



Phare

Operational programmes 1994

Update n°3

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Update n°3

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Introduction

Phare Updates aim to provide the interested public with clear and concise summaries of the programmes to be implemented by the partner countries with Phare support.

The programmes described in the following pages are the logical consequences of the priorities expressed by the partner countries in their Indicative Programmes. They have been given a favourable opinion by Phare's Management Committee and have been approved by the Commission. Phare Updates are published after each Management Committee meeting.

This copy contains summaries of the programmes approved by the Committee at its 31st meeting held on 26-27 July 1994.

Interested business people will find a full description of the contractual implications of these programmes in the 'Infocontract' series of booklets, also published by the Phare Information Office.

It must be remembered that Phare is a flexible and pragmatic programme implemented by the partner countries themselves. The emphasis of programmes described herein may accordingly change over time.

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What is Phare?

The Phare Programme is a European Union 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 and build closer political and economic ties with the European Union.

Phare does this by providing grant finance to support the process of economic transformation and to strengthen newly created democratic societies. Phare also provides grant finance to help countries with Europe Agreements integrate with the European Union.

In its first five years of operation to 1994, Phare has made available ECU 4,283 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 Union. This ensures that Phare funding is relevant to each government's own reform policies and priorities. Each country takes the responsibility for running its own programmes.

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 restructuring process progresses.

The main priorities for Phare funding are common to all countries, although everyone is at a different stage of transformation. The key areas include restructuring of state enterprises including agriculture, private sector development, reform of institutions and public administration, reform of social services, employment, education and health, development of energy, transport and telecommunications infrastructure, and environment and nuclear safety. Under the Europe Agreements, Phare funding is being used to make laws compatible with European Union norms and standards, and to align practices.

Section 1 - National programmes

Albania

Agricultural programme for credit, land market, extension and agro-processing restructuring

Duration	to mid-1996
EU contribution	MECU 5
Responsible authority	Ministry of Agriculture and Food

Background

Agriculture and the rural economy play a dominant role in Albania and are the key to economic recovery. Some 50 per cent of the labour force is employed in agriculture and related sectors and two-thirds of the population live in rural areas.

Over the last 18 months, major land reform has been carried out and significant progress has been made towards reforming the agricultural sector along market economy lines. Following the upheaval associated with the dissolution of the former cooperative farms, resulting in a 35 per cent drop in agricultural output during the 1991-1992 season, the privatisation of agricultural land resulted in a 14 per cent rise in output in 1992 and a further 15 per cent increase in 1993. However, the cropping pattern is still oriented towards satisfying family needs as newly established private farmers are seeking to protect their food security. Most farmers have become subsistence-oriented and a limited amount of production is marketed.

Although remarkable progress has been achieved in cooperation with other donors, much remains to be done to further this major transformation to a market economy. The administration of the sector needs to be reformed and adapted to the market economy and the government's role in agriculture will need to be redefined over the medium term. Administrative capacity must be improved and staff trained.

The government's medium term objectives for the agricultural sector include establishing rural finance and credit services to facilitate investment in and modernisation of the sector. Another priority is to privatise enterprises involved in the supply of agricultural inputs, marketing services and the agro-food processing businesses' facilities and creating new enterprises and joint ventures in these fields. Improvement of the country's infrastructure is also of crucial importance, particularly as regards irrigation, storage and transport.

Phare commenced support for the agricultural sector in 1992, concentrating on emergency supplies of critical inputs, developing a private input supply network, establishing a revolving credit account for smallholders and importing tractors and equipment with back-up services. In 1993, Phare expanded its focus to land reform, privatised agro-processing enterprises, agricultural extension services and further credit lines.

Programme objectives

The programme builds on and expands some of the activities initiated and implemented under the 1992 and 1993 Phare programmes.

The overall objectives of the programme are to

- support the modernisation and restructuring of the economy
- increase agricultural production ensure and market surpluses for domestic consumption and export
- improve the income levels and quality of life of the farming population.

The immediate objectives of the programme are to

- support and further develop the land registration process
- support and develop privatisation of state and agro-industry enterprises
- strengthen the institutional capacity of the Ministry of Agriculture and Food in support of private farmers
- strengthen the institutional capacity of the Rural Commercial Bank and provide means for the delivery of credit
- expand credit lines for agro-processing and mechanisation.

Programme description

Land market

MECU 2

The World Bank is supporting work on the legislative context of land reform while USAID is helping to establish a property registration system. Phare initiated work in 1992 on cadastral surveys and mapping through technical and equipment support, staff training and funding of aerial survey and map production. In 1993, Phare funded activities for additional districts.

The 1994 programme will fund equipment and staff training at the Land Research Institute, Geology-Geodesy Enterprise and Military Topographic Institute for map production and the completion of accurate maps

of individual parcels of land through aerial photography and ground survey in some ten districts. Main activities will be the systematic survey, mapping and registration of over 1.8 million parcels (on average 1.4 ha) within the appropriate legal framework.

Mechanisation and small and medium agro-enterprises - credit lines MECU 1.5

Less than 10 per cent of the rural population has access to agricultural credit and only very limited long-term credit is available. The programme will build on the early progress made in establishing a flexible, accessible and sound credit mechanism for smallholders, private farmer associations, traders and privatised agro-processing enterprises. The 1993 programme provided a credit line for farmers/operators to invest in mechanisation and irrigation equipment.

Support will be provided for large scale institution building for the Rural Commercial Bank, which has primary responsibility for rural and agricultural credit.

Additional support will be channelled as a credit line through the Bank. This credit will be targeted to the needs of individual smallholders or village producer groups. The scheme will be extended to cover not only small tractors and mechanical cultivators but also stationary machinery, such as pumps, decorticators and threshers.

Business advice and financial support will continue to be provided to approximately 500 small and medium agro-processing units (after their privatisation), which are working well below capacity and represent an important market for agricultural production.

Private agriculture and programme management

MECU 1.5

The 1993 programme on agricultural restructuring, industry support and enterprise is supporting the development and reorientation of extension services to private smallholdings which have emerged from the break-up of state and cooperative farms.

The 1994 programme will complement these activities and help to ensure that farmers have access to information on improved production technology and other farm development possibilities. It will also support farmers in improving their incomes through farm business analysis and assist their access to credit, to enable them to make the necessary investments in seasonal and other inputs.

Expertise and training will also be provided to

- ensure the satisfactory management and administration of all Phare funds designated to the Rural Commercial Bank
- support the Agricultural Programme Office established within the Ministry of Agriculture and Food, which is responsible primarily for carrying out studies and analyses to formulate policies on land market, development, privatisation and credit, coordinates foreign know-how for the sector and promotes collaboration between foreign support and the Ministry structure
- support the programme management unit, which is responsible for the overall management of the Phare programme.

Implementation

The programme management unit at the Ministry of Agriculture and Food will have responsibility for the overall supervision and management of the programme.

Equipment procurement will be on the basis of open tenders, or by restricted consultation if justified by the cost or special technical characteristics of the equipment. Services will be recruited either by restricted invitations to tender, or by direct contract, depending on the cost and specialist nature of the services. Small expenditures of minor importance may be the subject of direct agreement. Participation in tenders will be open to individuals and companies from the Member States of the European Union and the Phare partner countries.

Albania

General Technical Assistance Facility

Duration	to mid-1997
EU contribution	MECU 4.6
Responsible authority	various Ministries

Background

The privatisation law of March 1991, covering very small enterprises of less than 15 workers resulted in rapid privatisation. Similarly, privatisation of the SME sector under a government decree which became operational in June 1993 has progressed rapidly. However, the privatisation of large state-owned enterprises has achieved little progress. As a result, the emerging private sector is concentrated largely in the area of SMEs. At the same time, the tourism sector offers considerable potential for attracting foreign currency and investment but the legal framework for this sector has remained largely unchanged. The government is anxious to maintain the momentum of the progress made so far towards establishing a viable private sector and considers SMEs and tourism to be the cornerstones of this process and priority areas for foreign donor support. An independent foundation was set up in 1993 to help develop the SME sector and to coordinate the network of seven regional business agencies which act as one-stop shops, providing technical and financial training for entrepreneurs.

Although public administration is still largely centrally controlled, the government has taken a number of steps to decentralise, including the adoption in 1992 of the law on the organisation and functioning of local government and the establishment of the Ministry of Local Government. Further legislation was adopted in 1993 and a number of important tasks and functions are being delegated to local level. The government recognises that an efficient public administration at central and local level is crucial to the success of the reform process and that there is a particular need to address the difficulties faced by local governments in dealing with the new responsibilities devolved to them by developing their managerial capacities.

Following Albania's long isolation, opening up the country to foreign trade and investment is a priority, as is the development of closer links with the European

Union. The Trade and Cooperation Agreement with the European Union entered into force at the end of 1992 and has created a means of establishing closer ties with developed economies, but these depend on creating a legislative framework adapted to the needs of an open market economy.

Phare has provided technical and financial support for programmes in sectors of key importance to the reform process, in particular for agriculture, the private sector, health, environment, transport, higher education and public administration.

Programme objectives

The Facility is a comprehensive support programme which aims to support the government in developing reform strategies and measures for a number of key areas

- private sector development
- local government development
- reform and approximation of economic legislation.

The immediate objectives of the programme are to

- establish a sustainable private sector
- develop a well-functioning local government administration to support on-going democratisation and decentralisation
- enhance the effective use of external know-how in the reform process through support for its overall coordination
- establish a body of economic legislation designed for the needs of an open market economy.

Programme description

Private sector development MECU 3

Building on the support provided by Phare in 1992 and 1993, the Facility will offer further financial support and expertise for the continuation of SME and tourism development projects. Activities to promote inward and foreign investment initiatives will also be supported.

A further injection of funds will be made to ensure the continuation of the SME credit scheme established under the 1993 programme, subject to a positive outcome of the review of the first phase of the scheme, due for conclusion in the autumn. The credit facility enables businessmen to purchase capital goods and the repaid credit is recycled into the revolving managed fund within the Savings Bank for re-lending to new enterprises.

Additional expertise will be provided to

- support the SME Foundation to improve the technical and financial services provided by the network of regional business agencies to entrepreneurs, concentrating on daily operations and management
- strengthen the capacity of the credit department of the Savings Bank in credit analysis and management of daily operations through on-the-job training for bank staff at the central and branch level and special training facilities for credit analysis and management
- support the Ministry of Industry and Trade in elaborating a strategy for the SME sector
- support the Ministry of Tourism in developing the legal and institutional framework and a strategy policy for the tourism sector through a long-term adviser at the Ministry and in the regions involved
- establish a credit facility, similar to the SME credit line, to provide credit to enterprises setting up tourism-related industries to cover the purchase of capital goods and equipment .

Expertise and training will be provided to support the establishment of an independent trade information centre. The centre will provide support to the public and private sectors on trade issues in Albania and will promote Albanian SMEs abroad. Support will be in the form of expertise for the institution building process as well as on-the-job training to develop the management structure and ensure the quality of services provided by the centre. Training facilities and study trips are also envisaged.

Local government

MECU 0.8

Support will be provided for the reform of public administration, with focus on support for decentralisation through local government development in two pilot municipalities, Tirana and Korca.

Organisational and managerial capacity will be reinforced, involving the review and development of current divisions of tasks and functions, management functions and structure, inter-departmental links and links with district and central level, staffing, human resources management, administrative and decision making processes and procedures.

Administrative procedures and processes will be strengthened in key administrative areas. These areas could include specific administration, such as property registration or registration and issue of identity cards and other personal documentation, as well as more political administration, such as budgeting or sector policy planning. The selected administrative areas will be the

subject of detailed development, including preparation of guidelines and instructions for implementation, assessment of the possibilities of computerisation, subsequent development of manual and software systems, purchase of equipment, testing and training.

Expertise will be transferred for these purposes and a comprehensive training programme will also be developed. This will include specific professional training (such as training in computers, filing systems, project preparation) as well as general management training and will cover both elected representatives and administrative management and staff.

As the programme is a pilot for further local government development, provision is made for a comprehensive evaluation of the programme. The evaluation will include assessment and preparation of guidelines, manuals and other papers on the methods, models and systems developed and implemented, with a view to disseminating these to other local governments. The evaluation will also include an assessment of the need for further support for the pilot municipalities and the extension of activities to other municipalities or district administrations is provided for.

Aid coordination

MECU 0.5

Phare will support activities to promote the effective use of external aid and to develop the capacity of the Phare aid coordination unit at the Ministry of Finance and relevant line ministry officials

Proper management and coordination structures and procedures will be established within the aid coordination unit as well as between the unit and officials appointed as aid coordinators in other ministries and institutions. Guidelines and appropriate accounting systems will also be established, together with management support programmes, systems and materials. A common information database will be developed as well as an appraisal and evaluation programme.

A long-term adviser will be appointed to the unit to support the director with overall management of aid coordination and short term expertise will be provided for activities such as public investment studies, project appraisals and database development.

Training will be provided to the unit in Phare programming and monitoring and in the coordination of external know-how, macroeconomics and other economic development issues. Training will take the form of formal and informal on-the-job training, with provision for other training and participation in conferences and seminars. Training will also be

provided to aid coordination staff in other ministries and institutions and a detailed support programme will be developed for this purpose, including a series of training modules and a forum for inter-ministerial cooperation and support.

Reform and approximation of economic legislation

MECU 0.3

Building on support provided through the 1993 Phare private sector development programme, Phare will help the process of legislative reform and the approximation of economic legislation to that of an open market economy, in the context of enhanced cooperation with the European Union.

Expertise will be provided to approximate existing and new legislation. A comprehensive training programme will be developed for officials and judges involved in preparing and implementing economic legislation, including training and study visits abroad. Documentation, including translation, will be provided as well as basic equipment and software for the classification of legal documentation.

