed are unqualified for re-entry into other jobs. There is a growing need for

a pro-active policy in the public and private sectors alike to provide preventive training for certain groups.

Concentration will be on technical and financial support to establish a human resources development fund to

- stimulate the development of local training provision outside the public system
- develop links with the European Training Foundation to foster cooperation between European Union and Hungarian training institutions and to exchange vocational training programmes.

Tempus will be progressively phased out by 1998 as Hungary becomes eligible for participation in Socrates (higher education), Leonardo (vocational education) and Youth for Europe. More generally, Phare will redirect resources in favour of vocational training and education, in order to improve higher education and adapt the labour force to the new economic structure of the country.

### **Public finance reform**

Hungary's public finance situation is characterised by a large public sector, a considerable budget deficit and a high level of public debt. Only limited progress has been made in introducing budgetary and social security reform while domestic public finance and external account imbalances interrelate and hinder sustainable growth. Amendments to tax legislation and measures to strengthen the administration's tax collection capacity are needed, as well as actions to increase revenue collection at the level of local authorities.

Phare will continue to provide support to the Ministry of Finance for the ongoing reform efforts and will also provide support for

- institutional technical expertise and equipment for the working groups and the public finance reform secretariat
- renewed procurement practices, through support for the new central procurement unit, principally in the area of procurement procedures and information to potential suppliers
- improved budgetary planning, including a medium-term framework, arbitration models between competing demands, simulation models for testing alternative policies and a thorough review of budgetary programmes
- improved preparation of the public investment budget, including the design of a public investment programme and its integration with the annual budget
- establishment of a single national treasury.

Support will be provided for tax reform through

- training, in particular on audit and control issues
- legal and regulatory support
- information for tax payers
- expertise for the municipalities, for example on asset valuation and organisation of tax collection.

Phare will address the severe inadequacies of the social sectors by contributing to the wider objective of social equity and by improving the social insurance and social welfare administrations.

In the field of social insurance, concentration will be on

- establishing a comprehensive inter-institutional communication and coordination structure between all national administrations, including non-governmental actors involved in financing and delivering social insurance
- transforming the social insurance systems by strengthening the technical, administrative and social policies of the pension, health and unemployment funds
- developing supplementary and private pension funds and establishing supervisory and monitoring capacities and responsibilities at government level to clarify the interface between social and private insurance provision
- developing institutional capacities to coordinate social insurance schemes with European Union counterpart institutions.

In the field of social welfare reform, Phare will provide further support for

- decentralising the national welfare delivery mechanism, to increase administrative efficiency and reduce public administration and social sector expenditure
- targeting social benefits more efficiently towards vulnerable and impoverished groups, with emphasis on means testing, streamlining benefits, and measures aimed at reinserting the unemployed into the labour market
- strengthening the role of non-governmental and private institutions in social welfare delivery and developing national policy in this context.

In the health sector, Phare will continue to provide support aimed at improving management, cost efficiency and the mobilisation of resources.

## **Economic development**

### **Agriculture**

Agriculture accounted for 12 per cent of GDP and 14 per cent of total employment in 1993, but the sector has been facing an unfavourable macro-economic situation and a lack of availability of rural credit. Public finance for the sector now represents only 5 per cent of total public expenditure. The Government is placing emphasis on the role of private sector institutions in the sector but there is still some division at Ministry level over privatisation and means of financing needs.

Phare will aim to improve the financing of the sector and the availability of rural credit facilities, as well as completing the land registration process. Concentration will also be on continued restructuring and privatisation, in particular on developing SMEs in upstream and downstream activities and strengthening sectoral private-based organisations and institutions. Increasing attention, however, will be paid to preparing the sector for future integration in the European Union, and therefore to technical harmonisation of rules and strengthening of the Ministry's capacity to formulate and implement harmonised agricultural policies and to apply European Union norms and standards.

Technical expertise will concentrate on

- harmonisation of food legislation and standards
- policy studies on European Union policy, rural credit and land mortgage institutions
- institutional strengthening, particularly in respect of land registration and market information.

Financial support will also be provided for

- the Rural Credit Guarantee Fund
- the Land Mortgage Institution
- equipment and software.

### **Privatisation and restructuring**

New privatisation legislation has been adopted to accelerate and complete the privatisation process by 1998. The list of companies which will remain in state ownership over the longer term has been reduced but the Government is still faced with a considerable restructuring task, in particular given that the remaining state enterprises cannot be readily privatised and that privatisation revenue cannot be sustained at past levels.

Phare will provide technical expertise for the privatisation process and enterprise restructuring through appropriate intermediary institutions. Emphasis will be on preparation for privatisation through

- environmental audits, valuations and legal advice by way of framework contracts
- hands-on restructuring support to carefully selected state enterprises which can be made 'privatisable'
- preparation of HYFERP projects.

HYFERP, established with Phare support, is a decision-making and filtering mechanism involving the state owner representatives. It provides grant and loan financing for various activities as part of an overall restructuring and investment plan; activities eligible for funding include energy efficiency measures, environmental improvements, human resource development, quality assurance and R&D. Phare will continue to support HYFERP by

- replenishing HYFERP's resources for the period 1996-1998 for investment purposes
- providing some technical expertise for the preparation of HYFERP projects.

#### **SME development**

Phare has been co-funding the Hungarian Foundation for Enterprise Promotion through technical support to the national support services (EICC, National BIC and entrepreneurs associations) and the Local Enterprise Agencies, as well as through financial support for SMEs through micro-credit and loan schemes. A subordinated loan scheme has been established for early start funding (a quasi-equity scheme) and an interest rebate scheme is due to be launched shortly.

These support programmes remain a priority, notably with regard to funding schemes, since they help to create the conditions under which the SME sector can grow to become the backbone of the Hungarian economy. The domestic banking sector still needs support with credit guarantees and medium-term funds to leverage loan funding from the banks. The schemes used by the Foundation involve the banking system and are therefore valuable in terms of increasing the awareness and training of banking staff and in promoting funding for SMEs.

Phare will concentrate its activities on

- supporting the sustainability of the local enterprise agency network while gradually reducing support and encouraging greater responsibility for funding by local and national sources

- supporting the micro-credit and loan schemes and possibly the subordinated loan scheme, depending on its performance, and the new interest rebate scheme
- launching new initiatives in the field of supporting services for SMEs, such as technological transfer and mutual guarantee schemes.

#### **Regional development**

A vehicle for an integrated action programme for regions affected by steel industry restructuring is needed, together with support for projects geared to activities such as physical infrastructure and rehabilitation which can be co-funded with regional/government resources.

In addition, a nation-wide regional development system in line with European Union concepts and procedures is needed, with support from the Pilot Action Fund for high priority projects in selected regions.

