



# Phare



## Programme and contract information 1995

Estonia

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# Introduction

With this brochure Phare aims to provide the interested public with clear and concise summaries of the programmes to be implemented by the partner countries with Phare support. It also aims to point the business community in the direction of potential opportunities.

The programmes described in the following pages are the logical consequences of the priorities expressed by Estonia in its Indicative Programme. They have been given a favourable opinion by Phare's Management Committee and have been approved by the Commission. Phare programme and contract information brochures are published after each Management Committee meeting.

This copy contains summaries of the programmes approved by the Committee at its 37th meeting held on 5 July 1995 for the benefit of Estonia.

Please bear in mind, however, that the publication of the business-related information in these pages does not commit the partner country or the Commission either to adhere to a fixed timetable for implementation or to follow exactly the outlines traced below. Individuals or companies wishing to obtain more detail on the contractual implications of these programmes should contact the relevant Programme Management Unit that is responsible for the implementation of the approved programme. Only individuals or companies registered and resident in European Union Member States or Phare partner countries will be considered for implementing the tasks set out.

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## What is Phare?

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

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

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

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

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

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

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

# European Integration Programme

Approved by the Phare management committee at meeting N° 37 on 5 July 1995.

Duration to 31 December 1997

EU contribution ECU 2.8 million

Implementing body

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Fax (+372-6) 31 77 27  
Mr Jaanus Rand, Head of  
Department of Foreign Relations

## Main components

<b>Ministry of Foreign Affairs</b>	<b>ECU 800,000</b>
Know-how transfer	ECU 100,000
Equipment, training	ECU 500,000
Coordination, public relations	ECU 200,000
<b>Estonian Border Guards</b>	<b>ECU 300,000</b>
Passport control equipment	ECU 200,000
Training (travel documents, smuggling, law enforcement)	ECU 100,000
<b>State Statistical Office</b>	<b>ECU 500,000</b>
Know-how transfer	ECU 50,000
Hardware, software, networks, survey and other equipment	ECU 450,000
<b>Customs Administration</b>	<b>ECU 1,200,000</b>
Non-information technology know-how transfer, institutional development	ECU 450,000
Automated customs declaration software	ECU 350,000
computers, enforcement equipment	ECU 400,000

## Background

The Estonian Europe Agreement was signed on 12 June 1995 and is currently going through the ratification process. It will probably come into force on 1 January 1996. This agreement formally recognises Estonia's right to join the European Union (EU) once both parties are ready. The present programme is Phare's contribution to implementing the Europe Agreement and to preparing Estonia for eventual membership of the EU by helping it adopt the *acquis communautaire*, harmonise standards and regulations and improve the institutional mechanisms to monitor the implementation of these changes.

The new laws on state borders and border guards were passed in June 1994. Estonia is on a main transit route for the smuggling of illegal immigrants and goods. An effective border guard corps is an essential prerequisite to joining the Internal Market.

The State Statistical Office's key role in helping both the government and private economic operators plan for the future is self-evident. Good statistics are an essential foundation for economic development. The Office received Phare support worth ECU 850,000 in 1992 and 1993. It was used to install modern computers and software at the Office and at regional statistical bureaux. It was also used to develop the Statistical Office's Local Area Network.

To ensure that trade flow is not held up while it carries out its tasks, the customs administration is being restructured. Essential support is required to draft legislation and to computerise activities. Estonia's customs administration has already benefited from the Phare Multi-country Customs Programme, which was extended to Estonia in 1991. So far, this has led to an extensive training programme and the transfer of know-how on various topics. In 1992 and 1993, the administration also received help through Estonian General Technical Assistance Facility (GTAF) programmes. ECU 850,000 were used to buy drug detection, telecommunications and office equipment.

## Programme objectives

The overall objective of this programme is to support the implementation of the Europe Agreement. The direct objectives of the various programme components are to

- establish European Union norms in goods and services

- develop the Department of European Integration
- approximate Estonian legislation in services
- improve the border guards' person and goods checking capacity
- implement new statistical collection and analysis methods
- improve the statistical infrastructure
- upgrade customs' import, export and transit procedures.

### **Programme description**

#### **Ministry of Foreign Affairs programme**

**ECU 800,000**

Short-term know-how transfer and some equipment will be delivered to develop the capacities of the Ministry of Foreign Affairs.

In standardisation, expert advice and translated documents will be supplied to promote quality. Equipment will be purchased to improve the quality of measurements when this is necessary for health and safety reasons.