Implementation

Overall coordination of the Facility will be the responsibility of the Phare aid coordination unit at the Ministry of Finance and the unit will also manage the aid coordination component.

The detailed implementation of the private sector development component will be the responsibility of the respective counterpart ministries and agencies (Ministry of Industry and Trade, SME Foundation, Ministry of Tourism and the Savings Bank). The municipalities of Tirana and Korca will be responsible for the management of the local government component, while the Ministry of Local Government will act as a focal point for the distribution of information on the experiences of the pilot projects to other local governments. The legal department of the Ministry of Finance will be responsible for the day-to-day management of the economic legislation component and will work closely with the sub-committee which will coordinate and supervise the implementation of the programme.

Equipment procurement will be on the basis of open tenders, or by restricted consultation if justified by the cost or special technical characteristics of the equipment. Services will be recruited either by restricted consultation, or by direct agreement, depending on the cost and specialist nature of the services. Small expenditures of minor importance may be the subject of direct agreement. Participation in tenders will be open to individuals and companies from the Member States of the European Union and the Phare partner countries.

Bulgaria

Transport infrastructure development programme

Duration	to mid-1997
EU contribution	MECU 12
Responsible authority	Ministry of Transport

Background

The new transport policy of the Bulgarian government aims to set up an economic and legal environment in which free market principles apply. The policy is designed to open up the sector to market forces, establish balanced and efficient competition between the various modes of transport and introduce new pricing policies. It also aims to redefine the public services and their financing, set up investment plans, reform the tax system, review subsidies and develop more international links and inter-connection with neighbouring countries and the European Union.

In view of its geographical situation, Bulgaria has an important role to play in opening up trade in the region and, therefore, needs a viable and efficient transport network not only for the development of its own economy but also for that of its neighbours.

Of the various modes of transport used by national and international freight traffic in Bulgaria, roads currently account for 86 per cent. It is estimated that by the year 2000, the north-south axis will see a net increase in traffic of some 30 per cent while the east-west axis will see an increase of some 25 per cent.

The Bulgarian road network is less extensive than that of most other countries in the region. A World Bank report published in 1990 found that 24 per cent of roads were in a very poor state while 72 per cent required repair. Urgent repairs to 2,250 km of the road network were needed and another 6,000 km required reconstruction. A study conducted by the EBRD in 1992 estimated that some ECU 120 million would be needed for maintenance works.

However, budgetary constrictions have meant that works have only been carried out in cases of extreme urgency. To relieve the financial burden, an EIB loan for ECU 21 million and an EBRD loan for ECU 35 million have been made available.

The government's new programme for roads rehabilitation aims to

- rehabilitate some 800 km of roads and motorways serving international transit, namely those linking Romania with Greece and those linking the former Yugoslavia with Turkey and the Black Sea
- complete 32 km of the trans-European motorway, whose construction between Plovdiv and Orisovo was halted for want of funds
- provide equipment and material and technical expertise for works implementation and planning.

The government's programme will cost ECU 97 million, which will be co-financed as to 42 per cent by the government, 36 per cent by the EBRD and 22 per cent by the EIB.

Programme objectives

The programme aims to support

- the integration of Bulgaria with the European Union in accordance with the principles of the Europe Agreement, in particular those dealing with transport
- the development of trans-national networks
- the economic reform and development of the country.

The specific objectives of the programme are to

- increase the efficiency of the sector by improving the road network and developing adequate trans-national networks
- help transform the transport sector and harmonise laws and standards with those of the European Union
- develop a plan for infrastructure investment options.

Programme description

The programme has two components. These are co-financing for roads rehabilitation and technical expertise.

Roads rehabilitation **MECU 10.4**
Roughly 60 per cent of the government's roads rehabilitation programme is financed by the international financing institutions, with the other 40 per cent paid from the national budget. This programme will enable Phare to assume some 25 per cent of the government's contribution. Phare's contribution will support the following projects.

Road n°	Section	Length (km)	Technical expertise	MECU 1.6
A1	AM Trakia	9.0	Technical expertise The programme provides for the transfer of expertise to the Ministry of Transport to reinforce its capability to plan its investments, to prepare feasibility studies and to support the funding of the Phare Project Management Unit at the Ministry.	
A1	AM Trakia	9.5		
A1	AM Trakia	9.0		
A1	AM Themus	8.0		
A1	AM Trakia	5.5		
A1	AM Themus	6.2		
A1	AM Trakia	11.0		
II 6	Popovitzza/Zagora	46.3	Implementation The Ministry of Transport will have overall responsibility for implementing the programme. The project management unit at the ministry will be responsible for the management and administration of the programme. The General Roads Administration will be responsible for implementing the works to be carried out, the technical monitoring of the programme and co-financing aspects. A firm of international experts is supporting the Administration in its task of managing the Bulgarian roads rehabilitation programme and is funded by the EBRD.	
I 5	Haskovo/Kardiali	17.2		
I 8	Haskovo/Harmanli	24.9		
I 8	Plovdiv/Haskovo	23.4		
I 6	Kjustendil/Radmir	19.2		
Completion of Trakia Motorway				
I 9	Varna/Burgas	53.8		
I 1	Montana/Vratsa	14.9		
I 2	Vratsa/Botevgrad	28.0		
I 2	Razgrad/Novi Pazar	10.3		
I 5	Ruse/Biala	8.3		
I 5	Ruse/Biala	4.0		
I 5	Gabrovo/Pick Shipka	15.0		
I 5	Shipka/Kazanluk	8.7		
I 4	Koritna/Mikre	6.6		
I 4	Mikre/Sevlievo	16.7		
I 1	Pernik/Dupnica	6.3		
I 1	Blagoevgrad/Sandans	20.7		
I 6	Sofia/Pirdop	5.0		
I 6	Karlovo/Kalofer	11.3		

Czech Republic

Civic society development programme

Duration	to end 1997
EU contribution	MECU 2
Responsible authority	Civil Society Development Foundation

Background

The reorientation of the economy as well as the political system depends not merely on the shape of a government's reform system but also on a radical shift in public attitudes and behaviour, supporting the growth of a civic society in which individuals and groups of citizens play their role as autonomous recognised actors and partners in social and economic development.

The non-governmental sector in the Czech Republic has been expanding rapidly, from 2,100 organisations in 1989 to 26,500 in 1994. Though certain activities are funded by the state, by foreign know-how programmes and by foreign foundations, the lack of funds is still a crucial issue. Phare approved a civic society development programme in 1992 for ECU 2.638 million. A Civil Society Development Foundation was established to provide grant aid for certain activities in the NGO sector.

Programme objectives

The new programme continues the 1992 Phare programme on civic society development. It is designed to strengthen and widen the capacity and range of activities carried out by non-governmental organisations in the Czech Republic and to enhance the capacity for self-reliance, own initiatives and active participation in society by activating their potential, skills and energies.

The programme will

- improve and widen public, media and policy makers' awareness of the role and functioning of NGOs in an open civil society
- support new, embryonic and established NGOs in obtaining information and services necessary for their work
- enhance the ability of NGOs to influence policy makers and authorities in improving the legal framework
- develop the skills and capacities of NGOs on internal and external functioning, in particular on management, public relations and fund raising methods

- promote voluntary work and citizen participation to strengthen values such as solidarity, tolerance, mutual help and unselfishness
- promote cooperation and networking between NGOs at national and European levels
- improve organisational capacities by strengthening the infrastructure of NGOs and by extending their range and type of activities
- improve the effectiveness of NGO activities through evaluation, self-evaluation and measuring of effectiveness
- develop a donation culture in society and encourage support from potential donors.

The programme will seek to sub-contract most of its activities to individual NGOs and networks of NGOs. The targets are non-profit making NGOs with activities which strengthen the development of the whole NGO sector and which are working to find solutions to particular needs or problems in society which are not or cannot be covered by a state or business activity. Typical activities to be supported will involve ecology, health and social issues, human rights and minorities.

Programme description

The programme has three components

- information and service activities
- training
- project related activities.

Information and service activities MECU 0.43

The information activities aim to ensure coherence between different types of initiatives and facilitate cooperation between NGOs within fields of common interest, such as legal frameworks, public awareness raising, cooperation with governmental authorities and exchanges of experience between NGOs operating in the same sector. Activities will be supported at national, regional and local levels.

Information activities will be targeted at individuals, informal groups, NGOs, the press, state agencies and others working in areas connected with the NGO sector. Funding will mainly cover infrastructures and salaries, equipment, documentation, campaign material and workshops and other promotional events. NGOs receiving grants will have to make a certain contribution themselves to ensure their commitment to the activities.

Information and service centres will be developed at the central, sectoral and regional levels. They will create databases with information on NGOs as well as libraries with handbooks, magazines and videos. The centres will support with legal advice, applications for funds and evaluation procedures, information on potential donors and public relations. They will also build links with government authorities and with western European NGOs and donors.

Other activities will include

- information activities for minority groups such as gypsies on means of participating in civic society and information on the work of non-profit organisations
- advisory services in individual NGOs, including tailored advice for individual needs
- production of NGOs handbooks on a sectoral basis based on research, up-to-date mapping of NGOs, address books, information books and guidelines on various issues, such as how to establish and register NGOs, the legal framework, fund-raising methods and statutes
- development of skills and expertise on legislation with a view to improving the legal and fiscal environment for NGOs
- research, statistics and analyses of the NGO sector to improve information on NGOs, covering fields such as the structure of the sector, terminology, information resources, NGO publications and periodicals, financial resources, legal and fiscal framework and compatibility with other European laws, journalists interested in NGOs and possibilities for publicity
- public awareness campaigns on the NGO sector, including meetings, discussions, films and videos
- workshops and briefings for journalists to acquaint the media with the NGO sector and encourage reporting of events
- NGO conferences at the central, sectoral or regional levels
- meetings and dialogues with parliamentarians, government and representatives at the local, regional and national levels
- information for potential donors, including entrepreneurs and corporations.

Training

MECU 0.26

Training will be designed to increase the knowledge and skills of NGO staff and activists and to strengthen the

organisational capacity of formal, informal and newly created NGOs. Training will be complemented by courses and placements in Member States of the European Union.

Training will be targeted at leaders, staff, volunteers, members and professional trainers of organisational staff. Priority will be given to applications for training activities which involve cooperation between organisations. Czech experience will be drawn on but trainers from Member States of the European Union may also be involved. Grants will mainly cover salaries for teachers, travel expenses and the costs of the production or purchase of training material. Grant recipient NGOs will have to make a certain contribution themselves to ensure their commitment to the activities.

Training activities will include

- courses in basic skills, such as professional management, planning, accounting, evaluation, fund-raising and public relations
- training in topics such as lobbying, recruitment and work with volunteers, membership, activists, cooperation with government authorities, networking, social accountability and ethics
- training for special groups, such as the same type of NGOs, member NGOs, volunteers for certain NGO types and for applicants under the programme
- training and seminars for NGOs and representatives at local, regional and national governmental level, to find common approaches and solutions to needs and ways of cooperation
- placements and courses for trainers, officers and volunteers in Czech and foreign NGOs
- training for potential donors in topics such as needs assessment, grant-making, and evaluation.

Project related activities

MECU 1.03

Co-financing will be available for projects and pilot schemes, typically in the field of ecological, health and social issues, human rights and minorities. Grant aid may include the support of core costs, such as infrastructure or initial running costs, and will be used primarily to support an extension in the range and type of activities pursued by NGOs, to strengthen their organisational capacity and support newly established organisations and informal groups.

Applications must be submitted by established NGOs which are legally constituted, open to inspection and audit and which are demonstrably self-sustaining.

Implementation

The Civil Society Development Foundation will manage the programme. The Foundation has four units: the board, the Programme Management Unit, a panel of experts and an ad hoc evaluation team. Nine representatives sit on the board: four from NGOs, three independent individuals, one government representative and a representative from a Member State of the European Union. The board is responsible for policy guidelines, decisions on applications, budget approval and other strategic decisions and supervises the work of the Project Management Unit.

The Project Management Unit is responsible for the effective and timely implementation of the programme and providing transparent financial management. The unit prepares recommendations for fund applications, work programmes and budgets, signs contracts with external experts and evaluation teams and reports to the authorities and the European Commission. A panel of experts reviews applications and an evaluation team assesses project activities.

Estonia

General Technical Assistance Facility

Duration	to end 1997
EU contribution	MECU 1.5
Responsible authority	Ministry of Finance

Background

The 1992 and 1993 Phare indicative programmes for Estonia took the form of a General Technical Assistance Facility for each year. This served as a rapid and flexible tool for implementing Phare support, reflecting the government's wide-ranging multi-sectoral economic reform strategy. The facility enabled Phare to provide support for the definition of the basic legal, institutional and regulatory framework and for policy and strategy formulation in key areas of the reform process.

The government is now moving towards a more tightly focused, strategically-justified programme, with Phare support concentrated on a few selected sectors, notably the private sector, human resources and the energy sector.

Programme objectives

The General Technical Assistance Facility for 1994 is designed as a financing tool to fund

- on-going sectoral projects where completion is imminent or where additional support is required
- the preparation of future projects
- projects which fall outside the scope of the core areas of the 1994-1995 Indicative Programme.

The Facility will in particular support a limited number of key initiatives aimed at

- supporting Estonia's efforts to attain sustainable growth
- preparing the country for integration into the European Union
- enhancing the effectiveness of external know-how.

The immediate objectives are to

- help implement the Free Trade Agreement with the European Union and begin preparations for integration into the Union, including reinforcement of local staff
- continue support for national aid coordination, including support for the implementation of the public investment programme

- support new and ongoing programmes, preparatory work and provide a reserve for other activities which may arise, including support for business education and for the preparation of the 1995 agricultural sector programme.