Phare support for an integrated action programme in regions undergoing restructuring of the steel industry will concentrate on

- technical expertise to establish and support the institutional mechanism for strategy development, project identification and implementation
- co-funding of project investment support
- extension to other regions of the experience gained in the two existing pilot regions in the area of integrated regional development.
- Phare will support the development of the new national regional development system through
- technical expertise to establish integrated regional development, involving an integrated response from government, municipalities, the private sector and Phare, focusing on three pilot regions in the east and south of the country
- co-funding for projects in these regions.

#### **Trade and investment promotion**

The Investment and Trade Development Agency was established in 1993, with Phare support, to promote foreign direct investment and stimulate export growth. The Agency's activities need strengthening, in close cooperation with all relevant government and private organisations, including the Foundation for Enterprise Promotion and other ministries.

Phare will support activities geared to this objective with concentration on

- organising sectorally-oriented investment promotion workshops and seminars
- conducting targeted searches for potential investors, including addressing selected western companies to propose investment opportunities
- organising export promotion workshops, seminars and other activities
- conducting trade missions for specific sectors to selected markets
- organising inward buyer programmes
- carrying out market research
- staff development, including training
- public relations activities.

#### **Tourism development**

The tourism sector currently represents 9 per cent of GDP and income from the sector has doubled in the last five years. However, a national tourism development policy needs to be devised while institutions operating in the sector at central and regional level need strengthening.

Phare will support activities designed to

- develop a coherent tourism policy at national and regional levels
- develop tourism concepts and products
- prepare related marketing and promotional activities.

#### **Labour market**

A reform commission on human resources development and information systems has been established, with Phare support, to undertake strategic policy reviews and provide a comprehensive framework for making systematic policy adjustments to respond to labour market development and training needs.

Phare will provide support for

- developing a comprehensive labour market information system and labour force related information system
- developing training actions to improve the employment structure
- labour market analysis and research policy development
- pilot projects outside mainstream employment policy, whose results can be integrated into existing and new active employment measures to supplement further local initiatives

- increased cooperation with European Union programmes and networks.

### **Infrastructure**

The Government has embarked on a series of measures to assist the transformation and reform of the transport and communications sectors, whose current inadequacies are impeding both domestic and foreign investment and contributing to uneven economic development in different regions of the country. Moreover, the development of appropriate trans-European networks is seen as a prerequisite for Hungary's integration with the European Union and enhanced cooperation with her neighbours.

#### **Transport and communications**

Phare will provide technical expertise to the transport and communications sectors for

- approximating and harmonising legislation and standards
- upgrading investment planning and implementation capabilities.

Phare will also provide co-financing support in accordance with the Copenhagen co-financing scheme for a limited number of infrastructure projects. Projects under consideration include

- road transport: M2 expressway (phase 3 - Budapest Ring), M3 motorway (Corridor V), M7 motorway and the Budapest Beltway
- railways: rehabilitation of the Budapest-Kelebia line (Corridor IV), development of the Hungarian-Slovenian line and multi-modal transport \*
- posts and telecommunications: development of the institutional and regulatory framework, including pricing policy, in preparation for European integration
- transit: border crossing modernisation at Redics, Gyula, Zahony, Rajka and Beregsurany, and provision of hazardous substance detection equipment and customs laboratory equipment
- water management: improvements to the sewage systems of the larger cities, such as Budapest, and the protection of major water resources, such as Lake Balaton.

## Energy

The energy sector is characterised by an inefficient allocation of scarce capital resources, with undue focus on supply compared to distribution, inadequate energy tariffs, high energy intensity, heavy dependence on imported energy and little privatisation.

Phare support will be geared to transforming the sector by helping to implement the Government's energy policy and strengthening the integration of the gas and electricity networks into trans-European networks.

Technical expertise and training will concentrate on

- implementing the Government's action plan for energy conservation and its efficiency promotion programme
- developing new storage facilities in the gas, crude oil and petroleum sectors, and establishing an appropriate computer control system with measuring instruments to monitor the technical state of storage facilities and product quality and quantity (some equipment provision may be funded)
- supporting the privatisation process in the sector.

Financial support will be provided to private entrepreneurs and households for energy saving and energy efficiency projects through the vehicle of the new Energy Saving Fund.

Phare may also provide co-financing support in accordance with the Copenhagen co-financing scheme for the development of east-west electricity and gas networks with priority on

- developing the Györa-Baumgarten natural gas pipeline and building additional storage facilities
- connecting the Hungarian power system to UCPT, especially as regards fulfilling the criteria for secondary reserve capacity.

## Environment

Hungary has one of the most advanced systems of environmental management in central Europe and its environmental problems are not on the same scale as those of some other countries in the region. The most critical environmental problems facing the country relate to water quality owing to uncontrolled run-off which has led to surface and sub-surface water contamination, exacerbated by the lack of waste water treatment facilities. There are also increasing problems with air quality, owing to high sulphur power production, industry, households and transport, with waste water and with the inadequate management of solid and hazardous waste. New environmental legislation has been proposed and a

new national environmental and nature concept has been developed which will form the basis for the national environmental programme.

Phare will provide technical expertise with a view to preparing the sector prior to Hungary's integration within the European Union. Concentration will be on

- approximating and harmonising legislation and environmental protection norms in line with those of the European Union and for adaptation to the requirements of various international conventions
- institutional development and strengthening, with emphasis on environmental management capabilities, monitoring and enforcement capabilities and environmental education and awareness.

Investment support will be provided

- to municipalities, primarily for sewage and waste water treatment, local waste management and the development of district heating systems
- to private companies, primarily for environmental investments associated with restructuring and the development of cleaner and less polluting production technologies.

Phare will also provide co-financing and related technical expertise with the international financing institutions with a view to facilitating investments in the sector. Projects being considered for selection include activities connected with

- the protection of Lake Balaton
- municipal services, especially as regards water (including the 23 cities programme)
- facilities focusing on industry and clean technologies.

## Flexible non-sector-specific technical support

Phare will establish a flexible non-sector-specific know-how facility targeted at

- projects not covered by sector programmes
- unforeseen needs related to the socio-economic transformation process where there is no alternative source of financing.

Projects may not exceed ECU 100,000 and will be selected under the responsibility of the two chairmen of the Inter-ministerial Committee for Assistance Coordination.

## **Participation in European Union programmes**

Following the European Council's decisions at the Copenhagen and Essen summits, Hungary will be able to participate in European Union programmes from the beginning of 1996, subject to the ratification of the appropriate additional protocol to the Europe Agreement. Hungary will then be able to participate in programmes in areas such as human resources development, culture, consumer protection, health, environment, energy, transport and the fight against drugs.

Provision is therefore made for Phare to contribute towards the costs of participation in those programmes which the Government considers as priorities.

