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COMMISSION OF THE EUROPEAN COMMUNITIES  
PROGRAMME OF ASSISTANCE FOR ECONOMIC RESTRUCTURING  
IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

# **The Compendium of *PHARE* 1992 operational programmes**

*Written & published by the PHARE Information Office*

PHARE Information Service

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**This document contains summaries of all the national and regional technical assistance programmes approved under the PHARE 1992 programme.**

**Although every care is taken to ensure the information contained in this compendium is correct, it does not constitute a legally binding document.**

**The Commission of the European Communities cannot be held responsible for any errors of fact or omission to be found in this document.**

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## PHARE - Poland and Hungary Assistance to the Restructuring of the Economy

**Objective :** Community assistance for the economic restructuring of the countries of eastern and central Europe. Designed to support the process of economic and social reform to help CEECs achieve market economies based on private initiative.

### Legal basis :

Council Regulation 3906/89, 18.12.89 (OJ L375/89) on economic aid to Poland and Hungary

Amendment : Council Regulation 2698/90, 17.9.90 (OJ L257/90) extending PHARE assistance to Bulgaria, the CSFR, the GDR, Romania and Yugoslavia

Amendment : Council Regulation 3800/91 (OJ L357/91) extending PHARE assistance to Albania and the Baltic States

Amendment : Council Regulation 2334/92 (OJ L227/92) extending PHARE assistance to Slovenia.

### Financing and Budget :

(From the EC annual budget and granted under Community Financial Regulations)

1990 -	ECU 500 million
1991 -	ECU 785 million
1992 -	ECU 1 015.5 million

### Recipient countries (from August 1992) :

Albania	Estonia	Hungary	Slovenia
Bulgaria	Latvia	Lithuania	
CSFR	Poland	Romania	

### Priority sectors for assistance :

Private sector development, restructuring and privatisation  
Agriculture & rural development  
Social development, labour & health  
Infrastructure: energy, transport, telecommunications  
Integrated regional development programmes

Banking & the financial sector  
Environment & nuclear safety  
Education, training, research & development  
Administration and systemic reform, incl. statistics, customs...

(there is also provision for some assistance in the form of humanitarian aid)

### Nature of assistance :

- As a general rule, EC assistance is given as *non-reimbursable grants*. In the PHARE programme, grants are given for technical assistance, to finance preliminary studies, actions plans or outside expertise and policy advice, to provide professional training, start-up capital or the purchase of essential equipment of supplies.
- Emphasis is placed on *sector programmes* rather than the financing of individual projects.
- *Recipient States are responsible* for the work undertaken as PHARE projects. These can be either entirely PHARE-funded or co-financed by Member States, third countries, the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) or other multi-lateral organisations, or even funded by the beneficiary countries themselves.
- PHARE assistance is coordinated with the aid activities of other members of the G-24 Group.

### Programme cycle :

- **Indicative Programmes:** these are agreed individually with each recipient State every year. Priority sectors, the kinds of actions required and the finances available are defined.
- **Sectoral Programmes:** specific projects for assistance are identified and necessary funding assessed. Programme Financing Proposals are put to the Management Committee of the EC Member States for approval. The Commission and recipient State then pledge the necessary funds by signing a Financing Memorandum.
- **Programme Implementation:** PHARE funds are used to finance the various components of a programme. Services, expertise and supplies are purchased through standard EC tender procedures (unless the sums involved are less than 50,000 ECU, in which case direct agreements may be entered into). Implementation responsibility rests with the Programme Implementation Units and the PHARE Operational Service.

### Who implements PHARE ?

PHARE operates from both the Commission offices in Brussels and from each of the recipient States.