Programme description

Free Trade Agreement and future integration into the European Union MECU 0.6

The Free Trade Agreement, due for signature during 1994, will entail certain commitments as to the harmonisation of customs procedures and the approximation of existing and future legislation with that of the European Union, in particular in the areas of anti-dumping, competition and customs legislation and technical rules and standards.

Support will be provided to help the authorities responsible for implementing the Agreement to fulfil these commitments. Activities will include

- the exchange of information
- provision of advice
- seminars and training activities
- possible technical expertise to reinforce local staff
- translation of European Union legislation in relevant sectors.

Support will also be given to address urgent issues in parallel with the drawing up of a priority programme for more long-term support. Other priorities include simplifying the single administrative document for inspection and formalities in respect of the transport of goods and developing investment plans and strategies for the transport sector.

Public investment programme and aid coordination MECU 0.2

The government has recently initiated a public investment programme concentrating on the development objectives and strategic priorities, an analysis of available resources (medium-term financial framework) and a list of high priority least-cost projects. This is perceived as an essential part of the government's strategy to continue the successful stabilisation of the economy and to stimulate sustainable growth.

Support will be given for guidance, advice and training in relation to securing the efficient operation of the public investment programme. A project database containing all relevant data will also be established and a system for monitoring the implementation of the programme will be defined and put into practice.

Phare has been supporting the aid coordination unit at the Ministry of Finance with expertise since 1992. The unit is responsible for overall aid coordination of all grant and loan aid support programmes. Continued support will be provided to ensure that the aid coordination unit is effective. Activities will be designed to build up the unit's coordination and priority setting capacities, with focus on programming, evaluation, sector monitoring, programme implementation and training in relation to support programmes from Phare and other donors.

Other activities and reserve

MECU 0.7

Flexible support will be available for preparatory activities, the continuation of on-going activities and the launch of new activities of a limited nature which are not included in the core areas for funding identified in the Indicative Programme. Activities will include reports related to project preparation and strategy formulation. Present needs already identified include the elaboration of a programme strategy for agriculture and support for business education, building on previous support to the Tallinn Business School (curriculum development, provision of teaching materials and training courses).

Implementation

All contracts and payments will be organised initially from Brussels. If a decentralised system is introduced, the Ministry of Finance will be responsible for implementing the programme.

Equipment procurement will be on the basis of open tenders, or by restricted consultation if justified by the cost or special technical characteristics of the equipment. Services will be recruited either by restricted invitations to tender, or by direct contract, depending on the cost and specialist nature of the services. Small expenditures of minor importance may be the subject of direct agreement. Participation in tenders will be open to individuals and companies from the Member States of the European Union and the Phare partner countries.

Estonia

Programme for the energy sector

Duration	to end 1996
EU contribution	MECU 3
Responsible authority	Estonian State Energy Department

Background

The development of the energy sector is crucial for Estonia's stable development towards a market economy. There is no domestic production of oil, coal or natural gas, which have to be purchased at world market prices. Energy tariffs have been dramatically increased and energy costs form a major part of household and company expenses and are also a burden for the structural adjustment of the national economy.

Economic reform of the sector started with the commercialisation of energy companies, demopolisation of oil imports, municipilisation of district heating, reform of energy tariffs and the establishment of a committee for national energy conservation.

Limited access to financial resources for investment in the sector, lack of an appropriate institutional and legislative framework and insufficient capabilities in investment planning and implementation have been identified as major constraints to the economic recovery process.

The environmental aspects of energy production are also a major source of concern, nationally and internationally, especially as regards pollution generation from oilshale-based electricity production, which represents more than 50 per cent of domestic energy consumption in Estonia.

Phare has so far provided only limited resources for the energy sector, totalling ECU 1.5 million for 1991-1993, through the General Technical Assistance Facility. Past projects include the provision of a resident energy adviser and a training facility for staff of the Ministry and utilities. A common understanding of priorities and methodologies has been achieved and an efficient coordination of technical support programmes has been attained.

Programme objectives

The programme is designed to

- establish the necessary legal and institutional framework for the energy sector
- develop an energy strategy plan to serve as a basis for investment priorities and faster implementation of selected projects
- train and support staff at the national and regional level in energy efficiency and the preparation of projects
- define a policy on the future use of oilshale, including environmental aspects
- coordinate aid from the European Union and other international organisations and bilateral sources.

Programme description

Energy strategy

MECU 0.85

Support will be provided for formulating an energy strategy plan, with energy efficiency as a key element. The objective is to ensure a more rapid and coherent realisation of energy investments, particularly in the field of energy saving. The plan will

- define priorities regarding least-cost rehabilitation and the development of energy saving
- define the main needs in terms of the institutional and legal framework
- serve as a basis for priorities for the authorities' efforts to improve the energy sector
- serve as a basis for priorities for future loans from the international financing institutions.

Decentralised energy network

MECU 0.45

Phare will help to enhance local capability in the regions to define and prepare feasible projects for financing, thereby securing a substantially quicker implementation of projects in cooperation with national and international financing institutions. As a result of this, general awareness on energy strategy and financial possibilities will also be improved.

For this purpose, four regional offices will be established as part of a network, located throughout Estonia. These will be under the responsibility of the Energy Department and will be staffed mainly by Estonian personnel. The offices will support and train local municipalities, companies and consultants in the restructuring process and in the implementation of efficiency measures, including the preparation of bankable projects.

Legislation and norms**MECU 0.3**

A legal framework compatible with legislation and standards in the European Union is needed to prepare Estonia for integration into the Union. This will also ensure faster rehabilitation of the energy sector and attract foreign investment and loans by offering a clear legal framework for the sector.

Phare will support this objective through activities to help establish the necessary legal framework for the institutional, financial and technical development of the energy sector. This will be conducted with attention to convergence with European Union energy policies and compatibility with the Energy Charter. The detailed definition of the legal framework will follow the recommendations of the energy strategy plan.

Institutional and organisational development**MECU 0.9**

A need exists for the definition of an institutional and organisational structure in the Ministry, with a clear division of responsibilities among the different bodies and agencies, including relations between commercialised state-owned companies and the Ministry.

Phare will help to overcome this problem by funding the energy programme management unit, which will

- support the Energy Department to coordinate foreign aid and manage Phare programmes for the sector
- follow up on measures which have already been implemented
- provide general expertise to the government in its energy policy making
- manage a special allocation for a training facility, designed to contribute to the general development of professional knowledge and capacity among the main players in the sector.

Oilshale policy**MECU 0.4**

Support will be provided for defining a policy on the future use of oilshale, aimed at finding least-cost solutions for electricity supply, including regional (Baltic), environmental, economic and social aspects. Needs for short-term investments in plants using oilshale will be identified in a long-term perspective concerning the use of this domestic energy resource. This should result in a strategy for a short-term investment programme in the oilshale combustion field, including environmental investments. The project will be closely coordinated with the Phare environmental programmes and other initiatives from other support programmes dealing with the oilshale issue.

Implementation

All contracts and payments will be organised initially from Brussels. If a decentralised system is introduced, the State Energy Department will be responsible for implementing the programme.

Equipment procurement will be on the basis of open tenders, or by restricted consultation if justified by the cost or special technical characteristics of the equipment. Services will be recruited either by restricted invitations to tender, or by direct contract, depending on the cost and specialist nature of the services. Small expenditures of minor importance may be the subject of direct agreement. Participation in tenders will be open to individuals and companies from the Member States of the European Union and the Phare partner countries.

Hungary

Border crossing modernisation programme

Duration	to end 1997
EU contribution	MECU 8
Responsible authority	Hungarian Customs and Finance Guard

Background

The severe deficiencies in Hungary’s border infrastructure are constraining economic reform in both Hungary and its neighbours and are likely to impede integration with the European Union. Fast growing traffic volumes and outdated crossing points have combined to create very difficult situations on Hungary’s borders. The wars in the former Yugoslavia have not helped, as they turned Hungary into a key transit route for European road transport almost overnight.

The road crossing points on the Hungarian/Romanian border and the sole crossing point for heavy truck traffic on the Ukrainian border are causing the most concern, while the completion of the Bratislava-Budapest motorway will require a high volume crossing station on the Hungarian/Slovak border in the near future.

The structures currently found within the border crossing compounds are totally inadequate. Customs operations, including control buildings, customs equipment and inland terminals for separating trucks from passenger traffic are totally insufficient. In addition, there is no adequate equipment to manage the traffic flow.

The Hungarian Customs and Finance Guard has been operating a systematic overhaul of border crossing stations since 1990, at a cost of about HUF 1 billion per annum. However, the increasingly severe economic

recession, unavoidable current expenditures and shortfalls in collection rule out the possibility of any increase in border crossing investments by the government for the time being.

Programme objectives

This programme has the following aims.

- to support the political and economic integration of Hungary with its neighbours and the European Union
- to establish the basis for economic development through the availability of adequate trans-European transit infrastructure in the region
- to simplify the traffic flow between Hungary and its neighbouring countries
- to eliminate severe border crossing bottlenecks at the high priority border crossing stations of Nagylak, Gyula, Artland, Zahony and Rajka.

Programme description

The programme will

- help upgrade the border crossing infrastructure
- provide necessary customs clearance and control equipment and traffic control equipment
- help streamline procedures at five key border crossing points of international priority, possibly through technical support for upgrading customs procedures and management practices.

The programme will be fully coordinated with the ongoing and planned border crossing activities financed through the Phare Multi-country Transport Programme.

The upgrading of the following crossings is covered by the programme.

Nagylak	Romanian border	Expansion and modernisation of border crossing
Gyula	Romanian border	Expansion and modernisation of border crossing
Artand	Romanian border	Expansion and modernisation of border crossing
Zahony	Ukrainian border	Construction of a truck terminal and modernisation of border crossing
Rajka	Slovak border	Modernisation of highway border crossing

The detailed programme is still being designed but activities will typically include

- constructing buildings housing general customs offices, laboratories for veterinary and phytological inspections, offices for transporters/forwarders and offices for banking transactions
- a large roofed holding area for general cargo inspection
- a separate building for special customs control
- warehouses for storing cargo
- holding areas for some 80 lorries with trailers
- separate holding areas for trucks carrying hazardous cargo and live animals
- access roads and transit roads, including fast lane facilities
- all necessary equipment, including weigh bridges, inspection and handling equipment for conducting full turnout inspections
- all necessary water, sewage, power, lighting and communications facilities.

Implementation

The implementation and general progress of the programme will be supervised, coordinated and monitored by the Hungarian Customs and Finance Guard, whose national commander will act as the Programme Authorising Officer. The day-to-day implementation will lie with the Department for Investment and Works of the Customs and Finance Guard. The department will prepare tender documents, oversee tender evaluations, finalise contracts and supervise the implementation of the programme, supported by a special Project Implementation Unit and a specialised company. Hungarian Customs and Finance Guard will ensure the active involvement of the ministries of foreign affairs, finance, transport, agriculture and the interior as well as coordination with the respective authorities of the neighbouring countries.

Contracts for infrastructure works will be identified through tenders published locally, based on standard Phare procedures. A notice will be published at the same time in the Official Journal of the European Union. The full tender dossier will only be available in Hungary. The procurement of equipment and services will follow the standard procedures applicable in the Phare Programme.

Hungary

Private sector development programme

Duration	to end 1997
EU contribution	MECU 16.5
Responsible authority	Restructuring/privatisation: State Property Agency Management training: Ministry of Industry and Trade Banking: Ministry of Finance, Bank Control Unit Public finance: Ministry of Finance, Phare PMU Investment, trade development and export finance: Investment and Trade Development Agency

Background

While the private sector in Hungary has progressed substantially, accounting for 16 per cent of GDP in 1989 and 38 per cent in 1993, the economy is still largely state-owned. Restructuring to adapt to a competitive open market has not really started in many enterprises, particularly large ones. This is due to the lack of a sound exercise of ownership rights (including governance and supervision), a substantial reduction of state subsidies and the slow development of a commercially run banking sector.

While the restructuring and privatisation of the banking sector is a high government priority, the first loan consolidation scheme launched in 1992 had to be complemented by another more pragmatic scheme before privatisation could be envisaged. At the end of 1993, therefore, the Bank Re-capitalisation and Loan Consolidation Scheme was launched, aimed at raising the capital adequacy ratio of eight commercial banks.

Hungary has benefited from a comparatively high level of foreign direct investment. However, given the competition from other neighbouring countries, this trend may decrease, along with exports. A clear trade and investment promotion strategy is needed to facilitate market entry and increase returns on investment and export sales.

Phare has funded two previous enterprise restructuring and privatisation programmes in 1990 and 1991 for ECU 5 million and 40 million respectively. Phare has also supported two programmes for banking and financial

sector reform, one in 1990 for ECU 5 million and one in 1991 for ECU 9 million; the 1993 Private Sector Development Programme also included a financial sector component for ECU 8 million. A Phare programme to support trade development and investment promotion was adopted in 1991 for ECU 5 million.

Programme objectives

The programme aims to support the process of economic reforms in Hungary by helping to

- develop the private sector, including the banking sector, and therefore contribute to the emergence of a sustainable market-based economy
- support the transformation of state-owned enterprises
- develop employment opportunities through inward investment and trade development.

The programme continues the transfer of technical expertise provided under previous Phare programmes through support for

- enterprise restructuring, privatisation and training
- banking and financial sector reform
- trade development and investment promotion.

Programme description

Enterprise restructuring, privatisation and training

MECU 6

The objective is to speed up the privatisation and enterprise restructuring process by providing technical expertise to enterprises owned by the State Property Agency and the State Holding Company and to the Ministry of Industry and Trade, the industrial policy making institution.