<b>Indicative allocations</b>	<b>ECU million</b>
European integration	28
Education and training	45
Public finance reform	25
Economic development	142
Infrastructure	150
Participation in European Union programmes	30
Flexible non-sector-specific technical support	5

# Hungary

## Multi-annual Indicative Programme for cross-border cooperation with Austria

Duration	1995-1999
Amount	ECU 7 million per annum (indicative amount only)

The Multi-annual Indicative Programme (MIP) has been prepared under the Phare cross-border cooperation programme for the Hungarian-Austrian border regions. The time frame for completion of projects within the MIP is five years and coherence is therefore ensured within the long-term development of the region.

Although the Hungarian counties close to the Austrian border are among the most dynamically developing regions of the country, the situation in certain subregions is variable and, overall, the development of these counties is well behind that of the neighbouring Austrian border region of Burgenland.

The Hungarian side of the border suffers from uneven economic development between urban and rural areas, and a lack of modern business and entrepreneurial skills necessary to manage small and medium-sized enterprises, exacerbated by the unfavourable demography of the area with its relatively high percentage of elderly people. In addition, infrastructure generally is inadequate and is impeding development. The capacity and quality of transport infrastructure remains below western European standards, while inadequate waste and sewage treatment systems are posing environmental problems. The information and communications sector is underdeveloped. The scarce financial resources of local governments render essential modernisation difficult. Public utilities are also underresourced and there are gaps in water and energy supply systems. In addition, the border region suffers from a lack of development strategies based on an adequate regional approach, while there is a lack of cooperation and coordination in economic development in the region.

On the other hand, the Hungarian border region is characterised by a strong work ethic and a well-qualified labour force. New and dynamic enterprises are beginning to act as a pull factor and a model for further investment and there is a traditional, developing and flexible research and innovation potential. The tourism sector is also ripe for development. Existing cross-border relations with the neighbouring area of Austria are good and a wide number of cooperation activities have already been established.

The Phare cross-border programme aims to promote cooperation between border regions in the European Union and countries of central Europe to help them overcome specific development problems which may arise from their specific location within their national economies. It also promotes the development of networks on either side of the border and the development of links between these and European Union networks. Together with these priorities, the MIP for Hungary and Austria aims to

- develop cross-border cooperation by intensifying relations between the border regions, aimed at overcoming specific development problems in these regions in the interests of the population in the adjacent areas
- jointly develop and protect the potential of the border region, for example as regards tourism and industrial production
- establish and strengthen cross-border cooperation activities and networks (for example between local/regional authorities, employment services and companies) on both sides of the border and establish links with the wider networks of the European Union
- improve cross-border infrastructure (mainly transport infrastructure) in quantity and quality, and reduce strains caused by various elements, such as noise and pollution from traffic
- develop the Hungarian border region to raise it to the development level of the Austrian side of the border, in particular by aiming to overcome problems stemming from the lack of innovative business activities, relatively high unemployment rates and gaps in the qualifications of the labour force
- strengthen the existing good relations between the two countries through closer cooperation and networking in the economic, social and cultural fields
- extend bilateral cooperation to trilateral cooperation with Slovenia and Slovakia respectively
- support the process of integrating Hungary into the European Union.

The following priorities and indicative budgetary split have been agreed:

- |  |     |
|--|-----|
| • regional planning and development    | 3%  |
| • infrastructure                       | 31% |
| • economic development and cooperation | 44% |
| • human resources                      | 9%  |
| • environment and nature protection    | 10% |
| • small projects fund                  | 3%  |

The regions which will be eligible for funding are the counties/komitate of

- Győr-Moson-Sopron
- Vas
- Zala.

Phare has already financed measures to stimulate cross-border cooperation between the Member States of the European Union and the central European countries. Commission Regulation N° 1628/94, on cross-border cooperation between the Member States and the central European countries in the framework of the Phare Programme, provides the rules for financing actions of a structural nature in border regions of central European countries sharing a common border with Member States, in harmony with the European Union structural policies and with INTERREG II in particular.

Following the entry of Austria into the European Union, the Phare cross-border cooperation programme includes a specific budget line designated for promoting cross-border cooperation between regions of Hungary adjoining Austria. The MIP for Hungary complements the INTERREG II operational programme for the Austrian regions of Burgenland and Vienna, sharing common priorities and common objectives within those priorities.

A number of criteria have been influential in project selection, in particular

- the conformity of major infrastructure projects with standard Phare regulations concerning the level of matching co-finance
- the coherence of a project in relation to the overall programme and its relationship to the programme objectives
- the level of integration between a project and other related actions within the priority and measure concerned

- the likely quantifiable impact of a project in relation to the development of opportunities and the overcoming of problems within the border region
- the internal rate of return or cost-benefit relation
- the involvement of regional and local authorities
- the readiness for implementation and the appropriate level of preparation in relation to the time-scale foreseen
- the cross-border impact of a project, including any relationship to projects being implemented on the Austrian side of the border and complementarity with INTERREG
- linkages between a project and other actions under way or foreseen within the national Phare programme or through other national or international agencies
- the environmental impact of a project.

### Regional planning and development

Cooperation between Austria and Hungary in the field of spatial planning has quite a long tradition, in particular since the Austrian-Hungarian Commission for Spatial Planning was founded in 1985. Cooperation projects have also been developed and implemented within the framework of ZOR, the Austrian aid programme for the former COMECON countries.

The preparatory work conducted so far between the two countries on regional planning and labour force qualifications facilitates the implementation of the Phare cross-border programme, reducing the need for large allocations for studies, basic planning and fundamental training. However, some further studies will still be necessary, and institutional and technical support will be needed to implement and administer cooperation projects. This will be provided centrally to the Project Management Unit and to the Unit's sub-office within the designated region. The services needed cover the whole range of project-related skills, from project administration to implementation, monitoring and evaluation. Capacity-building is also needed within the institutions concerned in the form of training and support in decision-making.

The Multi-annual Indicative Programme will aim at

- preparing a joint strategy, defining interregional development programmes and establishing an organisational and technical framework to facilitate the coordinated development of border regions
- developing the organisational, technical and human resource conditions for effective and efficient

programme implementation, for example, building and strengthening cross-border institutions and networks in the fields of consulting and training

- developing and implementing cross-border management information and monitoring systems.

Activities will concentrate on

- cross-border regional studies and programmes, such as comprehensive regional and industrial development concepts for border regions, reviewing the regional position in a developing environment; these will be future-oriented, taking account of changing conditions
- specific implementation-oriented studies, for example in relation to special areas of attention, such as concepts for developing nature parks or particular sectors, in particular tourism
- setting up a fund for programme management and organisational strengthening.

Projects under consideration for funding include

- Vienna-Győr-(Bratislava) regional development concept (brackets denote third-country involvement)
- Örség-Raab-(Garicko) comprehensive regional development concept (brackets denote third-country involvement)
- a coordinated thermal and health tourism development concept and common marketing/promotion programme, including focus on the coordinated management of water resources
- joint development and marketing studies for particular border regions
- coordinated concepts for alternative energy exploitation
- coordinated traffic concepts for border regions
- a complex development programme for the border crossing innovation axis
- regional development concepts for border regions
- sectoral development concepts for tourism, environment and water management.