Assistance will be provided to help adapt services legislation to European Union norms. This will take the form of seminars, training, and the translation of relevant texts.

#### **Border guards**

**ECU 300,000**

Purchase of passport control equipment and training of guards in the verification of goods and documents.

#### **State Statistical Office**

**ECU 500,000**

This component will buy equipment to further develop the networks within the Office and between the Office and the regional bureaux. It will also purchase computers, statistical software, surveying equipment, publishing equipment and material to upgrade existing computer systems.

#### **Customs administration**

**ECU 1.2 million**

Following the recommendations of a feasibility study, this component will finance the first phase of a programme to computerise customs procedures. This first phase consists of

- a project to develop institutional aspects, including a business strategy, human resources, trans-Baltic customs cooperation and European Integration
- the development of software for an automated customs declaration system
- the first steps to upgrade existing automation systems.

### **Implementation**

The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Estonian Government will provide counterpart and support staff and facilities. It will also take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the Commission through regular work reports provided by the recipients. Bi-annual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.



# Programme for social safety and health

Approved by the Phare management committee at meeting N° 37 on 5 July 1995.

Duration to 31 December 1997

EU contribution ECU 2.9 million

Implementing body  
 Ministry of Social Affairs  
 Str. Gonsiori 29 - EE 0104 Tallinn  
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 Fax (+372-6) 31 79 02  
 Mr Ahti Kallikorm,  
 Aid Coordinator

## Main components

### Social Sector ECU 1.6 million

Strengthening the strategic capacity of the Ministry of Social Affairs, information links, know-how transfer, study of social security contribution methods

Support for national labour market training and information ECU 500,000

Support for social care in the community ECU 500,000

### Health ECU 1 million

Study of financing mechanisms ECU 190,000

Health information systems: definition and implementation of pilot phase ECU 500,000

Human resources: study on allocation and training ECU 250,000

Communications strategy ECU 60,000

Management, coordination, monitoring and audit ECU 300,000

## Background

The reform of both the economic and social sectors has progressed well since independence. Social insurance pension reforms came into effect in 1993. The Mandatory Health Insurance Law was passed in 1991 and completed by the 1994 Health Services Organisation Act. Major changes to the social and health sectors are still taking place. The financing and organisation of health care are being reformed, and its delivery and management are being decentralised. The Ministry of Social Affairs is responsible for the legal and administrative aspects of these reforms and is itself undergoing radical decentralisation and reorganisation. Positive

steps that have already taken place include the completion of population and risk-category registers, and the recent approval by Parliament of the new social care legislation which must be implemented now.

However, the long-term survival of the social reforms that have already been achieved depends very much on further efforts in the area of policy design and implementation. This implies developing the skills of staff and boosting the country's social policy monitoring systems.

Active labour market measures will have to be undertaken to complete the reform of the labour market. The 1992 Phare labour market programme, part of that year's General Technical Assistance Facility (GTAF), led to recommendations on the improvements that are still to be made. These include the creation of adult vocational training centres and a more efficient use of existing centres as well as the development of new curricula. Another matter needing attention is the current lack of confidence between employers and the Labour Market Board.

## Programme objectives

This programme aims to help Estonia develop a functioning social policy framework and to strengthen the health-financing reform process. Specifically, it aims to

- reinforce the capacity for strategic planning of the Ministry of Social Affairs
- train social welfare staff, standardise services and develop registration techniques
- develop adult vocational training curricula
- improve health financing systems
- develop health manpower planning
- reinforce the Ministry's communications capacity.

## Programme description

### Social sector ECU 600,000

Phare will help the ministry develop its capacity to define and implement strategies for the formulation of health and social policies. It will base the main focus of this support on those aspects identified as essential through the 1992 and 1993 Phare programmes. It will establish information links with the municipal offices responsible for the implementation of the new social care legislation. Finally, this component will provide know-how to find ways of maximising the collection of social security contributions.

**Support for national labour markets ECU 500,000**

This component will encourage the development of adult vocational training as part of the country's labour market strategy. It will help the Training Development Centre devise new curricula and will develop new training modules. Information material will be published and distributed to vocational education centres and labour exchanges. The component will also finance work in the fields of standardisation, quality assurance, data collection quality and certification.