Since 1991, Phare has supported institution building through training and equipment and has funded the transfer of expertise for restructuring, privatisation, enterprise restructuring studies and industrial sector studies. It has also helped to create a turn-around investment vehicle, provided management training for large state enterprises under restructuring and helped set up the State Holding Company, which is in charge of companies in which the state will remain a long-term shareholder.

The new programme will continue to support the work started under the 1991 programme. Activities will include strategic reviews, enterprise diagnostics, business plans and implementation of soft restructuring at the enterprise

level. Technical expertise will also be provided to increase the efficiency of state asset management and corporate governance and to accelerate the speed of the privatisation process. Additional technical expertise may be provided to enterprises, depending on the outcome of the pilot case currently under way for the establishment of an investment vehicle (Hybrid Fund for Enterprise Restructuring and Privatisation).

The current management training programme set up in 1991 for 500 top executives from 80 companies undergoing transformation, will be extended to include middle managers in those companies. It may also be offered to other medium-sized enterprises under privatisation or already privatised.

The training will aim to develop middle managers' general management skills and provide them with the new technical knowledge needed to operate a company in the market economy. Fields of training will include marketing and sales, investment appraisal, cost accounting, budget control, quality control, customer services and all management techniques not widely used under the former system.

General management training will be delivered on-site in the companies and will aim to develop managers' communication and leadership skills. It will also provide them with an understanding of a market economy and its consequences for a company's operations, the main functions of a company and how they inter-link and stress the priority of marketing over production. Specialised training on finance, accounting and marketing will be delivered in different training centres.

Banking and financial sector reform MECU 5.25

The overall objective of this component is to transform the newly capitalised banks into commercially viable, self-sustainable institutions, which can be subsequently privatised.

The immediate objectives are to

- support effective bank governance and monitor the re-capitalisation agreements and action plans of selected banks adopted under the government's 1993 Bank Re-capitalisation and Loan Consolidation Programme
- strengthen the cash flow generating potential of the banks and therefore their capital adequacy ratios through improved operating performance, particularly at the level of credit appraisal and bad debt recovery
- exercise a positive impact on the restructuring of major corporate debtors through establishing adequate debt conciliation agreements.

The programme envisages actions at two complementary levels

- the Bank Control Unit at the Ministry of Finance, which already has responsibility for monitoring banks' compliance with the re-capitalisation and the action plans of the banks
- the re-capitalised commercial banks.

Support to the Bank Control Unit will involve a combination of resident long-term management advisers and short-term on-call experts to cover specific technical aspects.

Technical expertise to the commercial banks will be targeted at those areas recognised as priorities under the action plans and, in particular, at the work-out units and loan departments. This support may also be extended to major debtors to help them prepare suitable debt conciliation requests and to undertake appropriate corporate restructuring.

At the request of the government, support may also be provided to the Ministry of Finance, to organise and implement debtor conciliatory procedures, and to the State Banking Supervision Authority, if monitoring tasks under the programme are delegated to this body.

Previous support to public finance and taxation will be continued, as will support to strengthen the control and audit functions in the public finance domain. Activities will include advice on the legal and regulatory frameworks, the definition of methods and procedures, staff training and the provision of equipment to improve internal and external control and audit structures. These actions will be provided initially to the State Audit Office and the Government Financial Control Office but may be extended to other controlling bodies.

Trade development and investment promotion

ECU 5.25

The programme continues the 1991 programme designed to develop the investment promotion and trade development strategies and operations of the Investment and Trade Development Agency. The aim is to

- help the Agency to develop its professional skills and to develop modern and internationally accepted techniques in the fields of investment promotion and trade development
- provide funds from which pro-active sectoral and country programmes can be financed
- review, in early 1995, the investment promotion and trade promotion strategies which serve as guidelines for the operational planning of the Agency

- review the operations of the Agency with a view to a potential extension of its set-up in the international field
- support the Agency in its operational tasks.

A review of the Agency's operations will be conducted to determine in which country dedicated offices should be established and to define their tasks. It is envisaged that, initially, two offices will be necessary.

Operational activities in key sectors and markets will be expanded. More investor services and support activities for exporters will be developed. Target countries for export development will include western European countries, the USA, Canada and highly developed or rapidly developing far eastern countries. Other measures will include activities to publicise the Agency, training and staff development and the development of innovative investment techniques.

Activities to support export finance will include funding of preparatory work and recommendations on export financing mechanisms, including guarantees and payments. The main aim will be to identify actions for potential future Phare finance in this area. Training courses for the staff of the relevant institutions will also be supported.

Implementation

The Programme Management Unit at the State Property Agency will be responsible for implementing the enterprise restructuring and privatisation component of the programme on behalf of the State Property Agency, the State Holding Company and the Ministry of Industry and Trade. Advisers may be moved or assigned to any of these institutions as needs emerge and policy priorities evolve. The training component will be managed by the Ministry of Industry and Trade, involving consultation with other relevant ministries, such as the Ministry of Labour and Education.

The banking component will be implemented by the Bank Control Unit at the Ministry of Finance to ensure that technical expertise is managed at the relevant operational level. The public finance component will be implemented by the Programme Management Unit at the Ministry of Finance.

The investment and trade promotion component, including the preparatory work for export finance mechanisms, will be implemented by the Programme Management Unit at the Investment and Trade Development Agency.

For direct financing of support, procurement of equipment will be by international tender open to individuals and companies from the Member States and partner countries of the Phare Programme, or by restricted consultation, if justified on the basis of the cost or special characteristics of the equipment. Services will be recruited either by international tender or restricted consultation, depending on the cost and specialist nature of the services. Small expenditures of minor importance may be subject to direct agreement.

Latvia

Programme for private sector development

Duration	to end 1997
EU contribution	MECU 10.5
Responsible authority	Ministry of Finance

Background

State-owned enterprises still account for over 80 per cent of GDP in Latvia. Although privatisation in the agricultural sector and small-scale privatisation has progressed quite rapidly, large-scale privatisation has been delayed, partly due to the lack of necessary legislation but also due to the lack of any clear institutional procedures. The new government is committed to quickening the pace of privatisation and intends to privatise 75 per cent of industry by 1996. Significant progress has also been made in recent months on developing a regulatory and legal privatisation framework. The State Property Fund (which is responsible for enterprises which are not due for immediate privatisation) and the Privatisation Agency require substantial inputs of technical support, given that they are both new organisations and have small numbers of rather inexperienced staff.

Land privatisation has progressed well and work is now concentrated on areas which were previously collective farms forcibly established on private property. The government is seeking to improve legislation, prepare documents on boundary demarcation, value saleable land, improve the services of the State Land Service and upgrade technical qualifications.

The fisheries sector has traditionally been a good source of foreign currency and a good employment provider. With Phare support, plans have been developed to restructure and privatise the high seas fishing fleet and to provide immediate support to major state owned companies, which are in economic crisis and are already preparing for privatisation.

The state banking system has been restructured. Over half of the former commercial branches of the Bank of Latvia have been sold to the commercial banking sector or privatised as individual banks. A small number of branches have been closed and the remaining 21 have been amalgamated in the form of the state-owned Universal Bank of Latvia. The commercial banking sector has grown significantly and is dominated by a few private banks which are rapidly growing and seeking to

establish branch networks. However, since these banks are not engaged in long-term lending, they do not really contribute to transformation and economic growth. There are also many very small commercial banks, a large number of which are not commercially viable.

The government has formulated a clear strategy for the banking sector, in cooperation with the World Bank and with support from Phare. A key part of this strategy is the need to ensure the survival and competitiveness of the two large state banks, Unibank and the Savings Bank, which are both in financially precarious positions. The government is also seeking to improve banking supervision and credit assessment facilities. Training programmes are needed to raise the overall standard of personnel in the banking system.

The level of foreign investment in the country is relatively low compared to other central and eastern European countries. In part this is due to perceived barriers to investment, such as the limited progress on privatisation and land ownership and the lack of an adequate legislative framework, but also stems from the lack of knowledge of opportunities in the Baltic region. As a first step to remedy this situation, the Latvian Development Agency was set up in September 1993 to promote foreign investment and develop exports.

Phare provided funds in 1992 and 1993 for enterprise development and the banking and financial sectors through a General Technical Assistance Facility.

Programme objectives

The programme is designed to

- create a systematic and efficient approach to privatisation, develop SMEs, improve the quality and accuracy of land information and privatise/restructure the fisheries sector
- improve banking supervision and payments systems, improve the performance of state banks with a view to their privatisation, improve the credit assessment capabilities of the state-owned and commercial banks, establish work-out departments and develop in-country bank training capacity
- increase foreign investment in Latvia, improve the export capabilities of companies and develop the tourism sector.

Programme description

Private sector development

MECU 6.9

Support will be provided to the Latvian Privatisation Agency for

- formally training the Agency's staff and developing their skills in accordance with organisational structure and functional tasks
- screening state companies for selection and eventual inclusion into different portfolios for privatisation, applying different criteria according to sector and operating characteristics
- equipment and facilities to support a database and company classification system, including restatement of company accounts into a western format.

The State Property Fund will receive support for

- defining and implementing multiple and individual restructuring of state enterprises, notably the larger ones which are not currently viable or saleable
- preparing guidelines for corporate governance and the appointment and training of supervisory boards
- formulating and implementing management and operation strategies for strategic companies which will remain partly or fully in state hands.

A resident programme manager will be appointed to organise and supervise the individual support activities of the Property Fund and the Privatisation Agency.

Support will be provided for the special restructuring programme set up for the Baltic countries and managed by the EBRD. The component for Latvia will focus on some five large difficult companies, aiming to improve their performance in terms of production, finance and management (leading to investment of some ECU 10 million).

Some 10 turn-around management assignments will be run for a number of companies with good prospects, drawn from the privatisation and special restructuring programme.

The network of business support centres will be expanded from three to six to help promote SMEs.

The State Land Service will receive support for

- decentralisation of land registration work
- establishing and training a State Land Service registration/surveying training team

- developing computerised registration related to land, property and buildings
- improving the quality and accuracy of land information.

Support will be provided for privatising and restructuring state fish processing enterprises, including the improvement of management and accounting systems and sales and marketing skills. The Department of Fisheries will also receive technical expertise and some computer equipment.

Banking

MECU 3.0

Phare will continue to finance a long term adviser to help the Bank of Latvia to improve its banking supervision capability. The Bank houses and is responsible for the payment system in Latvia, on which a diagnostic study has been prepared with Norwegian bilateral support. Phare will support work in this field with technical expertise and equipment.

Phare is financing a financial, operational and systems audit of Unibank and will provide further support for institutional development and a work unit. Phare has also provided advice to the Ministry of Finance on the issue of the 'missing asset' of the Savings Bank and is funding a financial and operational audit and the development of a strategy on this issue. Following the recommendations of this audit, a project for institutional support will be developed.

Phare has funded the design and implementation of a manual and the provision of training for bank accounting for the Central Bank, the state and commercial banks. This project will be expanded and the regional business advisory centres may be used to run the courses in regional centres. Following a Phare-funded training needs assessment, a major training framework agreement is planned to prepare a training programme which can be used by all bank training institutions and banks.

Latvia will soon be receiving loans and balance of payments support, designed to be channelled through the banking sector. Given the lack of experience of the banks' credit assessment departments, the government and the World Bank are planning to provide a unit to help the state and commercial banks overcome this weakness. Phare may finance the costs of an expert for this unit.

A resident programme manager may be appointed help manage and monitor banking and financial projects. Alternatively, this task may be covered by the credit assessment unit.

Investment promotion, export development and tourism MECU 0.6

Phare will fund a long-term adviser for the Development Agency to support the director on strategic and operational issues and to organise on-the-job staff training. Specific investment and export oriented sector studies will be funded to support the identification of foreign investment and export opportunities. The promotional programme already initiated with Phare support will receive further funding. Support will also be provided for the renovation of the Agency's new premises and for new equipment.

Continued support will be given for projects already commenced with Phare funding to develop the work of the Tourist Board.

Implementation

All contracts and payments will be organised initially from Brussels. Pending the establishment of a decentralised system, the aid coordination unit at the Ministry of Finance will continue to provide know-how in the management and monitoring of the programme. For the enterprise sector, the current long-term resident adviser based at the Ministry of Economy will continue to be responsible for the day-to-day management of privatisation and restructuring capacities. A long-term resident adviser will be appointed to deal with the day-to-day management of activities for the banking and finance sectors or, alternatively, this task may be incorporated into the work of a technical assistant to the credit assessment unit. The Commission of the European Union will monitor the implementation of the programme on the basis of regular reports by the relevant authorities and consultants or by the resident adviser or programme manager, as appropriate.

Lithuania

Programme for economic development

Duration	to end 1997
EU contribution	MECU 12.5
Responsible authority	Ministry of Foreign Affairs

Background

Agriculture is the second largest sector of Lithuania's economy, providing nearly 25 per cent of current GDP, 29 per cent of employment and 20 per cent of total exports. Livestock production dominates agricultural output, accounting for 40 per cent, and crop production, most of which is animal feed, 45 percent. Output has declined substantially over the last two years, partly due to economic uncertainty associated with the transition to a market economy and partly due to the 1992 drought. Production has fallen by 30 per cent and agricultural exports by 50 per cent, compared to the 1987-1990 averages.

Restructuring of state agro-enterprises has proved more difficult than anticipated. Land privatisation has made good progress with about 115,000 new private farms being established but only some 20 per cent of these have received preliminary titles to land. The government has given priority to action to accelerate the privatisation of land and agro-processing industries. New land laws have been passed recently and seasonal credits have been made available to support private farmers experiencing short-term difficulties. However, substantial operational difficulties and backlogs remain in certain fields, for example the land registration process.