A fund for programme management and organisational strengthening will be established to provide the institutional and technical support necessary for implementing and administering projects. This is vital to ensure the efficiency and appropriateness of the operation of the entire cross-border programme. The fund will finance

- the services needed to cover the whole range of project-related skills, from project administration to

implementation, monitoring and evaluation, including institution-building measures, training activities and support in decision-making

- the operation of the joint programme and monitoring system, the administrative costs of the Joint Programming and Monitoring Committee responsible for coordinating the cross-border programme with actions under INTERREG, the costs of the Committee's secretariats and those of the Phare cross-border cooperation Programme Management Unit
- the development of an integrated monitoring system, meeting the specific needs of the cross-border programme and related INTERREG programmes.

## Infrastructure

While roads in the Hungarian border region are not in a bad condition, their capacity and quality is well below western European standards. Few by-passes exist and while a motorway is being built between Vienna and Budapest, all other road connections between the two countries are ordinary roads.

The most important rail link is the one between Vienna and Budapest but the average time for the 260 km. journey is slow compared to western European standards. Few other rail border crossings exist.

The border region also suffers from other infrastructural problems. There are no regional airports in the area and the Danube River ports lack modern facilities. Information and telecommunication networks and energy supply systems are inadequate.

The Hungarian Government is seeking priority for rail and water transport projects, in the interests of the environment. Therefore, it is eager to reconstruct rail links and modernise harbour facilities. However, the Government recognises that the road infrastructure, in particular border crossings, will need improving to raise standards.

The Multi-annual Indicative Programme will aim at

- widening the transport infrastructure, including border-crossing facilities, to help develop the border region
- closing gaps in the provision of public utilities and energy supplies and increasing access to these
- establishing environmentally-friendly energy supply systems
- developing cross-border communication networks
- providing serviced sites for major economic cooperation projects, such as cross-border business parks

- promoting know-how transfer and developing improved planning strategies.

Projects under consideration for funding include

- developing Győr and Sármellék regional airports
- extending river ports (Győr-Gönyü)
- modernising roads leading to border-crossing points and constructing new by-passes (for example at Sopron, Bozsok and Bucsú)
- improving and building main roads and railway connections
- extending and equipping cycling routes, for example around Lake Fertő and Hánság S-100 borderside
- developing road, railroad, river, pedestrian/cyclist border-crossing points, for example at Strem-Moschendorf-Pinkamindszent, Lutzmannsburg-Zsira and Örség-Raab
- infrastructure projects related to industrial parks and tourism centres, to assist the development of industrial and entrepreneurial premises
- cooperation on alternative energy through bio-mass utilisation projects for regions such as Körmend, Szombathely and Ágfalva
- cooperation on energy, waste and environmental technologies
- cooperation between regional media.

### **Economic development and cooperation**

Both countries are interested in rebuilding the cross-border economic links which existed before the Cold War and a number of challenging projects have already been identified for development, conceived in the light of prevailing regional and sectoral conditions. Initiatives include establishing cross-border business parks, developing environmentally-friendly industrial activities in high natural amenity zones, developing cross-border tourism products and packages, and organising joint fairs, conferences and workshops to promote cooperation.

In the light of this existing broad framework, the Multi-annual Indicative Programme will aim at

- improving the competitive performance of firms on both sides of the border through cross-border cooperation, in particular encouraging economic restructuring in the Hungarian border areas and promoting SME development, for example by setting up cross-border industrial estates and business incubation centres

- developing R&D activities, know-how and technology transfer, innovation activities, information and communications systems and networks, for example by setting up cross-border technology parks and promoting cross-border cooperation between SMEs with a focus on technology transfer and innovation activities
- implementing joint marketing activities, including a joint approach to exploiting foreign markets
- developing a cooperative, coordinated approach to tourism development on both sides of the border, in particular by improving the quality of the tourism product in the Hungarian border areas, for example by providing better accommodation
- preparing regional cross-border tourism development programmes and marketing strategies, focusing on foreign markets.

Projects under consideration for funding include

- building business parks and innovation centres and establishing cross-border partnerships, for example involving Vienna-Győr, Mosonmagyaróvár-Nickelsdorf-Parndorf, Sopron-Deutschkreutz-Siegersdorf-Eisenstadt and Szentgotthárd-Heiligenkreutz
- developing technology transfer projects, including setting up incubator centres
- developing information systems and networks
- developing location marketing and cooperation centres, for example involving Vienna-Győr, East-West Centre and Window in Vienna
- organising fairs and workshops.

Tourism projects under consideration for funding include

- developing a joint tourism marketing strategy, for example using the Liszt-Haydn image as a feature and promoting the Sopron-Eisenstadt-Fertő region
- cooperation on developing national and nature parks, in the Fertő Lake, Örség-Raab-Goricko and Irottkő-Köszeg regions
- designing a coordinated development programme for thermal and health tourism, for example developing Óriszentpéter as a thermal centre
- improving conditions and joint marketing for cycling and trekking tourism.

## Human resources

The success of cross-border cooperation initiatives will depend on the capability of the individuals concerned, primarily their ability to communicate and to understand each other's cultures, problems, economic conditions and administration. This necessitates an integrated approach to education and training, possibly involving the development of common standards, certificates and qualifications. Comprehensive cooperation in the design and implementation of professional training is also needed to reduce barriers to cross-border labour mobility, in particular in the fields of SME development, public administration and tourism.

The Multi-annual Indicative Programme will aim at

- strengthening cultural integration in the border areas, with emphasis on foreign language courses and the history and culture of these areas
- cooperation in education at all levels, in particular as regards language training, including the development of joint training sessions and teacher/student exchanges, as well as know-how transfer on labour market opportunities and the design and management of social and employment initiatives
- cooperation on basic and further training, with emphasis on the needs of SMEs, public administration and the tourism sector.

Projects under consideration for funding include

- experience transfer and cross-border education schemes
- student/teacher exchanges
- cooperation between educational establishments and the development of joint training programmes
- know-how transfer on issues such as labour market measures, social policy and management
- school partnerships and exchange programmes
- foreign language teaching
- coordinated and joint research, linking existing databases and building networks.

## Environment and nature protection

The Austrian-Hungarian border region is characterised by a proliferation of fragile landscapes and ecosystems which could be endangered by the neglect of environmental considerations. Steps need to be taken to reduce pollution at the point of origin or at least to treat output,

such as waste and sewage, before it is discharged into the environment. In addition, nature in the endangered zones must be protected, for example through developing nature parks.

The Multi-annual Indicative Programme will aim at

- developing an environment-friendly infrastructure through investments in the areas of energy generation and consumption, refuse collection and treatment, sewage treatment and the introduction of new methods and technologies
- providing research on environmental issues and expertise to help execute particular projects, for example those designed to support joint environmental enterprises
- developing natural amenities and a coordinated system for active nature protection and setting up cross-border nature preservation zones.