**Support for social care in the community ECU 500,000**

Recently approved legislation provides for the care of those in need in the community rather than in institutions (those affected are mostly children, the elderly and the handicapped). Phare will help the Ministry of Social Affairs implement this legislation by providing the following support:

- know-how to develop an implementation strategy
- know-how to draft the secondary legislation needed to establish municipal social care
- the identification of target groups and the standardisation of local care requirements
- the development of a system of claimant registration
- the training of the staff of the Department of Social Assistance and of municipal social workers
- advice to help non-governmental organisations (NGOs) become involved
- assessment of municipalities' financing requirements.

**Health: financing systems ECU 190,000**

Phare will fund an initial analysis of the existing schemes and of alternative models.

**Health: information systems ECU 500,000**

Phare will define a conceptual framework for the national health information system to cover both financial and epidemiological data. This framework will be applied as a pilot project in one particular area.

Information interfaces between the Sickness Fund and the public health network will be funded, thereby complementing the existing Phare project to develop a relational information system between the Sickness Fund and care providers.

**Health: human resources ECU 250,000**

Phare will fund a study on manpower planning. This component will include funds to retrain personnel who will be reallocated as a result of the study (through a train-the-trainers programme). The study will be directed at Sickness Fund personnel, health institution managers and country doctors.

**Health: communications ECU 60,000**

Phare will help the Ministry of Social Affairs design a communications strategy. It will then help the Ministry to set up an enabling structure through the provision of training and equipment.

**Implementation**

The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Ministry of Social Affairs will form a Steering Committee to oversee the programme. Monitoring Committees will be set up to oversee the implementation of each component.

Working groups bringing together representatives of all institutions involved will be set up for each of the four health programmes. The working groups will effectively be the partners of the specialists brought in by the programme.

The Estonian Government will provide counterpart and support staff and facilities. It will also take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the Commission through regular work reports provided by the recipients. Bi-annual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.

# Economic reform programme

Approved by the Phare management committee at meeting N° 37 on 5 July 1995.

Duration to 31 December 1997

EU contribution ECU 6.1 million

Implementing body

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Task Manager

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Mr Külliki Linnamägi

## Main components

### Public finances ECU 700,000

Advice, training and computerisation of the tax services; anti-fraud measures  
Advice and training on governmental budget, cash flow and debt management

### Agriculture ECU 2.4 million

Institutional and human resources development ECU 1.25 million  
Boosting of agro-industrial efficiency ECU 1.15 million

### Investment promotion and tourism ECU 1.2 million

Training to the Estonian Investment Agency (EIA) staff in promotion and proposal preparation ECU 700,000

Training, marketing, and institutional support to Estonian Tourism Board (ETB) ECU 500,000

### Privatisation and restructuring ECU 500,000

Resident advisor  
Support for public share offerings  
Restructuring of public utilities and pre-privatisation work  
Legal support and training to EPA

### SME development ECU 1.3 million

Policy advice, creation of network of business advisory services (BAS) and financial support measures

## Background

### Public finances

There has been much progress with tax reform recently. A new land tax was introduced in 1993. In 1994, value added tax (VAT) was revised and a new income tax system was introduced. Tax policy is defined by the Ministry of Finance and administered by the National Tax Board, which is in need of support on procedures, data processing and human resources development.

The legal reform of the budgetary processes is almost complete. The Ministry of Finance now needs help in implementing the new budget law.

The legal reform process in public finances is mostly completed. What requires attention now is the process of implementation of that legislation. Structures, organisations, procedures and human resources policies need work. Tax audit, taxpayer information and budget control functions need close attention.

### Agriculture

Phare and previously Tacis have committed ECU 5.15 million to Estonian agriculture since 1991. Priority areas for reform have been planning, rural credit, cadastres, land registration and privatisation, and agro-industrial restructuring. Areas still needing reform are commodity markets and trade policies, the legislative aspects of land ownership and leasing arrangements, business and technical advice, and rural credit systems.

### Investment promotion

Foreign interest in Estonia is growing quickly, with an increase in foreign investment growth of more than 600 per cent over the three years leading up to 1994 with a total in that year of about ECU 280 million. Phare helped set up the Estonian Investment Agency in 1993. The basic law on foreign investment was adopted in September 1991.

Investors have the same rights and liabilities as Estonian nationals and may freely repatriate profits. The Ministry of Economy is responsible for this sector.

### **Tourism**

This sector employs 54,000 people and accounts for 8 per cent of Gross Domestic Product (GDP). Phare has provided support since 1993. The Ministry of the Economy is responsible for this sector and handles strategic planning. The Estonian Tourism Board handles operational matters and implements the promotional activities. Previous Phare support resulted in a master-plan being submitted to the Government in May 1995. Important needs have been identified, notably in training and marketing skills.