Past Phare support for the agricultural sector has concentrated on strengthening economic planning capabilities in relevant institutions and on identifying new production techniques and restructuring measures in key sectors relevant to the development of private enterprise and the more economical use of domestic resources. Support has also been given to help coordinate and manage foreign know-how.

The privatisation programme is the most advanced in central and eastern Europe in terms of state capital and entities privatised. Of the 2,371 enterprises to be privatised by share subscriptions, 90 per cent have been sold, representing 60 per cent of the state capital invested. For another 2,732 enterprises to be privatised by auction, 88 per cent have been sold, accounting for

70 per cent of the capital invested. However, during 1993, the government realised that the law on the initial privatisation of state property adopted in 1991 had outlived its usefulness and that the institutional arrangements for the management of privatisation needed modifying and streamlining to speed up and improve the process. A Phare initiative led to a review of the management and administration of the privatisation programme, culminating in recommendations which are now being converted into a legal framework. A public awareness campaign has been run with Phare support to increase public awareness of privatisation issues.

Phare has also funded an SME credit scheme, in operation since the autumn of 1993, which has proved highly successful. Phare also played a key role in establishing the Lithuanian Investment Promotion Agency in late 1993.

Important new taxes were often hastily introduced and amended during the period 1990-93. The government is now engaged in a more orderly revision of the entire tax legislation. A first step was the introduction of a revised VAT system in mid-1994, devised with Phare support, but other taxes need revision as well. So far, the government has placed attention on legislative aspects with less concentration on implementation and enforcement issues. Generally, the process of taxation and accounting reform has been a very difficult task due to the complexity and inter-relation of tax laws with other laws and the limited understanding of the tax administration and accounting profession in relation to their new functions and tasks. The inter-relationships of relevant legislation still require a clearer perception and a more integrated and coordinated approach while the structures, methods and procedures of the tax administration need to be improved and modified.

Budget execution needs to be strengthened, in particular the Ministry of Finance needs to enhance its guidance and control over line ministries' expenditures and to increase the tax base. Capacity to manage the public debt must be reinforced and a real treasury function established. A strategy for budgetary reform has been defined with input from the IMF.

Programme objectives

The programme is designed to support the government in its attempt to promote growth and competition in the private sector. It follows on directly from the agriculture, enterprise, banking and financial sector allocation under the 1992 Phare privatisation and SME programme and the 1993 Phare General Technical Assistance Facility.

The programme aims to

- continue and build on past Phare support for the agricultural sector to introduce national production policies striking a better balance between supply and demand as well as structural reforms encouraging the development of viable private farms and agro-businesses
- continue and consolidate ongoing measures aimed at reforming the enterprise sector through support for a special restructuring programme, to be managed by the EBRD, and continued support for the SME small loans scheme, with complementary technical support for the commercial banks operating the scheme
- improve public finance management by the Ministry of Finance in relation to tax collection and budgetary management
- continue support for the activities of the Lithuanian Investment Agency.

Programme description

Agriculture

MECU 4.6

Continued support will be provided for aid coordination and the development of institutional capabilities in the fields of investment planning, allocation of resources, enterprise restructuring and private enterprise development. Support will also be provided for human resource development, enabling private enterprise support services to be provided by national staff.

The objective is to establish production, trade and investment conditions in key sectors favouring the establishment of profitable private enterprise. The main outputs will be increased numbers of national officials trained in objective procedures for resource allocation and improved information and associated services for private enterprises in the fields of trade and export development, land transactions, new or improved production techniques and banking services.

Concentration will be on

- strengthening the capabilities of the project implementation unit at the Ministry of Agriculture to prioritise support needs and project investment, planning and supervision, in particular through extended training of counterparts; this will enable the unit to adequately develop and implement major capital know-how projects funded by the international financing institutions and to integrate these with other donor support

- creating or strengthening the capabilities of various institutions, including the Ministry, to give advice and information to enterprises on market research, quality and other standards required in key export markets, with a view to promoting exports
- establishing the capabilities needed in the financial sector and elsewhere to operate a rural credit scheme meeting the needs of private farms and rural businesses for development finance and, if necessary, loan guarantees. This will be conducted in association with the capital know-how project of the international financing institutions
- providing equipment and training to improve the operation of the land registration process, building on the framework of support established under previous Phare and bilateral support activities
- developing more enterprise-specific restructuring and investment plans for agro-enterprises, following up the key sub-sectoral analyses and recommendations provided in the recent general economic study
- continued development of crop and animal production systems, making maximum use of domestic resources, with extension into the use of forage-based feed systems and green crop variety trials.

Private sector development

ECU 5.4

Support will be directed at restructuring and 'down-sizing' larger non-viable state enterprises, with a view to their eventual privatisation as viable entities, and at providing new enterprises with start-up credits to purchase essential equipment. The main outputs will be viably restructured and private companies, sustained by limited loans advanced by selected banks on commercial criteria and terms.

Concentration will be on

- continued institutional and legislative support to the Ministry of Economy and continued support for privatisation and enterprise restructuring
- support for the special restructuring programme set up for the Baltic countries and managed by the EBRD. The component for Lithuania will focus on some five or six large difficult companies, aiming to improve their performance in terms of production, finance and management (leading to investment of some ECU 10 million)

- expansion of the existing SME credit scheme to cater for some 80 term loans and the provision of technical expertise for the banks to operate the scheme, in particular on credit and risk appraisal, accounting and debt monitoring.

Public finance and accounting

MECU 2.0

The objective is to

- help perfect and complete the ongoing tax reform and to strengthen the tax authority's capacity to administer and enforce the new system
- improve overall budgetary management
- improve knowledge of the new accounting system and strengthen the accountancy and auditing profession.

Concentration will be on

- improving the legal, regulatory and administrative aspects of the tax system and service, with particular attention to VAT and excise duties, collection, enforcement and audit and to computerisation of the tax administration. Advice and training will be provided by taxation specialists from the European Union, in particular from national administrations
- providing advice on the domestic aspects of public debt management, defining and procuring computer hardware to carry out the treasury function and training staff in budgeting, treasury and debt management
- implementing the new accounting system in enterprises, through information, training and advice
- creating professional and supervisory accounting and auditing bodies.

Investment promotion

MECU 0.5

The objective is to strengthen the capabilities of the Investment Promotion Agency and develop its activities to attract foreign investment. Support will concentrate on

- the provision of a long-term adviser to support the director and management on strategic and operational issues related to the running of the Agency and to initiate on-the-job staff training
- preparation of a number of specific investment sector studies to provide the Agency with adequate information to identify opportunities in the field of foreign investment and exports
- support for the renovation of the Agency's new premises and for new equipment.

Implementation

All contracts and payments will be organised initially from Brussels. Pending the establishment of a decentralised system, the aid coordination unit at the Ministry of Foreign Affairs will continue to provide some support in the management and monitoring of the programme. For the agricultural component, the resident programme manager based at the Ministry of Agriculture will continue to be responsible for projects in this sector. For the enterprise sector component, the current resident long-term advisers for SME, privatisation and investment promotion activities will continue to be responsible for the day-to-day management of the respective programmes. The Commission of the European Union will monitor the implementation of the programme on the basis of regular reports by the relevant authorities and consultants or by the resident adviser or programme manager, as appropriate.

Lithuania

Programme for environmental protection

Duration	to end 1997
EU contribution	MECU 1
Responsible authority	Ministry of Environmental Protection

Background

The Lithuanian government has demonstrated its commitment to environmental protection and sustainable growth by adopting a comprehensive package of environmental legislation and by allocating substantial resources to environment-related projects. Much still needs to be done in the legislative area, although nine major pieces of legislation are being reviewed at present, including measures establishing regional environmental units, environmental impact assessment systems, the 'polluter pays' principle and individual sectoral policies on issues such as waste water treatment, clean water supply and air pollution. However, a sustainable environmental policy involves major inputs over the long term to redress the damage done over the last 50 years, and resources are increasingly scarce due to other pressing demands on the shrinking budget.

The Ministry for Environmental Protection, which was upgraded from a department into a full ministry earlier this year, needs further expertise and general institutional strengthening in project planning and management, general environmental management and specific technical environmental issues.

Waste water treatment is recognised as the highest environmental priority for Lithuania. Action is being taken in the larger cities, with funding from the international financing institutions and Phare, but the smaller municipalities are neglected in current investment planning. Many small towns and regions have no waste water treatment plants or have facilities whose capacity is often insufficient and which only offer superficial mechanical treatment. Groundwater resources are threatened by hazardous waste (some from ex-military sites) which is largely untreated or inadequately stored, solid waste dumped in badly designed landfills and current farming practices, especially pig breeding and dairy complexes and large poultry farms.

Phare has provided support for environmental projects through two programmes in 1992 and 1993. These have involved advice to the Ministry on departmental structuring, the development of a national strategy, air

and water quality standards and environmental legislation. Phare has also helped to establish a project preparation fund to support the preparation of capital projects in association with the international financing institutions, such as those currently being run with the EBRD and IBRD for waste water treatment in three major cities. Phare is also funding an inventory of the contamination of former military sites, the findings of which will be used in the national strategy project.

Programme objectives

The broad objective of the programme is to support the government in ensuring that the country's future economic development is environmentally sustainable.

More specifically, the programme is designed to support the efforts of the Ministry of Environmental Protection to

- strengthen its long-term planning and management capabilities
- tackle the water supply and waste water treatment problems of small urban and rural municipalities
- tackle hazardous waste management on military sites.

Programme description

Long-term planning and institutional support

MECU 0.3

This component is the follow-up to past Phare actions to help formulate a national strategy, which is being finalised. The new programme aims to ensure that this strategy will be translated into a coherent and feasible action programme and that Ministry officials will have adequate capability for managing the implementation process.

Support will be provided to the Ministry for

- expanding the national environmental strategy and its short-term action programme into a long-term action programme which is fully coordinated with the government's public investment programming
- project management and investment planning (incorporating programme design, project identification, preparation of terms of reference, estimation of costs, economic appraisal) to strengthen the capacity to handle forthcoming support from the international financing institutions and to detail projects which will be identified in the national environmental strategy project

- strengthening the regulatory framework related to land reform/privatisation and protected areas/nature reserves, the general water law and its detailed regulations and issues involving environmental liability and privatisation
- implementing obligations resulting from international agreements, such as Helcom
- project design for monitoring bio-diversity and fish resources
- treatment of small amounts of waste water in rural areas and of sludge
- further formulation and implementation of environmental standards
- various other topics which may arise.

Waste water treatment

MECU 0.5

This is a follow-up to the project preparation work conducted with the support of the international financing institutions and Phare for waste water management in the cities of Vilnius, Klaipeda and Kaunas.

The institutional environment for the management of waste water has changed drastically with management being transferred from state enterprises to enterprises which fall under the responsibility of municipalities. A new tariff system is being proposed to accumulate funds for investments by the municipalities/enterprises themselves and state subsidies are likely to be replaced by a soft loan system which will encourage the municipalities to seek other sources of funding. The programme is designed to enable the municipalities to acquire the necessary management skills and approaches and business planning/investment capabilities to cope with these changes.

The programme will focus on

- developing a strategy for waste water treatment and water supply at the small municipality level
- strengthening the management and planning capacity at the local level through in-country and overseas training (hands-on experience in western enterprises and twinnings)
- developing business/investment plans for selected enterprises
- support to the Ministry of Environmental Protection in further developing strategies in this field.

The programme will complement the loan packages under consideration by the EBRD and the IBRD for the construction of waste water treatment plants at Kaunas and Klaipeda.

Decontamination of ex-military sites MECU 0.17

This is a follow-up to a Phare-funded inventory of 200 contaminated military sites in Lithuania, including risk assessments and preliminary advice on clean-up measures. The inventory indicates that clean-up measures will be necessary at several sites to reduce serious risks to public health and the environment.

The programme will provide support for a pilot project for one of these contaminated sites to investigate the full nature and extent of the contamination and prepare a thorough clean-up plan. The transfer of expertise will be an essential part of the project. The site in question will be selected on the basis of

- the risks posed to public health and the environment
- the demonstrative character/transfer of knowledge opportunities presented by the site
- the likelihood of further financing of clean-up measures.

Implementation

The Ministry of Environmental Protection will implement the programme. The daily management of the programme will be the responsibility of the project management unit already established in the Ministry. Local Ministry staff and a long-term external expert acting as programme manager are responsible for the management of all support projects, including the preparation of project dossiers and tender documentation, tender evaluation and consultant management.

Lithuania

Programme for the energy sector

Duration	to end 1997
EU contribution	MECU 6.9
Responsible authority	Lithuanian Energy Agency

Background

Lithuania is broadly dependent for its energy supply on imports of gas, oil and nuclear fuel from the New Independent States, although it is an exporter of electric power from the Ignalina nuclear power plant. On independence, the need for reform of the sector became evident since the existing institutional and technological structure was incapable of satisfying demand in a financially secure, reliable and eco-friendly manner at an acceptable social cost.

The energy sector is perhaps the most important sector of the economy since provision of an adequate energy supply is essential for safeguarding present income-generating capacity in the industrial and services sector and enabling expansion in the medium term. Improved energy efficiency will lead to reduced energy consumption, which is considerably higher than in the European Union, thus decreasing dependence on imported primary energy supplies, lowering environmental impact and reducing production costs for industry.

One of the most significant barriers to improving energy efficiency is the lack of suitable financial resources to cover energy saving investments. Another obstacle is the lack of experience of the officials in charge of this area at the Ministry of Energy and the new Energy Agency.