Projects under consideration for funding include

- developing bio-mass heating plants, for example at Güssing-Körmend
- building regional refuse incinerators for toxic waste, for example at Zalaegerszeg
- building joint cross-border sewage treatment plants
- setting up joint ventures for utilising recyclable energy resources
- developing two new cross-border nature parks for the Kőszeg-Geschriebenstein and Örseg-Raab-Goricko regions.

## Small projects fund

A fund will be set up to finance small projects, up to ECU 10,000, which aim to promote the following types of cross-border activities:

- meetings and conferences
- training sessions
- study tours
- publications
- marketing activities
- studies.

## **Implementation**

A joint programming and monitoring committee, composed of the appropriate authorities from Hungary and Austria, will play the principal role in assuring overall coordination between the two Governments in the planning and implementation stages of the Programme. It will be the principal forum for the joint programming of cross-border activities under Phare and INTERREG II. The committee will undertake joint project selection in the context of the Programme and will also monitor and coordinate the implementation of these activities.

A central Programme Management Unit (PMU) will be established at the Ministry of Environment and Regional Policy to oversee all actions undertaken under the Programme and will have responsibility for the overall management of the Programme. To encourage decentralisation of decision-making and to promote the transfer of project management skills, the Programme Management Unit will establish a sub-office within the designated region. The Ministry will retain overall coordination and financial responsibility for the Programme.

The Programme will specify projects annually in the framework of a financing proposal and financing memorandum. The projects will derive from measures and priorities specified in the MIP, taking account of the development of the MIP and the absorption capacity of the different sectors.

# Slovakia

## Multi-annual Indicative Programme

Duration	1995-1999
Amount	ECU 200-220 million (indicative amount only)

### Background

Slovakia has made considerable progress in its transformation process towards a socially-oriented market economy. The Government is fully committed to a social and economic reform agenda and integration of the Republic into western political, economic and security structures, in particular full membership of the European Union as a priority of foreign policy. This commitment includes the eventual adaptation of instruments of monetary, fiscal and customs policy, active foreign trade liberalisation, the creation of a convertible currency and gradual preparation for monetary union within the European Union.

Past Phare support for modernising the structures of state and society have fallen primarily under the general know-how facility and have included support for reform, creation of a training programme and training infrastructure for public administration, training of local government staff and elected officials, upgrading of standards and statistical services, partial computerisation of customs and the legislative implications of the Europe Agreement. The Civic Society Development Fund has also benefited from Phare support.

Phare restructuring and privatisation activities have concentrated on the industrial restructuring of large and medium-sized enterprises, preparatory work in the form of sector studies and private sector development. Four financial schemes have been set up for the SME sector, consisting of a small loan guarantee scheme, two loan schemes and a seed capital fund. Phare has also supported the establishment of the national SME agency, regional advisory and information centres, business innovation centres and a subcontracting exchange agency. It has provided policy development advice, information, counselling and training to entrepreneurs in the SME sector.

The Foreign Investment Agency has developed with support from Phare but its future funding will be more firmly secured through adequate government support.

The regional development programme has experienced delays but more prominence will be given to this area in future.

Phare has funded programmes in the financial sector for the Ministry of Finance, the central bank and the banking sector generally, on banking supervision, the central bank accounting system, the establishment of a banking association, training and the introduction of sound practices in the field of accountancy, auditing and insurance. It is also helping the Ministry of Finance to implement a more coherent tax reform and accounting reform programme. The 1993-1994 programme is focusing on the financial restructuring of a selected number of banks, continued support for the bank supervision function and implementation of a major distance learning programme.

The agricultural support programme has now taken off, with the placement of a high-level policy advisor to the Ministry of Agriculture and the launch of programmes to restructure the agro-processing sector and develop primary production. Phare is also helping to modernise the land information and registration system.

In the social sector, Phare has supported labour market reform and has helped to create a pro-active labour market intervention fund. The social protection system has also benefited from Phare support for improving the social support and insurance services. Since 1994, support has been concentrated on funds policy coordination, management support to insurance agencies, development of a centralised client-based data system for all social sector institutions and training for benefit officers and social workers. Phare has also contributed to improving health care management and information and primary health care skills.

Modernising vocational schools and reviewing adult training and education have also been a priority. A human resources development fund has been created although the Tempus programme has so far been the most substantial Phare contribution to human resources development. A strategic review of vocational training has been supported with a follow-up programme to implement vocational education reform. The renewal of the educational system is also receiving attention and a national strategy for science and technology has been prepared.

Studies are being implemented in the transport sector to assess transport flows and needs for land transport modes, including combined transport and border crossings, as well as port development. Other priorities include strategic development and feasibility studies for civil aviation, optimal location of international transport terminals, physical distribution management, public transport in Bratislava and Tatra and institutional support.

In the energy sector, Phare has supported a comprehensive energy study, demand projections and pricing/taxation strategies, energy efficiency in selected industries, a regional energy study and a study on diversification. A revolving energy fund has also received Phare contributions. In the environmental sector, Phare has been involved in activities on ground water modelling, waste handling, nuclear safety, impact assessment of environmental pollution, water quality monitoring and policy development.

The activities proposed in line with the priorities agreed for the 1995-1999 period are in many instances a logical extension of ongoing Phare supported programmes.

### **New orientations**

Phare support for the 1995-1999 period will focus on preparing Slovakia for accession to the European Union. In preparing itself for membership, Slovakia will have to achieve the following objectives, to which Phare support will be oriented:

- adopt the 'acquis communautaire', namely approximate its laws, standards, rules and practices in line with those of the European Union and adopt measures related to adherence to a number of common policies
- consolidate and strengthen its economy so as to enable it to withstand the competitive pressures of the European Union market.

In line with these objectives, Phare support over the medium term will focus on the following broad strategy areas:

- adopting the 'acquis communautaire', including modernising the structures of state and society and approximating laws, standards and regulations
- private sector development and restructuring
- human resources development, including social sector reform
- infrastructure development.

### **'Acquis communautaire'/approximation of legislation**

The Europe Agreement signed with the European Union, obliges Slovakia to approximate its legislation with that of the European Union. This will be a demanding and long-term process, in which Slovakia will have to rely heavily on the European Union for support. An adequate institutional framework will have to be established and the main area of concentration will be the

approximation of laws. However, relations on political dialogue, trade, commercial and economic activities will also be covered, given the ultimate objective of full membership of the European Union. Therefore, priorities and the approach to legislative approximation must take account of the fact that this is not only a legal exercise but an economic one too. Equally, the cost of compliance and the capacity to deal with the tasks must also be borne in mind.

Phare will support the following activities.