### **Privatisation, restructuring and business development**

Estonia has had a very successful transition and has stabilised well, both in macro-economic and micro-economic terms. This has led to a surge in SMEs (which now account for 41 per cent of employment) and in trade.

The privatisation process is handled by the Privatisation Agency and is based on the 1993 Privatisation Law. It was initially based on multiple company tenders and was later modified to enable the public offering of shares. Almost all small and medium-sized businesses have already been privatised and the process is in its final stages. The focus for 1995 is on the privatisation of public utilities, for which much preparatory work still needs to be done. Phare has helped Estonia with its privatisation process since 1993 through the Framework Agreement on Privatisation Assistance.

A Business Development Department at the Ministry of the Economy is in charge of SME development, regional policy and international cooperation. Phare has helped SMEs through advice and the creation of Business Advisory Centres.

### **Programme objectives**

The programme has the following objectives:

- to strengthen the tax collection system
- to improve governmental cash flow and debt management
- to strengthen the Ministry of Agriculture
- to upgrade the economic efficiency of agriculture
- to promote Estonia as an attractive investment location
- to promote Estonia as a good holiday destination
- to create a viable securities market
- to increase the competitiveness of the Estonian economy.

### **Programme description**

#### **Public finance** **ECU 700,000**

This component will finance the following activities:

- advisory and training support to the tax authorities on legal, regulatory, administrative and related matters
- help for the computerisation of the tax services
- support to develop the Tax Board's ability to combat tax evasion and fraud.
- advice, training and data-processing support to the Ministry of Finance for budget, cash flow and debt management.

#### **Agriculture** **ECU 2.4 million**

This component will provide support for the further institutional and human resources development of the Ministry of Agriculture. This is to be carried out in conjunction with World Bank and bilateral initiatives. Furthermore, this component will help to improve the efficiency of agro-industries through the provision of professional advice to farmers, the training of advisers in farm and business analysis and the provision of support for rural credit agencies.

#### **Investment promotion** **ECU 700,000**

This component will provide training for the staff of the Estonian Investment Agency in promotional activities in order to target selected industrial sectors. It will also train staff in preparing proposals to submit to government with the aim of improving investment policies. The results of sector studies will be disseminated and the costs of participating in investment seminars will be covered. The cost of some promotional campaigns will be met and a new information system set up. Finally, the EIA will receive some support to strengthen its structure and legal framework.

#### **Tourism** **ECU 500,000**

The Estonian Tourism Board will receive help in order to offer training to tourism operators in Tallinn and the provinces. Funds will be made available to finance marketing activities such as the ETB's participation at tourism fairs or surveys of European demand. This component will strengthen the structure of the ETB and help it to establish regional tourist information offices in cooperation with local authorities.

**Privatisation and restructuring ECU 500,000**

The Privatisation Agency will receive support to continue the restructuring of public utilities and prepare them for eventual privatisation. Assistance will also be provided to prepare public share offerings. A resident advisor will coordinate the different activities. This assistance will take the form of advice, legal support and training.

**SME development ECU 1.3 million**

Further training will be provided to the staff of all Business Advisory Centres. The four Phare-supported centres and the three Swedecorp-supported centres will, if possible, be networked.

Phare will help to establish a Guarantee Fund, which might be integrated with the existing SME fund at a later stage. A second Phare-financed credit line will be considered if sufficient support from other sources can be found.

**Implementation**

The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Estonian Government will provide counterpart and support staff and facilities. It will also take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the Commission through regular work reports provided by the recipients. Bi-annual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.

# Programme for human resources development

Approved by the Phare management committee at meeting N° 37 on 5 July 1995.

Duration to 31 December 1998

EU contribution ECU 2.7 million

Implementing body

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Mrs Lea Orro, Project Manager

ship between the central and other government levels, and has asked Phare to help it strengthen local and regional government. Finally, the integrity of the civil service is threatened by a brain-drain, which should be tackled by a forthcoming law on the status of civil servants.