In the context of the critical supply situation, high energy intensity on the demand side, obsolete infrastructure and the non-commercial status of energy utilities, the government has recently approved a national energy strategy, developed with Phare funding. The strategy aims to introduce commercial relationships and market discipline, develop energy efficiency in all sectors, rehabilitate selected infrastructure at least cost and promote cooperation between the Baltic states on energy issues.

Phare has funded three programmes in the energy sector since 1991. The 1991 programme provided for advice to the Ministry of Energy, in particular on the development of a national energy strategy, training for the staff of the Ministry and utilities and the establishment of an information and registration system for the Ministry.

The 1992 programme funded a study on the country's own energy resources and further advice to the Ministry. The 1993 programme helped to develop a national energy conservation programme, update the energy strategy, develop least-cost planning of the electrical power system, organise the electricity and heating sector, define the role of municipalities in the decentralisation process and to improve skills for gas contract negotiations with Russia and other potential suppliers.

Programme objectives

The broad objectives of the programme are to

- support Lithuania in the transformation from a planned to a market economy and promote commercialisation, privatisation and market reforms related to market issues
- improve technical and economic energy efficiency in general and support the institutional development of the sector to provide a strong and rational basis for reform
- establish an operational basis for actions in the medium and long term in the sector and help improve the fuel supply operation.

The specific objective of the programme is to implement the national energy strategy, so providing the framework for concerted action between the government, companies, private investors, the IBRD, the EBRD and Phare, especially in the following areas:

- energy efficiency
- sector restructuring
- sector rehabilitation
- energy diversification.

Programme description

Energy efficiency MECU 4.4
Support will be provided to the new Energy Agency, which is responsible for implementing the national energy strategy, to help reinforce its conservation policy through the development of a complete set of tools to inform, convince and help consumers to change their behaviour and the development of measures to facilitate energy saving investment projects. The following types of activities will be funded:

- information campaigns, training sessions
- energy audits
- a revolving fund for energy saving investments.

The revolving fund will be defined in the framework of a feasibility study and may comprise a combination of grants and loans for projects selected by a management committee chaired by the Agency.

Grants would be limited to small-scale demonstration projects having a pump-priming effect. The objective would be to attract private capital for the same type of projects in the future and co-financing of investments identified as priorities in the framework of the national energy strategy, together with the international financing institutions, to make the projects more bankable during the transition period.

Loans would be for small and medium-scale projects having a reasonable pay back period but which cannot be financed by the local banking system. Loans would be denominated and repayable in local currency at the exchange rate prevailing on the date of draw-down by the lending bank, the bank converting the ECU amount for this purpose when the credit is provided. A survey would have to be undertaken to select the bank(s) able to participate in the fund's activity.

Sector restructuring MECU 1.0

Advisory support will be provided for the following

- development of legislation on heating and electricity, including tariffs
- management training for Ministry and Agency staff on the new types of relations between state authorities and commercialised energy utilities.

Sector rehabilitation MECU 1.0

The national strategy identifies investment totalling ECU 2.3 million until the year 2015 for energy efficiency, modernisation and rehabilitation of energy infrastructure but excluding the creation of new production capacities. In preparation for the involvement of the international financing institutions, Phare will support the following

- environmental auditing of large power and district heating plants, to provide a thorough assessment of all emissions and recommend an integrated cost-effective approach to waste minimisation and emissions control to help improve overall efficiency of the use of fuel and other raw materials

- an oil market study of the market potential of the Mazeikiai refinery's products to determine the optimum configuration of the refinery and pave the way for the international financing institutions to fund its rehabilitation
- development of a modern database/geographic information system, equipment and training for energy utilities to improve their operation and maintenance of the energy networks.

Energy diversification MECU 0.4

Support will be provided to help achieve energy diversification by a better use of domestic resources through the funding of two projects

- development of dynamic oil models for the evaluation of national oil fields so as to enable the authorities to monitor the exploration process undertaken under licence by international private companies; the corresponding tool, including training of relevant authorities and the supply of equipment, will be made available to the Ministry of Energy
- a follow-up of the Phare-funded 1992 study on Lithuania's own energy resources through staff training, institutional strengthening and the updating of a computer database, together with the implementation of the recommendations of the EBRD study on wood utilisation.

Implementation

All contracts and payments will be organised initially from Brussels. If a decentralised system is introduced, the Energy Agency will be responsible for implementing the programme. The Agency's programme management unit will continue to have responsibility for advisory and coordination tasks and for preparing and monitoring projects.

Equipment procurement will be on the basis of open tenders, or by restricted consultation if justified by the cost or special technical characteristics of the equipment. Services will be recruited either by restricted invitations to tender, or by direct contract, depending on the cost and specialist nature of the services. Small expenditures of minor importance may be the subject of direct agreement. Participation in tenders will be open to individuals and companies from the Member States of the European Union and the Phare partner countries.

Lithuania

Transport infrastructure development programme

Duration	to end 1997
EU contribution	MECU 4.6
Responsible authority	Ministry of Transport

Background

The development of transport systems in Lithuania will have a major impact on the economy, given that the transport sector in itself contributes significantly to the economy and that a well-functioning transport sector is a prerequisite for the development of other economic sectors. The role of the transport sector will increase in view of the need for greater mobility and the greater number of movements usually associated with a free market economy.

The two main corridors in the Baltic Sea region pass through Lithuania and transit flows through these east-west and north-south corridors are considerable. The east-west corridor passes through the port of Klaipeda and includes maritime routes (to Germany, Sweden, Poland, Denmark and the Benelux countries) and railway and road links (Klaipeda-Kaunas-Vilnius-Minsk (Kiev-Moscow) and Kaunas-Kaliningrad port). The north-south international corridor includes the Via Baltica motorway link (Helsinki-Tallinn-Riga-Kaunas-Warsaw) and a railway link (Helsinki-Tallinn-Riga-Kaunas-Sestokai-Warsaw).

Lithuania's transport system is characterised by a relatively well developed but rapidly deteriorating physical infrastructure, due to lack of funds. Nevertheless, the transport sector has considerable potential for further commercialisation, privatisation and private sector participation in most sub-sectors.

The new national transport development plan aims to reform and modernise the sector, integrate the transport networks into the main European corridors and harmonise legislation, standards and technologies with those of the European Union. Priorities for the short and medium terms involve the following actions

- upgrade investment planning and implementation capabilities
- rehabilitate and maintain existing physical infrastructure, especially roads and rail tracks

- develop income generating freight transport operations, combined with commercialisation of passenger operations
- develop the port of Klaipeda and its road and rail links
- ensure the availability of one airport meeting international standards
- ensure basic urban public transport with a gradual reduction of subsidies and increased cost recovery.

Since 1991, Phare has supported the transformation of the transport sector with total funding of ECU 6.5 million.

Programme objectives

The overall objective of the programme is to support the economic transition and development and the political and economic integration of Lithuania with its neighbours and the European Union. It is based on the strategy laid out in the national transport development programme and will aim to help the government realise a number of high priority investments, improve management and planning capabilities and continue institutional reform and privatisation in the sector.

The specific objectives are to support the government in implementing the national transport development programme, in particular to

- develop a suitable institutional and legal framework
- upgrade management and investment planning capabilities
- help mobilise domestic and foreign financial resources for the highest priority infrastructure projects.

Programme description

The programme has two components.

- the transfer of technical expertise for institutional development, reorganisation and privatisation
- the preparation of selected pre-investment studies.

Institutional development, reorganisation and privatisation

MECU 3.2

Support will be provided to restructure Lithuanian Railways, following the recommendations of a Phare-funded study. Emphasis will be on transforming the company from a production-dominated organisation to one that is business-led and market-driven to enable a more efficient system to be developed, capable of competing effectively in the market place.

A management system will be set up for the Road Administration, continuing the transfer of technical expertise already under way. Expertise and training will be provided on the reorganisation of the Administration, maintenance management systems, pavement maintenance, bridge maintenance and project management.

Expertise will be transferred to help implement the recommendations of the master plan for Lithuanian airports, including support for the creation of a specialised aeronautical authority and an autonomous civil aviation authority structure. Concentration will be on policy formulation, legislation, supervision on all aviation matters, economic and commercial regulation and supervision of the performance of state aviation enterprises through annual budgets.

Support will be given for implementing the findings of the master plan study on urban transport and inter-city buses, which includes recommendations on specific investments.

Support will also be provided for the privatisation and restructuring of some state enterprises, such as Lithuanian Airlines and the Lithuanian Shipping Company. Financial audits will be prepared in each case to obtain the most authentic picture of the situation.

Pre-investment activities

MECU 1.0

A feasibility study will be conducted of the Kaunas industrial region as an axis junction for transport modes, such as railway, road and aviation, including the feasibility of developing a multi-modal transport junction.

A feasibility study of inland waterways will also be conducted.

An investigation of Klaipeda port and the neighbouring sea zone will be carried out, with particular attention to environmental aspects, including contaminated sites. The investigation will outline the scope of work necessary to develop proposals to control pollution in the port and its surroundings.

Implementation

The Ministry of Transport will be responsible for implementing the programme and the daily management will be carried out by a Programme Management Unit already established under previous Phare programmes. A long-term programme manager (24 months) and a senior transport economist (18 months), together with Lithuanian staff, will be responsible for managing all projects, preparing project dossiers, tender documentation, tender evaluations, payment procedures and providing expert management.

The procurement of services and equipment will follow the standard Phare procedures.

Romania

Programme to upgrade the statistical information system

Duration	to end 1996
EU contribution	MECU 4.6
Responsible authority	Council for Coordination, Strategy and Economic Reform

Background

The transition towards a market economy requires a sound and comprehensive statistical system, capable of supplying accurate, reliable and impartial statistical data to help define the strategy for socio-economic reform and to satisfy the increasing demands of users.

The Romanian statistical organisation comprises a two-level system: the National Commission for Statistics in Bucharest and 41 district offices.

The National Commission for Statistics has embarked on a restructuring process to transform the national statistical system, covering all aspects of production, from raw data collection through processing and analysis to the dissemination of results. It also covers the reorganisation of the Commission, the development of human resources and the introduction of modern electronic data processing equipment.

In 1992, Phare commenced a programme to upgrade the information system of the central statistical office of the National Commission for Statistics. This first phase in updating the Romanian statistical system was designed to take over the functions of the outdated computer configuration and create the conditions for a statistical system in line with the standards of the European Union.

Due to the demand for improved, more diversified and more accurate statistical data, the National Commission has enlarged the size and number of statistical inquiries and has started new surveys at the national level (labour force household survey, integrated household survey, structural survey of enterprises, general agricultural census). In view of the redefinition of the tasks of the governmental bodies during the transition process, the workload of the district statistical offices has been increased, meaning that they are now responsible for over 85 per cent of data collection. Over 95 per cent of these data have to be pre-processed in the district offices, from data-entry validation up to editing local reports and publications. However, the present capacity of the district offices, which is based on non-standardised equipment, much of which is old or

obsolete, is inadequate to cope with this task and acts as a bottleneck in the national statistical system.

Programme objectives

The new programme (Phase 2) aims, principally, to upgrade the statistical information system of forty district statistical offices. It is designed to create the conditions for a properly functioning statistical system throughout the country, meeting the standards, requirements and productivity levels of a market driven economy. It will establish the necessary technical basis for introducing the standards, classifications and methodologies used in the European Union and internationally.

The immediate objectives of the programme are to

- provide reliable and timely statistical information for public and private users according to their requirements
- adapt statistical information processing to the changing economic environment
- integrate the statistical system into the wider European system.

The specific objectives of the programme are to ensure

- capacity for data entry, validation and primary processing as well as capacity for data communication to the National Commission for Statistics through the existing national communication infrastructure
- storage and processing capacity for local data base creation, management and operation
- capacity for processing, analysis, editing, publishing and dissemination of statistical data at local level
- training for district office staff and local users.

Programme description

Installation of electronic data processing equipment MECU 3.85

The activities of the district statistical offices cannot be fulfilled with the present capacity, which is based on non-standardised equipment, much of which is old or obsolete. Upgrading will be based on a local area network solution, providing for Local Area Network - Wide Area Network (LAN-WAN) connection to the National Commission for Statistics. The local area networks will cover all activities of the district offices, such as statistical data collection, regional survey processing and data transfer. The programme will also

cover certain analytical functions, dissemination and publication according to the definition of district office statistical functions and modern office management.

The need for a coherent system architecture and the efficient operation of the statistical system throughout the country will necessitate further upgrading of the Central Statistical Office, following up the work already commenced in 1992 under Phase 1. The achievements of Phase 1 will be used as a starting point, with further activities to upgrade information technology directed at

- network management facilities, including communication facilities
- additional storage and archiving facilities
- additional server and work stations capacity for LAN-WAN configuration, for the extension of statistical applications and for system redundancy
- software licensing for networking and an expanded number of users.

Training

MECU 0.25

A training programme for the staff of 40 district offices will be developed to

- upgrade statistical know-how according to the needs of new statistical applications, as a basis for modernising statistics at the regional level
- upgrading skills according to the needs of the newly installed information technology.

Other training will include management training for the National Commission and the district offices, in connection with the new requirements of WAN, as well as training in application software.

Training will be conducted in three forms:

- training of trainers, including courses organised by the suppliers of equipment and software
- training for users and specialists, organised by Romanian and foreign trainers, concentrating on new equipment and applications
- management personnel training, organised by Romanian and foreign trainers, with particular emphasis on new equipment and applications.

Implementation

A project management unit will have responsibility for installing system solutions for modern hardware and software configurations in the district offices, as well as the conformity of the introduction of modern technology with the requirements of the overall statistical strategy. The project management unit will comprise the president of the National Commission for Statistics, the vice-president, the directors general and a long-term programme adviser.