#### **Approximation**

- legal advice, economic advice, programme management support, including local experts, training in legal aspects, linguistics in foreign terminology, access to European Union legal bases, translation/interpretation, creation of a translation centre, study visits, seminars, information campaigns, equipment, documentation, publications and administrative support

#### **Public administration reform**

- implementation and policy advice, programme management support, training, study visits and seminars
- equipment for the central register, including regional and local offices and for informatics harmonisation

#### **Judiciary**

- technical expertise on legislation, reorganisation of the court system, information system, training and needs assessment, together with support for register development, study visits, international cooperation, access to data bases, training, language training, access to commercial registers and translation
- support for computerisation of courts and the Ministry of Justice, the company register, the legal information system and the purchase of software

#### **Standards**

- technical support for implementation, advice and training, together with support for study tours, translation, publication of European norms and directives and for international cooperation
- equipment for testing, metrology, the standards education centre and networks

#### **Industrial property**

- funding of reprographic and administrative equipment

#### Customs

- technical support for implementation, software application and training
- funding of hardware and software for central, regional and district offices

#### Statistics

- technical support for implementation, advice, training and support for study visits, seminars, translation, pilot surveys and data base access
- funding of hardware and software for central and regional offices, LAN and WAN (local and wide area networks) components, reprographic equipment, data collection equipment and information centres for the public

#### Parliament

- legal advice and advice on working methodologies, study visits, seminars and links with European Union parliaments/institutions

#### Civic society

- funding for non-governmental organisation programmes and project finance

#### Other

- general programme/aid coordination, policy advice and implementation support to other programmes and new programmes

### **Private sector development and restructuring**

Support is needed for the restructuring and privatisation process of large and medium-sized enterprises within key priority sectors, including efforts to promote inward investment, joint ventures and exports. Restructuring of the agricultural sector is also a priority.

Regional regeneration and development will be encouraged through measures to consolidate current regional pilot programmes and other structures (such as regional development agencies and SME centres) and to create a more comprehensive and effective regional development programme, including rural and community development.

The national agency for the development of SMEs and its network of regional advisory and information centres and business innovation centres, need further support in the areas of policy and programme development, information and counselling and credit and guarantee schemes. Appropriate technology transfer will also contribute to enhancing the competitiveness of the SME sector and industry generally.

Further support is needed for the accountancy and audit profession while the finance sector needs a management information system. Improvements are also required for the tax administration, state budget management, capital market restructuring, insurance reform and supervision. National bank operations must be strengthened and efforts must be made to help achieve long-term stability in the banking sector.

Continued support is needed for agricultural land identification and consolidation, as well as for modernising the cadastre/registration system.

Phare support will be concentrated on the following activities.

#### Privatisation and restructuring

- technical expertise for privatisation of institutions, enterprise sales, sales of shares, enterprise restructuring, training, project management, the creation of a subcontracting exchange, facilitating production on behalf of foreign enterprises and utilisation of available production capacity
- investment support through the new post-privatisation fund, designed to bring know-how and capital to medium-sized enterprises

#### SME development

- technical expertise for policy and programme development, training, programme management, information, counselling and support for the operations of national and regional agencies
- international and national promotion activities, procurement bureaux, redeployment of industrial assets and spin-off studies
- investment support to replenish the credit guarantee fund and to support loan, venture capital and micro-credit schemes

#### Technology transfer

- technical support for the new centre for technology transfer and applied research, in particular on organisation, management, contracting, training, policy, strategy and financing
- promoting international cooperation, preparing documentation and publications and funding small projects, equipment, database access, study tours, conferences and seminars

### Regional development

- policy development, institutional advice for the regional and national agency system, programme management and training
- investment support for the regional and rural development fund

### Financial sector

- technical expertise for the central bank on banking supervision, cooperation with European Union central banks and monetary institutions, legislative development, training, advisory services, cooperative banking, mortgage lending and bank reporting
- project management advice for the central bank for the banking sector programme and study visits, as well as funding of software and hardware needed for the bank reporting system and of training material
- technical expertise for the commercial banks on financial restructuring (including bad debts), postal banking, mortgage lending, export banking, payments clearing systems and training, as well as funding of distance learning courses
- technical expertise for the Ministry of Finance on legislation, investment fraud, fraud prevention, budget/treasury reform, tax administration, customs systems, capital market reform, export guarantees, insurance, accounting and audit, institutional support, project management and technical cooperation with other ministries and European Union finance sector institutions
- funding for hardware and software for the Ministry of Finance

### Foreign investment and trade promotion

- technical support for foreign investment, as regards programme management, sector studies, negotiation support, pre-feasibility studies, public relations campaigns, promotional activities, exhibitions, publications, study visits and training
- technical support for developing an export information centre and for sectoral export development, export environmental studies, export marketing, training, programme management, equipment, information material, database access for information centres, export promotion and the creation of an export development fund

### Agriculture/land information and registration

- technical support for food legislation, food standards, extension services, European Union policy, land reform,

land market, forestry/water management, food industry restructuring, primary sector restructuring, programme management support and the creation of a rural development fund

- technical support for the cadastral database system and the topographic information system, as well as for programme management and training
- funding of equipment and software

### **Human resources development, including social sector reform**

Measures are needed to establish an effective and efficient social protection and health system which is compatible with macro-economic requirements and socially acceptable. The labour market support and social partnership system must also be further developed and refined.

The requirements of the economic and social process necessitate the reorientation of human capital to ensure that training and skills are adequate to meet the new challenges.

Phare will concentrate its activities on the following.

#### Labour market

- technical expertise on policy, legislation, the labour market information system, training, industrial relations, project management, study tours, international cooperation, teaching aids and seminars
- investment for equipment and for the pro-active labour market fund

#### Education and science

- technical expertise on legislation, curriculum development, foreign language teaching methodologies, distance education, vocational training, creating technology centres and an innovation fund
- auditing, project management, educational material, local lawyers, translation, documentation, publications, study visits, conferences, language laboratory aids and international cooperation
- funding of equipment for vocational training centres and of a distance education fund

#### Human resources development fund

- technical advice for monitoring, ad hoc programme support and project management
- investment support in the form of grants to training providers and soft loans to training institutes

### Social protection

- technical support on social protection policy and legislation, programme management, financial modelling, training, implementation, social care management, social work education standards and support for the cost of training programmes, translation, study tours and international cooperation activities
- technical support for the social insurance sector on management and financial management, computerisation of the central register and integration of the information system, system development, feasibility studies and project management, as well as support for study tours, training courses and seminars
- support for the computerisation of central and regional social protection offices

### Health

- technical expertise on sector financing reform, privatisation, primary health care, sector management, programme management and administrative support
- support for the cost of study tours, training, documentation, small equipment and local experts

### Tempus/European Union programmes

- investment support in the form of grant funds for Tempus and supplementing contributions for participation in European Union programmes, such as Leonardo, Socrates and Youth for Europe

## Infrastructure development

Slovakia is keen to integrate with trans-European networks and to develop its transport market generally. The technical conditions of the road network are insufficient and there are notable deficiencies in maintenance and rehabilitation. Rail restructuring and commercialisation are priorities for the government and there is an ongoing need for port restructuring/modernisation and the development of new water canals. Its postal and commercialised telecommunications services also need modernising and diversifying.