Although the Government started reforming education almost immediately after independence, the lack of resources and of an efficient implementation mechanism have hindered efforts. Top priorities were (and remain) the teaching of business-related topics and of the Estonian language to the quarter of the population which does not speak it yet. These efforts still need Phare support. Courses and curricula need to be redefined, the ability of higher education institutions to teach the core subjects of business needs strengthening and the institutional infrastructure of higher education needs to be restructured to ensure the quality and international competitiveness of Estonian training and research. The 1994 Vocational Education and Training programme led to the creation of a Programme Implementation Unit at the Ministry of Culture and Education, which will coordinate the various components of this programme.

## Main components

<b>Public administration reform</b>	<b>ECU 1 million</b>
Strategy implementation in central government: know-how, training, study visits	ECU 400,000
Support for decentralisation of government and local government know-how, equipment, training, information, project database	ECU 250,000
Public service training programme	ECU 150,000
Information network development	ECU 200,000
<b>Education reform</b>	<b>ECU 1.7 million</b>
Business education reform	ECU 1,000,000
Higher education reform	ECU 500,000
Language training	ECU 200,000

## Background

The State Chancellery, assisted by a previous Phare programme, has been developing a national public administration reform policy. Its medium-term aim is to stabilise staff quantity and quality and to improve training schemes. Future policy developments will need to pay close attention to the requirements of the processes of European integration and to the respective roles of central and local government. The Government is increasingly aware of the need to redefine the relation-

## Programme objectives

The programme's wider objective for the public service component is to contribute to the development of an ethical, efficient and accountable public service. More specifically, it will aim to deliver European Union (EU) best practice to central and local civil servants through management training for mid-level staff.

The objectives for the education reform component are threefold: to leave in place a coherent business education system at all levels; to help restructure the institutions of higher education, research and technological development; and to establish a coordination unit and develop a strategy to deliver Estonian-language training.

## Programme description

<b>Public administration reform</b>	<b>ECU 1 million</b>
Strategy implementation in central government	ECU 400,000
This component will help the Government to implement the 1995 law on the status of civil servants. It will deliver know-how, training, management methodology and study visits to central government officials dealing with institutional reform. Of particular interest will be the recruitment and payment of officials to reverse the trend of skilled Estonians leaving the country by adapting salary scales, and the adaptation of administrative structures to changing needs.	

**Support for the decentralisation**

of government ECU 250,000

Advisory support, working contacts with EU administrations and training in EU best practice will be delivered to the Ministry of the Interior in its capacity as the body entrusted with the development of efficient local government systems. The aim is to develop a strategy to improve the efficiency of local government services in all respects. Know-how and some equipment will also be provided to the Union of Local Self-Government to help it establish self-financing advisory services for its membership. Finally, a database of all donor projects will be made available to local government to allow successful projects to be replicated easily.

**Development of public service**

training programme ECU 150,000

Know-how, teaching materials, equipment and working contacts with European Union administrations will be provided to prepare a multi-annual human resources development strategy. A study of all training policies and programmes to date will be conducted to identify the nature, scope and delivery mechanisms of future programmes.

Information network development ECU 200,000

The aim is to develop a public administration information technology policy. The Government wants to extend the computer networks that currently only link key ministries to many more departments. This component will include a cost-benefit analysis, the transfer of know-how, and training on the management of state information systems.

**Education reform ECU 1.7 million**

Business education reform ECU 1 million

This component will help to develop a national strategy for business education by supporting the following activities:

- the establishment of one-year business courses in secondary schools
- a two-year programme in business administration for secondary school graduates
- two-year specialisation programmes in a variety of topics
- a qualification programme for business school teachers
- marketing and management courses for business people
- further development of the business education strategy.

Funds will be available for curriculum development, training courses for teachers, the production of teaching material and the production of the strategic report.

Higher education reform ECU 500,000

This component will fund the preparation of a strategy to identify areas for future Phare support, the holding of seminars and other activities to develop a national strategy for higher education and research. It will also fund pilot projects addressing issues of curricula, accreditation systems, legal framework reform, the strengthening of education-economy links, and the development of international links. These activities will be closely coordinated with the Tempus programme.

Language training ECU 200,000

This component will help the Government to develop a strategy for Estonian language training and will involve all concerned including non-governmental organisations (NGOs) in a donors' committee. It will also develop a system for the coordination of all initiatives in this area. Finally, it will put in place a mechanism to evaluate project proposals.

**Implementation**

Three Steering Committees will be formed to guide the work of the business education, higher education reform and language training components. Each will be chaired by a representative from the Ministry of Culture and Education. The implementation of the business education component will be supported by the European Training Foundation.

The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Estonian Government will provide counterpart and support staff and facilities. It will also take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the Commission through regular work reports provided by the recipients. Bi-annual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.