The project management unit will create a steering committee to undertake the operational activities of the programme. The committee will be headed by the vice-president of the National Commission and members will include the programme adviser, a group of experts from the National Commission and representatives of the equipment suppliers.

Short-term support will be provided by technical experts, whose tasks will be related to specific aspects of the programme. A financial adviser will have responsibility for financial arrangements under the programme.

Slovak Republic

Programme for vocational education and training reform

Duration	3 years
EU contribution	MECU 4
Responsible authority	Ministry of Education and Science

Background

The political and economic transformation which has taken place in the Republic has had major implications for the provision and financing of education and training. In the context of an unprecedented fiscal crisis, the need to re-equip the human capital base to sustain the shift to a market economy has become a daunting challenge for the government. At the same time, the demand for education and training is increasing due to the need to retrain many people who have lost their jobs as a result of economic restructuring. A coherent reform of secondary vocational education is vital for the success of the reform process, in particular to reduce unemployment and improve productivity, quality of production, competitiveness on international markets, labour mobility and the development of the private sector.

In 1991, Phare funded a labour market restructuring programme, including a strategic review for the development of vocational education and training. The report outlines possible paths of development with regard to structure, curriculum, management and administration, teacher training, qualification systems, infrastructure requirements and the financial implications of the proposed reforms. Pilot schools were selected for preparatory support and for the development of general basic curricula for Grade 1 secondary vocational education in these schools. The review was adopted by the Ministry of Education and Science as a basis for further reform steps and the Ministry has since defined a strategy to reform secondary vocational education.

The Ministry's strategy focuses on generalising curricula and broadening the educational profiles of 20 pilot schools. Some secondary apprentice and technical pilot schools will be merged to become multi-sectoral schools. A new approach to curriculum development will be adopted on the basis of a modular system. Schools management will be improved through the redefinition of the role of the state, the school inspectorate and school management. Pilot school

teachers and directors will be retrained to adapt to the reformed system while facilities and equipment in the pilot schools will be improved.

In 1992, Phare funded a programme for the renewal of the education system to develop education reform policies, improve the quality of primary and secondary education, develop foreign language training, decentralise management and diversify higher education. In 1993, Phare funded a human resources development programme which established a quick disbursement fund to widen access to training in priority areas by supporting approved training providers and which allocated limited funds for pilot school activities.

Programme objectives

The programme is designed to modernise and reform the vocational education and training system as one of the key elements in the Republic's social and economic reform process.

The programme will support the following reform activities in 20 selected pilot vocational schools:

- the development of new curricula, in accordance with the government's reform strategy, and their implementation
- teacher training to enable teachers and directors to work with the new curricula
- partnerships between vocational schools in the Republic and the European Union, to improve the knowledge and application of best practice
- upgrading of teaching equipment to meet the demands of the new curricula
- dissemination of results of the reform activities.

Programme description

Curriculum development **MECU 0.8**

Support will be provided to the government's general reform strategy for vocational education and training through the development of new curricula by selected pilot schools. The new curricula will be mainly for Grades 2, 3 and 4 of secondary vocational education. Relevant new learning materials will also be developed. Implementation of the curricula will commence in the pilot schools in September 1995. The national strategy for curriculum development will be adjusted and further developed, with the coordination of the Ministry of Education and Science, and action will be taken to build networks for curriculum development between the schools.

Teacher training**MECU 0.6**

Training courses will be developed and provided to teachers and directors from each of the pilot schools to provide them with the necessary background for working with the new curricula. The courses will mainly provide knowledge on teaching methods, the method of curriculum development and the content of general subjects introduced as a result of the new curricula. The first courses will commence in the first half of 1995.

Partnerships with vocational schools in the European Union**MECU 0.8**

The pilot schools will develop proposals to select four or five vocational schools in the European Union to build up partnerships with secondary vocational schools in the Republic. Activities will be closely linked with on going reform projects and will include curriculum development, exchanges of teachers and managing staff and study visits or placements of pupils in schools or enterprises in the European Union. Partnership activities will commence in September 1995.

Upgrading of teaching equipment**MECU 1.8**

Support will be provided for the improvement of teaching equipment necessary for implementing the new curricula in the pilot schools. Support will be based on an applications and selection process.

Dissemination of results**MECU 0.1**

The Ministry of Education and Science and the steering committee will monitor and evaluate projects as they develop. Open seminars will be arranged in 1996 and 1997 to disseminate the experience gleaned from the reform projects and to discuss further development. The results of the curriculum development project will be published together with a strategic outline for future development in the field of vocational education.

Implementation

The programme will be managed by a programme management unit within the Ministry of Education and Science. The Ministry will ensure close coordination and, where appropriate, sharing of administrative resources with the Phare-funded programme for the renewal of the education system. The programme management unit may contract out the implementation of certain parts of the programme to the National Teaching Institute or other bodies.

The Programme Management Unit will be guided by a steering committee formed with the aim of overseeing the programme and its members will be drawn from the Ministry of Education and Science, the school boards, the school inspection body, school directors, the Ministries of Labour, Economy and Agriculture, the Confederation of Trade Unions and the Union of Industry.

Each pilot school will receive funds from the programme in accordance with a specific description of already implemented and planned activities, submitted by the school to the programme management unit for approval or amendment. The Ministry of Education and Science may agree with the steering committee to allocate relatively large parts of the programme funds to two or three schools to develop these into catalysts for innovation and models for high quality education and training.

Slovak Republic

Programme for private sector development

Duration	to end 1997
EU contribution	MECU 5
Responsible authority	National Agency for SME Development Slovak National Agency for Foreign Investment Development National Bank of Slovakia

Background

The government is seeking to establish an environment conducive to business through macro-economic measures and is also working to improve the competitive environment, establish an effective institutional framework and increase the activity of bodies directly involved in business promotion, such as the National Agency for SME Development, consultancy centres and the Slovak Guarantee Bank. However, there is a serious lack of investment and working capital for the SME sector in the Republic. This is due principally to the flight of capital to the Czech Republic on the dissolution of former Czechoslovakia, the poor level of personal savings, the lack of bank expertise in financing SMEs and the under-development of financial markets.

Efforts are needed to counter the low visibility of the Republic as an investment location. The government intends to establish a stable, business-friendly environment attractive to foreign investors and to take specific measures to facilitate entry to the economy and promote awareness of potential investors. To help this process, the Slovak National Agency for Foreign Investment Development was established with Phare support in 1991.

A speedy transformation of a competitive banking sector is a key priority. The government has indicated that it will contribute to this through measures to improve bank portfolios, including enterprise and bank restructuring and bank recapitalisation. These will help boost the international credibility and acceptance of the banks and secure their gradual incorporation into the international banking system. However, despite substantial progress towards establishing a two-tier banking system and attempts to set up a modern regulatory framework, the sector still faces considerable problems. The major commercial banks have a major bad loans and under-capitalisation problem and have a high degree of identification of interests with their debtors. The

oligopolistic structure of the sector also means that there is a lack of competition. Moreover, despite the efforts of the Bank Training Institute, the banks themselves and various donors, substantial training in modern banking practices is still required.

Phare has already allocated ECU 49 million for private sector development in the Republic, commencing its first programmes in 1991.

Programme objectives

The programme is designed to

- improve the access of SMEs to small loans and other financial instruments through additional support for on-going Phare programmes
- continue support to the foreign investment promotion activities of the Slovak National Agency for Foreign Investment Development
- strengthen the National Bank of the Republic and ensure the long-term stability of the banking sector.

Programme description

SMEs **MECU 2.25**
Support will be provided for the expansion of the existing small loans scheme set up under the 1991 Phare programme for SME development. The scheme is run by the National Agency for SME Development and implemented by the Slovak Savings Bank. Phare made a further allocation to this scheme in 1993 and the Agency is negotiating with the Agricultural Bank and the Tatrabank the terms under which those banks could administer a part of the funds available. The use of alternative banks to administer the scheme will allow for competition and the creation of a benchmark for performance. Phare will make a further contribution of ECU 2 million to replenish the scheme, to meet the growing demand for loans from SMEs and stimulate the creation of an estimated 360 new jobs.

The Agency will use ECU 1 million from the 1993 programme to fund technical expertise and training for the Savings Bank and any other banks selected to administer the scheme to support them in lending safely and profitably to the SME sector. Concentration will be on specialist training of bank personnel and on reorganising reporting and delegated decision-making arrangements, procedures, documentation, profit centre financial reporting and re-designing or introducing new products or services. Teams of two to three consultants will deliver hands-on expertise and training for each bank concerned.

The 1994 programme provides the agency with funding to cover part of its operational needs until the end of 1995, whilst the government progressively takes over the Agency's financing.

The new programme will allocate additional funding for the Business Innovation Centre, established in 1992, and its three satellites, established in 1993. The National Agency for SME Development supports this network and the funding will enable activities to be financed until June 1995.

Foreign Investment Promotion MECU 0.5

The current strategy of the Slovak National Agency for Foreign Investment Development is to increase awareness of the Republic as a location for investment, develop accurate information on investment opportunities, develop direct contacts with potential investors, identify sectors ripe for further development and improve sales and project management expertise. In support of this strategy, Phare will fund the following types of activities

- direct promotional activities, including participation at four exhibitions, six promotional visits to the European Union, four sectoral marketing promotions and continued database development
- public relations and marketing activities, through the production of brochures and the development of relations with the media
- personnel development, through training, as defined by a training audit, and other staff support
- advisory support on the further development of the Agency's activities and the implementation of the Phare programmes
- seeking out opportunities to link the programme with regional development activity.

Banking MECU 2.25

Experts funded by Phare are currently assessing the characteristics of the bad debt situation within the loan portfolios of Vseobecna Uverova Banka, Investment Bank, the Savings Bank and the Consolidation Bank. Following this, an action plan will be drawn up to identify accounts that are bad or doubtful, assess the total amount at risk, prepare a strategy to recover and/or write off debts and assess the need to recapitalise. Continued support will be provided for this process through the provision of specialist work-out teams to each bank involved, (with the exception of VUB which already has a USAID team carrying out this task). Policy advice on these issues will also be given to the National Bank.

The National Bank will also receive technical expertise for

- developing and implementing a new accounting and reporting system
- reforming the legal system for the banking sector to make it more compatible with those in the European Union
- improving the Bank's management information system
- developing an efficient capital market and arranging the Bank's role in market operations.

Continued support will be provided for bank training, in particular to further develop distance learning material.

Implementation

The SME component will be the responsibility of the National Agency for SME Development. The Slovak National Agency for Foreign Investment Development will have responsibility for the investment promotion component. Banking sector development will fall under the responsibility of the project management unit at the National Bank of Slovakia.

For direct financing of support, equipment procurement will be by international tender open to individuals and companies from the Member States of the European Union and the Phare partner countries, or by restricted consultation if justified by the cost or special technical characteristics of the equipment. Services will be recruited either by international tender or restricted consultation, depending on the cost and specialist nature of the services. Small expenditures of minor importance may be subject to direct agreement.

Section 2 - Multi-country programmes

Multi-country programmes

Link inter-European NGOs (LIEN)

Duration	to end 1997
EU contribution	MECU 5
Responsible authority	European Commission

Background

While both desirable and indispensable, the economic and social reforms in the central and eastern European countries involve far greater economic, social and political costs than were originally anticipated. Initial hopes for rapid transformation and economic prosperity have been tempered by a considerable decline in output, employment and incomes, the worsening of some social indicators already evident under socialist rule and the appearance of new social problems. The whole region has been negatively affected and severely hit by rising poverty, unemployment and death rates.

The reorientation of the economy as well as the political system depends not merely on the shape of a government's reform system but also on a radical shift in public attitudes and behaviour, supporting the growth of a civic society in which individuals and groups of citizens play their role as autonomous recognised actors and partners in social and economic development. One of the results of the old centralised systems has been to rob the population of decision making skills and of the ability to identify, express and organise individual and public socio-economic needs. Disadvantaged groups, such as the elderly, the homeless, the rural poor and the disabled are on the whole invisible to the mainstream political system and are therefore particularly vulnerable.

Specific support is needed to focus activities which seek to strengthen the capacity of emerging non-governmental organisations to allow the most disadvantaged to have some voice. Requests have often been made to Phare from non-governmental organisations for financial support for small or micro projects for non-governmental institution building but, due to their scale or nature, these could not be easily incorporated into the Phare programming framework. These organisations are important components of the social infrastructure in the central and eastern European countries but most lack the know-how, access to financial resources or expertise in terms of self-promotion or the development of useful activities.

A first response to these needs was given by a ECU 5 million budget line in 1993 for NGO initiatives dealing with disadvantaged groups in central and eastern Europe and the New Independent States, with special attention to agriculture, health and housing, with an additional ECU 600,000 for women's rights.

Programme objectives

The programme aims to support non-governmental and non-profit making organisations in their efforts at 'social rebuilding'. This will help strengthen and establish new organisations which have a valuable role in promoting social development, in particular as regards disadvantaged groups, areas which are not normally key priorities for the governments of the central and eastern European countries. The programme will help increase the efficiency of these organisations by enabling them to learn from the skills and expertise of partner organisations in the European Union.

The specific objectives of the programme are to

- develop the voluntary sector to help it provide services, new models of cooperation between different bodies or groups of people and NGO networking
- establish NGOs similar to western NGOs
- develop social rebuilding through different sectors, such as housing, agriculture, health, education and employment
- develop equal opportunities between women and men
- promote and support local initiatives in line with the broad objectives of the programme.

The development of existing NGOs will be promoted by funding projects which link them to a partner body or bodies in one or more Member States and with similar organisations in their own state or another central and eastern European country or by funding small projects initiated locally.