At present, the energy sector suffers from an inefficient allocation of scarce capital resources, inadequate tariffs, high global energy intensity, heavy dependence on imported energy and bottlenecks in transborder energy networks. Slovakia needs to fulfil international nuclear safety standards and to improve energy efficiency through energy conservation measures and the development of renewable energy. The energy sector must also aim to attain economically and socially viable environmental standards.

Phare will pursue the following priorities.

### Transport

- support for feasibility studies, sector strategy reviews, railways restructuring, privatisation, programme management, training and study visits
- investment support for modernising railways and motorways

### Telecommunications

- support for strategy development, harmonisation of legislation, regulations, training and financial advice
- investment support for equipment standardisation laboratories, new services, network servers, etc.

### Energy

- technical support on legislation, policies, standards, studies, energy savings fund management, feasibility studies on renewable energy and nuclear confinement and cooling systems, decommissioning and waste management
- investment support for the replenishment of the energy saving fund, for drills to assess geothermal potential and for co-funding interconnecting networks

### Environment

- technical support on the national environmental action plan, policy, economic instruments, institution-building and training
- financial support for the planned revolving environmental investment fund

## Indicative allocations

	%
'Acquis communautaire'	10-20
Private sector development and restructuring	50-60
Human resources development, including social sector reform	20-25
Infrastructure development	10-20

# Slovenia

## Multi-annual Indicative Programme for cross-border cooperation with Austria

Duration	1995-1999
Amount	ECU 3 million per annum (indicative amount only)

The Multi-annual Indicative Programme (MIP) has been prepared under the Phare cross-border cooperation programme for the Slovene-Austrian border regions. The time frame for completion of projects within the MIP is five years and coherence is therefore ensured within the long-term development of the region.

The Slovene-Austrian border area is predominantly alpine and sub-alpine in nature. Agriculture and forestry form an important part of the economic structure, although the share of part-time farming is high and production systems are characterised by outmoded management and marketing systems. Food processing also plays an important part in local employment. Industrial activities are concentrated in the major valleys and in a few urban centres and include steel production, metal industries and mining in the Maribor area and in Ravne and Mezica, but many of these traditional industries need restructuring. Since Slovenia's independence and the loss of the Yugoslav markets, unemployment and emigration have risen sharply. The lack of an entrepreneurial culture and the low levels of SME development means that parts of the region suffer from high unemployment. An important objective of the Slovene Government's national economic strategy is to promote local economies in the border regions.

So far, the tourism industry has accounted for a relatively small proportion of gross domestic product (GDP), but could become a major player in the more rural border areas. However, major infrastructural investment is needed outside the major tourism centres and certain environmental problems may impede development in this sector. River pollution is serious, mainly owing to the lack of adequate waste water treatment facilities. The region also suffers from inadequate waste disposal systems for household, industrial and other types of waste. In addition, the border region has inadequate transport links with the capital and within the region itself, while there is frequent traffic congestion at the main border crossings and bottlenecks in the railways system as a result of low technical standards in signalling.

The educational standard in the area is generally low, with 51.9 per cent having been educated simply at

primary level and only 6.6 per cent having completed higher education. The local tradition of large industries offering good in-house vocational training has led to a relatively well-qualified workforce but there is a lack of skills to cope with new manufacturing systems and specialised services.

The Phare cross-border programme aims to promote cooperation between border regions in the European Union and countries of central Europe to help them overcome specific development problems which may arise from their specific location within their national economies. It also promotes the development of networks on either side of the border and the development of links between these and European Union networks. Together with these priorities, the MIP for Slovenia aims to

- strengthen communication through developing and modernising existing infrastructure and establishing bilateral cooperation networks
- develop new potential for cooperation and use existing potential to develop local communities in the border region with a view to creating synergies
- encourage activities to protect and manage natural resources in the border region and reduce pollution
- strengthen the friendly relations between the two countries through cooperation in the social and cultural sphere
- support the process of integrating Slovenia into the European Union.

The following priorities and indicative budgetary split have been agreed:

• technical support	6%
• economic development	40%
• infrastructure and transport	25%
• human resources	3%
• environment	26%

The regions which will be eligible for funding are the districts of

- Gorenjska
- Gornja Savinjska
- Koroska
- Podravje
- Pomurje.

Phare has already financed measures to stimulate cross-border cooperation between the Member States of the European Union and the central European countries. Commission Regulation N° 1628/94, on cross-border cooperation between the Member States and the central European countries in the framework of the Phare Programme, provides the rules for financing actions of a structural nature in border regions of central European countries sharing a common border with Member States, in harmony with the European Union structural policies and with INTERREG II in particular.

Following the entry of Austria into the European Union, the Phare cross-border cooperation programme includes a specific budget line designated for promoting cross-border cooperation between regions of Slovenia adjoining Austria. The MIP for Slovenia complements the INTERREG II operation programme for the Austrian Länder of Styria and Carinthia, sharing the same objective of pursuing joint development of peripheral regions along the state border, and the same priorities.

A number of criteria have been influential in project selection, in particular

- cross-border impact
- complementarity with the INTERREG II programme and Phare programmes
- degree of combination and integration of the project with other projects
- general impact on the special development problems stemming from relative isolation
- development impact on the population of the border areas
- readiness for implementation
- coherence of project content with declared project objectives
- co-financing possibility
- internal rate of return or cost-benefit calculations
- environmental impact
- involvement of regional and local authorities.

### **Technical support**

Planning, programming and implementing cross-border activities requires considerable knowledge of the socio-economic situation in the border region and of the regional and local human resources available to propose and implement such activities. At present, there is no

regional concept of the development potential of cross-border cooperation. A well-developed structure for cooperation is needed to ensure that priorities are implemented jointly and that local, regional and national authorities on both sides cooperate.

A Programme Management Unit already established within the Ministry of Science will manage the programme, develop annual projects and implement them. Its tasks will include animating, facilitating and coordinating contacts between the partners in the border region.

One of the first tasks will involve drawing up a comprehensive cross-border inventory and a strategy for the border region. The strategy will provide the basis for the review of the Multi-annual Indicative Programme and will be prepared jointly with the Austrian partners.

New contacts amongst actors in the border region will be established and existing ones strengthened to generate and disseminate ideas on types of projects needed and to offer practical advice to authorities on preparing proposals.

A series of small workshops will be organised, involving all relevant organisations in the area. They will present the cross-border initiative together with examples of good practice of projects for cooperation. They will also provide advice on preparing project proposals.

Information systems and at least one small office for cross-border cooperation will be set up.