# Infrastructure development programme

Approved by the Phare management committee at meeting N° 37 on 5 July 1995.

Duration to 31 December 1997

EU contribution ECU 5 million

Implementing body

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Ministry of the Environment  
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Fax (+372-2) 45 37 54  
Mr Allan Gromov,  
Director of PMU

## Main components

<b>Transport</b>	<b>ECU 1.5 million</b>
Railways restructuring study and institutional development	ECU 600,000
Track maintenance know-how	ECU 250,000
Railway feasibility study of Tallinn-Tartu-Petseri section	ECU 200,000
Feasibility study of port infrastructure	ECU 200,000
Know-how transfer to the Estonian Ministry of Transport	ECU 250,000
<b>Environment</b>	<b>ECU 3.5 million</b>
Institution building, know-how	ECU 800,000
Monitoring equipment	ECU 200,000
Pollution hot spots - know-how	ECU 500,000
Capital investments	ECU 2,000,000

## Background

Estonia's transport infrastructure, although relatively well-developed, is deteriorating rapidly due to a lack of funds for maintenance. There is significant potential for further privatisation and private sector participation in most subsectors. The Government has prepared a Transport Development Plan that identifies a number of medium-term activities, including the restructuring and

development of railways, the approximation of legislation to European Union standards, the integration of transport networks to the main European transport corridors, the maintenance of existing infrastructure and the provision of an urban transport system. Phare has already helped the Ministry of Transport to define the structure of the railways. Phare also financed the feasibility study for a light rail transit system in Tallinn.

Estonian environmental problems at independence could be classified into three categories: institutional weaknesses, pollution hot spots and policy weaknesses. The first post-independence activities consisted of passing strong legislation and dealing with urgent hot spots. The basic legislative apparatus is now in place. A National Environmental Strategy has been under preparation since 1993 and should be ready by December. The Ministry of the Environment still needs help with pollution monitoring, the enforcement of standards, horizontal contacts with other Ministries and project identification.

Of the 13 hot spots identified by the Helsinki Commission, the regional environmental body for the Baltic Sea, the five most urgent ones are at the Narva power plant, the Pärnu waste water treatment plant, the Gulf of Riga, the Tallinn waste water treatment plant, and Matsalu Bay. Past Phare programmes have helped the government to prepare its National Environmental Strategy, funded a leakage detection programme in Tallinn, helped with hazardous waste management through the cross-border programme, rehabilitated some oil shale sites, protected the Matsalu nature reserve, and developed a monitoring strategy. Phare also helped to set up the Small Municipalities Environment Programme (SMEP).

## Programme objectives

### Transport

To develop the institutional and legal framework for the railways.

To introduce modern management and budget practices.

To mobilise domestic and foreign finance for the highest priority projects.

### Environment

To strengthen Estonia's policy and financing capacities.

To facilitate capital investment in the remaining pollution hot spots.



## Programme description

### Transport

The components chosen are those which will have the greatest effect on transport management and on the mobilisation of public and private financial resources. Priority will be given to projects which involve the local resource base. On-the-job training and the transfer of know-how are key ingredients of all retained projects. The following elements are included: the restructuring of Estonian railways to a business-led model on the basis of the recommendations of an earlier study; the implementation of the management system for the Estonian Road Administration, notably for planning, maintenance and road safety; and institutional support to the aviation sector, to include the transfer of know-how and the implementation of a study financed through a previous Phare programme. The Ministry of Transport will receive support to extend its management capacities.

### Environment

Support will be provided to maintain the momentum of institution building. Work will concentrate on

- the production of the Estonian National Environmental Action Programme
- the strengthening of monitoring and enforcement systems
- the strengthening of the Estonian National Environmental Fund
- continued training in project appraisal, preparation and management
- the harmonisation of environmental legislation
- a public awareness programme implemented through a school education campaign, seminars and training.

As far as the pollution hot spots are concerned, Phare will finance a variety of measures. These include, but are not limited to, the following:

- Pärnu waste water treatment plant: assistance with leakage detection training, leakage remediation and procurement of waste water treatment infrastructure
- Kohtla-Järve: implementation of the water resources management plan
- Gulf of Finland and Gulf of Riga: agricultural run-off programmes.

## Implementation

The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Estonian Government will provide counterpart and support staff and facilities. It will also take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the Commission through regular work reports provided by the recipients. Bi-annual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.







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