The linkage or partnership emphasis will be on transferring know-how in a practical way, enabling the recipient organisations in the central and eastern European countries to function more efficiently and effectively. Emphasis will also be placed on establishing sustainable links between partners in central and eastern European countries and in the Member States.

Linking organisations in this way will generate synergies which have a lasting impact, despite the small financial sums involved.

Programme description

One-off grants will be given to support innovative self-contained projects for which other Phare funding is not readily available but where partial funding is contributed by a partner organisation in the European Union. This represents a co-financing facility which complements other initiatives supported by Phare and other support organisations in the social support sector and the civic society development field.

The criteria to be applied for funding are that each project should

- be innovative
- address particular weaknesses in the civil or social infrastructures
- involve clear operational objectives
- be designed for the needs of the country or countries concerned
- be based on the exchange of expertise, training, equipment, launching costs, management techniques, promotion activities, the transfer of skills, etc.
- be based on cooperation between non-state non-profit making bodies in one or more partner country on the one hand and similar bodies in one or more Member States of the European Union or a transnational body based in the European Union with member organisations in the Member States on the other
- be supported with funding and technical expertise from the partner in the European Union
- actively involve the recipient partner in the internal management of the project
- have a maximum duration of two years.

Research projects, one-off conferences and projects seeking to use funds for credit or private investment purposes are excluded.

Public bodies, such as ministries or local authorities, are not eligible to be partners but may be associated with projects in a supporting capacity.

Grants will not normally be above ECU 300,000 and may not exceed 80 per cent of total costs. They will cover the cost of technical expertise, training, equipment or other launching costs.

Implementation

The European Commission will be responsible for the final selection of projects and for the negotiation and conclusion of contracts.

The European Commission will have overall responsibility for managing the scheme and will be directly responsible for its implementation. A technical support unit will be contracted to support the Commission in making the scheme operational, handling pre-selection procedures, preparing contracts and payments and carrying out general monitoring functions. The final selection of proposals, contracts and payments will be carried out by the Commission.

Multi-country programmes

Telecommunications and postal services

Duration	18 months
EU contribution	MECU 1
Responsible authority	European Commission

Background

Although all the central and eastern European countries have made major strides in restructuring their communications sectors, with financing for the expansion and modernisation of their networks, much work still needs to be carried out. In particular, considerable investment will be needed to raise infrastructure to acceptable levels for economic and social purposes and to raise them to European Union standards.

The countries are keen to improve on the steps they have already taken to restructure their telecommunications and postal services and to keep up with changes in technology, take advantage of the new opportunities in this sector and develop policies in line with those of the European Union. A multi-country programme approach will help them to pursue these aims, encouraging common developments, projects and studies to improve international inter-connectivity and harmonise standards.

Programme objectives

A previous programme, approved in 1992 and due to finish in 1995 (covering six central and eastern European countries initially and then ten) deals principally with training in the telecommunications sector.

The new programme aims to build on the progress already achieved by the 1992 programme in the telecommunications sector and extends the scope to new sectors and to all the Phare partner countries. It will provide an environment where consensus can be developed on strategic and operational issues, through activities designed to

- improve cooperation between the central and eastern European countries in areas of operational efficiency
- foster operational and institutional links between these countries and the European Union and, where appropriate, the New Independent States
- foster the development of common strategies to introduce new technologies and services.

The programme is targeted at telecommunications and data network operators and allied value-added service providers, postal services and government bodies directly concerned with the various areas. Projects will be designed to address the individual requirements of every group, although some projects may involve subjects of interest to more than one. Close links will be maintained with international telecommunications organisations, financial institutions, government authorities in the European Union and Directorates-General III (Industry) and XIII (Telecommunications Policies) of the European Commission.

Planning will follow a project definition and implementation cycle starting in 1994 and repeated in subsequent years, according to priorities and funding availability. Results will be assessed each year and implementation of subsequent phases will depend on the approval of the programme authorising bodies, based on performance and achieved impact.

The programme will be implemented over a five-year period (1995-1999) with 1994 serving as a preliminary exercise for preparatory activities and detailed planning leading to the main programme which will commence in 1995.

Programme description

The preparatory phase, covered by the present programme for 1994, is designed to

- establish priorities to be addressed through the main programme and identify goals and benefits
- produce a proposal for the programme committee, with proper justifications, for the multi-annual main programme
- develop detailed specifications for the projects selected in preparation for tenders with a view to implementation when the main programme is approved in 1995
- determine and prepare any support structures which may be needed for multi-annual implementation
- develop and maintain information to permit effective coordination and planning between Phare national and multi-country programmes in the sector.

Preparatory work has already started to establish the countries' priorities and these are likely to include measures to

- develop compatible legislation and regulation in the countries

- develop and harmonise operational standards conforming to international agreements
- support speedier and more effective inter-connection of networks in the Phare countries and international networks
- explore and develop models for implementing rural telephony
- share technological developments for modernising postal services
- pursue human resources development and training
- institute more effective links between the countries and the European Commission
- facilitate early involvement in the definition and implementation of trans-European networks
- undertake studies to accelerate the introduction of new technology and services.

All participating countries will choose from the project shortlist according to their priorities. Projects in which at least three countries show interest will form the basis for the main programme. The detailed definition of each project will be conducted by project definition teams formed by the countries which have subscribed to the project. The common requirements will be defined, the project phase delineated and the terms of reference of the first phase will be drawn up according to pre-defined standards.

A number of actions will be supported to develop a base of information on activities and facts on the sector and to help ongoing coordination. Their principal activity will be the collection, in computerised form, of information on all Phare funded projects in the sector and the results achieved. This information will be made available to international organisations and governments in the European Union and the central and eastern European countries involved in sector aid programmes. Macro-economic indicators and statistics will also be collected to permit better assessment of priorities and monitoring of progress in the sector.

The programme will be managed on a decentralised basis. For this purpose, the coordinating role of the secretariat in Bulgaria will be strengthened and individual projects will be managed by teams of representatives from the participating countries. A flexible technical support mechanism will be established to support in project monitoring and quality control. These organisational and management structures will be assessed, defined and agreed during the preparatory 1994 programme.

Implementation

The European Commission will have overall responsibility for implementing the preparatory phase of the programme, in close cooperation with the programme secretariat in Bulgaria, which is already involved with the 1992 programme. It is planned that the secretariat will assume management of the main programme during 1995.

Decisions on priorities, selection criteria and the choice of projects will be taken by a programme steering committee, consisting of a representative from each country and from the European Commission. This group will also form the principal liaison body to policy makers in the countries and will assume an overseeing role over the progress of implementation of the programme.

Each project will have a project definition team with a representative from each country participating in the project, acting as a liaison between the project and the final partner organisation/body in their country. The team will produce the detailed definition of each project selected and the tender terms of reference. The team will be transformed into a project management team as soon as each project proceeds to implementation.

During the preparatory phase, most of the administrative activities will be coordinated by the European Commission with the help of an external expert who will maintain contact with the secretariat. Once the main programme commences, a technical support unit will be attached to the secretariat.

Multi-country programmes

Transport

Duration	to end 1997
EU contribution	MECU 30
Responsible authority	European Commission, Regional Coordination Unit, national authorities

Background

Bottlenecks at border crossings and inadequate trans-European transport networks present major obstacles to the full economic transition of the central and eastern European countries and their integration with the European Union.

Transport is one of the main areas covered by the Europe Agreements signed by Bulgaria, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic and the Cooperation Agreements signed by the remaining Phare partner countries. In addition, the Edinburgh Council of December 1992 launched the Growth Initiative for a new temporary EIB lending facility for infrastructure investments while the Copenhagen Council of June 1993 agreed to provide additional European Union funding for infrastructure investments.

The Regional Coordination Group meeting of the national Phare coordinators in November 1993 chose a number of key priorities for investment support. These include the elimination of border crossing bottlenecks, pre-investment activities and a comprehensive training programme to help develop a coherent transport policy and to harmonise legislative standards and management practices between the central and eastern European countries and the European Union.

Following these initiatives, the second Pan-European Ministerial Conference on Transport, held in Crete in March 1994, called for coordinated planning to ensure the integration of the European-wide development of transport infrastructure and adopted guidelines for a common approach to infrastructure planning.

Phare allocated ECU 21 million for a transport programme for the central and eastern European countries in 1992 and an additional ECU 24 million in 1993. These programmes were designed to support sector restructuring, improve and upgrade infrastructure and support the integration of transport networks within central and eastern Europe and with the European Union.

Programme objectives

- The programme aims to
- support closer European political and economic integration
 - help develop trans-European networks
 - facilitate transport flows between the central and eastern European countries themselves and between them and the European Union.

- The specific objectives of the programme are to
- eliminate border crossing bottlenecks
 - support preparatory work for trans-European infrastructure investment to help implement the recommendations of the second Pan-European Ministerial Transport Conference
 - introduce coherent management practices and harmonise and approximate laws and standards.

Programme description

- The programme has three main components.
- Border crossing bottlenecks**

MECU 26
- Activities to eliminate bottlenecks at border crossings will typically include
- the construction of direct access roads, parking facilities and waiting areas
 - the construction and equipment of customs clearance facilities
 - technical expertise and training to streamline procedures.
- As a general rule, Phare will finance 50 per cent of the activities, with co-financing from the respective governments funding the remainder. Technical expertise, training and equipment may be financed with 100 per cent Phare funding.
- The upgrading of the following crossings is covered by this programme.

Ikla	Estonia (Latvia)	upgrading existing facilities
Grenstala	Latvia (Lithuania)	completion of modernisation
Medininkai	Lithuania (Belarus)	construction of lanes and customs facilities
Various	Estonia, Latvia, Lithuania	establishment of computer network
Petrovice	Czech Republic	upgrading of rail crossing
Zebrydowice	Poland	upgrading of rail crossing
Mosty	Czech Republic (Slovak Republic)	construction of access road
Kuznica	Poland (Belarus)	construction of access road
Cadca	Slovak Republic (Czech Republic)	upgrading of rail crossing
Nagylak	Hungary	construction of waiting area and customs facilities
Nadlac	Romania	construction of waiting area and customs facilities
Artand	Hungary	upgrading of crossing and customs facilities
Bors	Romania	upgrading of crossing and customs facilities
Redics	Hungary	construction of parking area
Dolga Vas	Slovenia	construction of parking area
Radolza	Albania (FYROM)	upgrading of border crossing
Russe	Bulgaria	upgrading of border post and customs facilities
Giurgiu	Romania	upgrading of border post and customs facilities
Vidin	Bulgaria	construction of access road and inspection facilities
Calafat	Romania	construction of access road and inspection facilities
Gjueshevo	Bulgaria (FYROM)	reconstruction of access roads, upgrading of customs facilities
Balkan Customs Corridor:		
Hungary, Bulgaria, Romania, Albania, Slovenia		supply of communications and control equipment

Trans-European infrastructure investments

MECU 1.5

To help implement the recommendations of the second Pan-European Ministerial Transport Conference on coordinated planning to ensure the European-wide development of transport infrastructure, a limited number of pre-feasibility and feasibility studies will be prepared. These will be designed to support the central and eastern European countries to develop individual sections of main transit routes, so as to optimise the effectiveness of border crossing investments.

Preparatory actions will be based on the indicative guidelines approved at the transport conference. These recommend the following concept

- in the long term: perspective for pan-European infrastructure developments of common interest
- in the medium term: development priorities of common interest (such as trans-European networks for the European Union or priority corridors for central and eastern Europe)
- in the short term: priorities of common interest.

Account will also be taken of the deliberations of the special international technical meeting on transport, held at Thessalonica in March 1994, which called for the creation of two fast track customs corridors in the southern and middle European countries with selected border posts as immediate action points.

Training

MECU 1.5

The training component will ensure the continuity of the training programmes undertaken in 1992 and 1993. The objective will be to acquaint ministries and operators with new concepts and practices, help them modernise the systems and procedures used in transport operations and enable them to develop sound investment projects for co-financing with international financing institutions. A comprehensive training programme will be prepared, focusing on developing a coherent and regional approach to transport policy and improving the institutional and regulatory framework.

Continued support, in cooperation with the EBRD, may be provided for implementing the integrated transportation information system, pending the outcome of a study being funded under the 1993 programme.

A facility will also be made available for the completion of a number of pilot training courses in each of the Phare partner countries.

Special attention will be paid in the training programme to the harmonisation and approximation of laws and standards, including the provision of information on existing legislation, regulations and other standards and practices.

Implementation

The border crossings component of the programme will be implemented by the individual Phare countries under the general supervision of the Regional Coordination Unit and the Phare Operational Service. Responsibility for the physical improvement of the individual border crossings will be transferred to the national implementing authority. Each country will nominate an implementing authority to be responsible for its own border crossing programme. The nomination will be agreed through the National Assistance Coordinators in order to ensure an effective coordination between the numerous central and local authorities involved (those responsible for transport, customs, finance, interior sectors, etc.). An international consulting company will provide management and implementation support for the realisation of projects.

Pre-investment activities and training will be coordinated by the Regional Coordination Unit and the European Commission in cooperation with the countries involved.

The Liaison Group for the Phare multi-country transport programme and the focal points for the Phare multi-country customs programme will meet regularly to review the implementation of the programme.

Contractors will be identified through open international tenders published in the respective countries, based on adjusted FIDIC procedures. A notice will be published at the same time in the Official Journal of the European Union. The full tender dossier will only be available in the country where a project is to be implemented. The procurement of equipment and services will follow Phare standard procedures and will be based on invitations to tender open on equal terms to all natural and legal persons of the Member States of the European Union and the Phare partner countries.



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