### **Economic development**

The economic base needs to be broadened and diversified, particularly in the rural eastern part of the border area. Although business development and diversification is one of the Government's priorities, SME development will depend on adequate business support facilities and on investment. Cross-border cooperation will help to open up opportunities for development through the combined use of the indigenous resources of the area, for example in the field of tourism and agriculture.

### **Business development**

Economic development will be encouraged by creating the necessary technical and institutional pre-conditions and promoting better cross-border contacts. Industrial restructuring and SME development will be helped along by providing better support facilities. Efforts aimed at cross-border linkages will focus on existing SMEs, chambers of commerce, research centres and other business support structures.

Projects being considered include developing the Stajerski technology park, regenerating industrial areas, facilitating business contacts and support for companies seeking to cooperate with companies on the other side of the border, promoting joint research on market opportunities in the area and elsewhere and organising joint training courses on issues such as business management.

### **Tourism development**

The alpine region, including the Triglav National Park and the border region stretching to Maribor, and the 'health' district in the eastern part of the border region, are priority areas for tourism development under the government's national tourism strategy. The whole border region has major tourist attractions. Its landscapes, mountains, glaciers, lakes, waterfalls, and spas are ideal for cultural, health and sporting activities. However, basic infrastructure such as accommodation is lacking outside the major centres and tourism offices are small, scattered and do not cooperate properly with national tourism offices. New tourism products need to be developed along with marketing systems and small-scale infrastructure.

Support will be provided to develop an integrated tourism zone along the Styrian and Carinthian border. Preparatory activities will include joint studies and assessment/evaluation reports to plan and develop joint tourism products or link existing products on both sides of the border, such as the Styrian wine and fruit road and activity tourism. Measures will also be taken in this framework to develop necessary infrastructure and marketing methods, including better links between tourism offices.

Other indicative projects will include small-scale activities in the cultural sectors to help develop a general framework for cooperation. These will include the organisation of various cultural and sports events as well as seminars/workshops on the history, economic situation and culture of the border regions. These activities will be aimed at both tourists and the local population. Cross-border cooperation between different sectors of the media will also be promoted.

### **Rural development and agriculture**

In selected border regions, small-scale, part-time farming and wine production play an important role in the local economy. Despite the high quality of certain products and some success in establishing brand names and accessing national and international markets, better quality control, marketing strategies and management

structures are needed. Cooperation between small producers, for example in developing quality control systems, brand names and product diversification on a joint basis, would be highly useful in encouraging economic development in the agricultural sector.

Measures will be taken to facilitate cooperation between farmers in the area and to provide support and necessary small-scale infrastructure. Activities will concentrate on encouraging exchanges of information, experience and R&D, training courses on new product development, marketing and general business skills, joint participation at agricultural fairs and marketing agri-tourism. Measures will also be directed at preserving the landscape and the environment.

One indicative project involves an integrated project to support the development of local farming activities in the area, with emphasis on improving competitiveness and efficiency, entrepreneurship and new product development, such as tourism. The first phase of the project would be a strengths/weaknesses opportunities/threats analysis and an action plan.

### **Infrastructure and transport**

The Slovene Government attaches major importance to developing the transport sector and wishes to link the national system to trans-European networks. This is essential given that Slovenia is a 'transit' country and that modernisation will help economic development generally and the growth of the tourism industry in particular. The border region is reasonably well equipped with roads and border crossings, but existing facilities need improvement to cope with increases in freight and passenger traffic.

Measures will be taken to upgrade selected roads and railways which link up to existing border crossings. These will include modernising small roads to reduce bottlenecks, in particular at Pavlicevo Sedlo, Holmec, Libelice and Trate. Studies will also be prepared on missing road or rail links and on an integrated public transport system for the border area, while transportation concepts will be developed, for example on multi-modal transport options.

Measures will also concentrate on modernising certain border crossings in line with those on the Austrian side, including construction work and equipment for control and immigration procedures. Priority crossings are Jezersko, Ljubelj, Sentilj, Matjasevci and Gederovci.

## Human resources

A key factor in regional economic development is the human capital available in the area. High levels in education and training, vocational training and technical research would be strong assets. Action is needed to orient education and training in the region to create an increased and higher-quality supply of human resources in terms of both attitudes and skills.

Measures will be taken to encourage cross-border cooperation in the field of education and vocational training to enhance the skill level in the region, broaden the concept of the regional/local labour market and facilitate Slovenia's integration into the European Union. Various activities will be carried out to develop contacts, exchanges and links between vocational education and further education training schemes on both sides of the border. Joint projects and structures will also be developed, focusing on long-term training initiatives to help combat unemployment and facilitating the reintegration of the unemployed into the labour market.

Indicative projects include cooperation between universities and other training and vocational institutes in the border region to set up short-term exchanges, joint training courses and combined research. At the same time, exchange programmes/internships will be arranged for students and/or trainees in companies in the area. Similarly, schools will be encouraged to set up exchange systems, joint courses, seminars and workshops. Activities will include setting up links in the areas of administration and institutional reform through staff exchanges.

## Environment

Certain parts of the region have major environmental problems, particularly the industrial centre of Maribor whose surrounding areas suffer from air and water pollution. The management of environmental resources, such as the various nature parks, also needs to be improved. Apart from the benefits in terms of health, measures to improve the environment will also help to develop tourism.

Measures will concentrate on the environmental management and monitoring of the two major cross-border rivers, the Drava and the Mura. Action will include modernising and building purification plants and water monitoring systems. Feasibility studies will be carried out to improve water management systems and to investigate the possible energy exploitation of the River Mura.

Measures will be taken to adopt a joint approach to protecting and developing the Triglav National Park, which is a highly valuable ecosystem. A range of activities will also be launched to promote cooperation on ecosystems generally in the area, including creating links between existing environmental organisations, developing joint monitoring systems, preparing management plans and conducting joint research on conservation issues. Some small infrastructure investments may also be supported.

Indicative projects include building a combined mechanical/biological waste water treatment plant for Gornja Radgona, designing and implementing a comprehensive and integrated tourism development concept for the Triglav Park and restoring mountain huts.

## Implementation

A joint programming and monitoring committee, composed of the appropriate authorities from Slovenia and Austria, will play the principal role in assuring overall coordination between the two Governments in the planning and implementation stages of the Programme. It will be the principal forum for the joint programming of cross-border activities under Phare and INTERREG II. The committee will undertake joint project selection in the context of the Programme and will also monitor and coordinate the implementation of these activities.

The Ministry of Science and Technology will have responsibility for the overall coordination and financial management of the Programme. A Programme Management Unit was set up in the Ministry in 1994 to handle the cross-border cooperation programme with Italy and the unit will also coordinate, implement and monitor the Programme with Austria; a small extension of the unit will be set up in the border region.

The Programme will specify projects annually in the framework of a financing proposal and financing memorandum. The projects will derive from measures and priorities specified in the MIP, taking account of the development of the MIP and the absorption capacity of the different sectors.