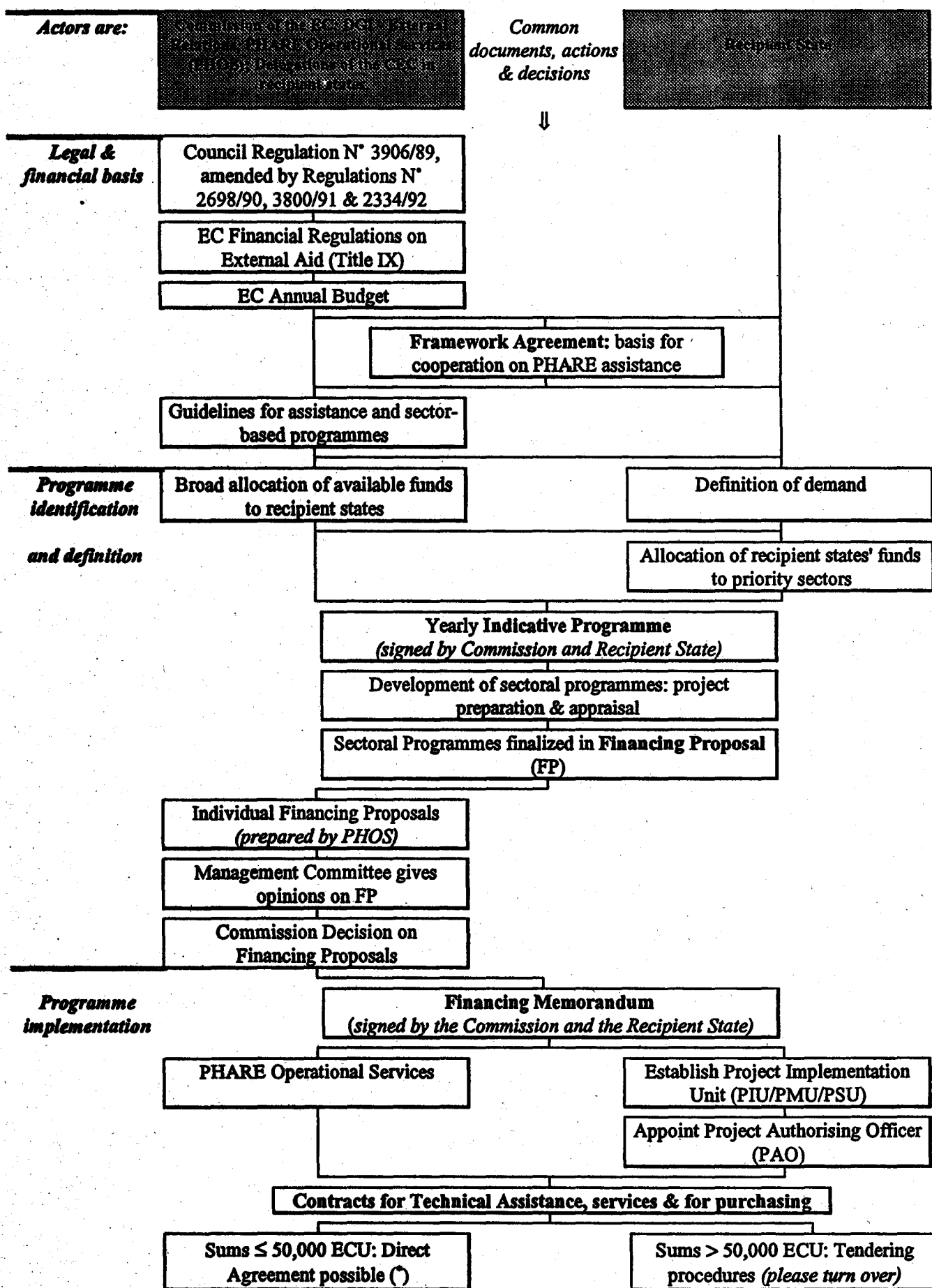
**PHARE in Brussels :** under the aegis of Directorate-General I for External Relations, PHARE Operational Service (PHOS) determines sectors for priority assistance at the start of each budgetary round taking into account the funds available. The programming cycle (see above) then begins.

#### In-country personnel

- **National Coordinator :** high-level official appointed by the recipient State and responsible for providing a sector plan for PHARE priority assistance and for presenting it to the Commission at the beginning of each year.
- **Project Implementation/Support/Management Unit (PIU/PSU/PMU) :** set up in and staffed by relevant country authorities. The PIU/PSU/PMU is supported by PHARE-funded experts and draws on the resources and expertise of the relevant PHOS Unit. Its role is to guide the project to a successful conclusion.
- **EC Commission Delegations in the Central and Eastern European States :** Ambassadorial-level representations of the Commission. There are currently delegations in Belgrade, Budapest, Prague, Sofia and Warsaw, with more to be opened soon. There are some lower-level EC offices in other regional capitals.

Further information on PHARE's activities may be obtained from the PHARE Information Office:

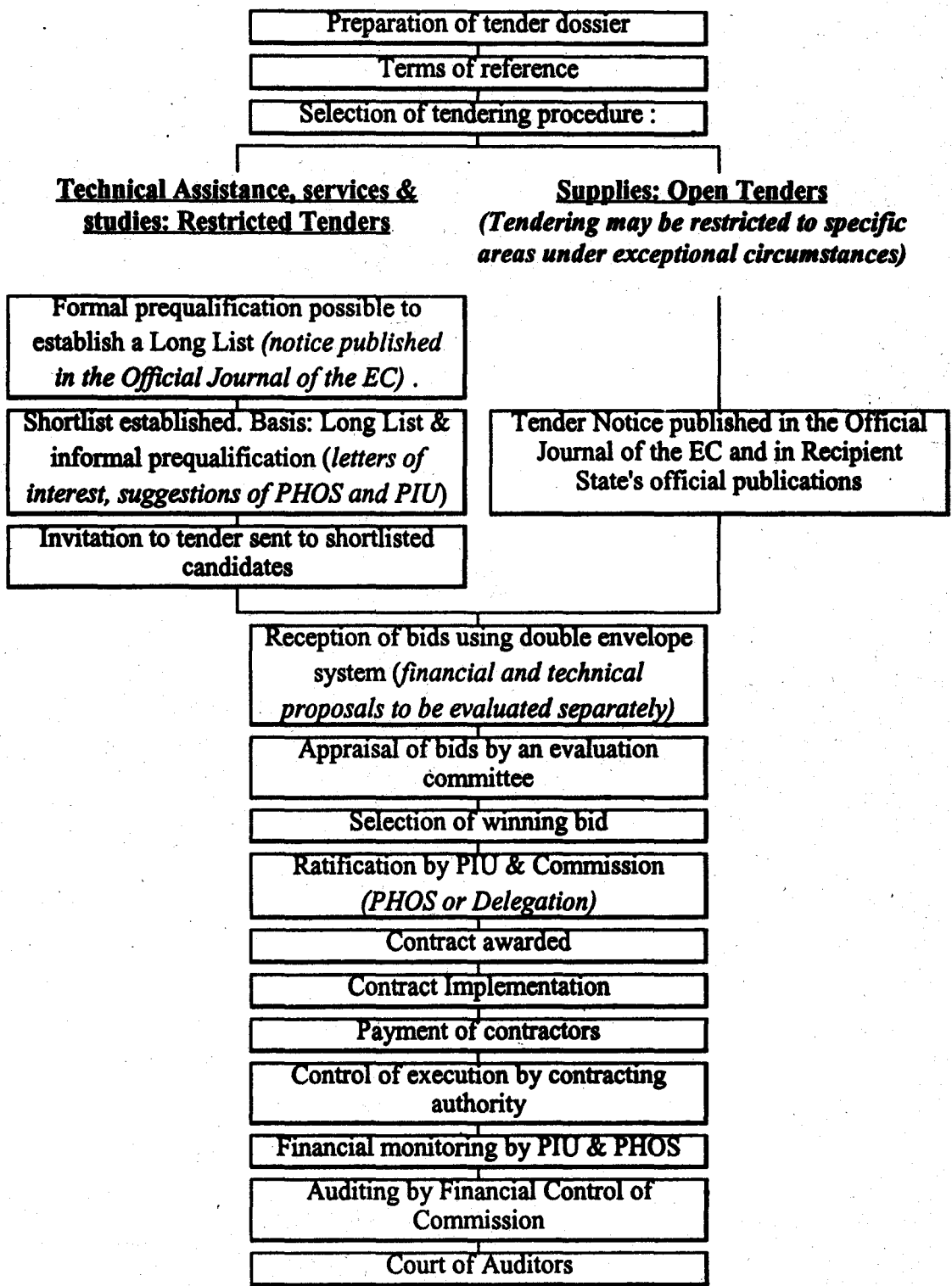
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\* According to Article 7 of Council Regulation N° 3906/89. Other possibilities according to Articles 116 & 118 of Financial Regulation

# TENDERING PROCEDURES

**Legal basis and internal documents for tendering:**  
**EC Financial Regulation - Title IX, External Aid; EC standard texts**



**NOTE:** For contracts required to implement a programme awarded by the Commission on its own behalf, or awarded by a PIU in co-operation with the Commission, the same procedures apply.

## General Technical Assistance Facility

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 9 July 1992 at Management Committee meeting N° 17*

Country:	Albania
Programme:	General Technical Assistance Facility
Duration (years)	1½
Year:	1992
EC Contribution:	4.4 MECU <sup>1</sup>
Sector classification:	Multidisciplinary
Responsible authority:	Ministry of Economy and Finance

### 2. SUMMARY



#### *Background*

Albania is probably the country that suffered most under communist rule, as the inherent inefficiency of central planning was compounded by a dash for autarcy that shut down the country's links to the outside world for decades. The problems faced by the present administration are thus very grave indeed and cover practically every single aspect of Albanian life.

This is the first major economic structuring PHARE project in Albania since it was included in the PHARE programme in December 1991. Previous Community assistance to this country had been of humanitarian or emergency nature (see table). The use of the GTAF as a flexible financing mechanism allows a variety of problems to be tackled with speed.

#### *Programme objectives*

Reform strategies are to be developed in the areas of SMEs, privatisation and restructuring, the financial sector, tourism, customs and health.

#### *Programme description*

##### **SME component (1.3 MECU)**

The PHARE Programme will provide the SME sector with short and medium term solutions to current problems. Earlier this year PHARE put into action an 0.8 MECU pilot project (from the 1991 multidisciplinary fund) to set up pilot Business Advisory Centres which would function in co-operation with the Chamber of Commerce and provide access to a credit facility (0.3 MECU of the 0.8 MECU) to import raw materials, spare parts, and small machinery for newly privatised SME.

<sup>1</sup> million European Currency Units

The initial steps of this pilot measure were considered successful and so the Albanian authorities, in consultation with the SME Unit in charge, have decided to go on with reform in this sector. The GTAF programme will finance the continuation of this project, continuing with the above micro-loan facility and establishing a new credit line for 0.8 MECU. An external credit expert will provide managerial technical assistance (0.1 MECU) and an SME expert will assist in building institutions and designing the regulatory framework necessary to achieve growth (0.2 MECU). The Business Advisory Centres will also be supported through the supply of essential equipment and the development of training resources (0.2 MECU).

#### **Privatisation component (0.8 MECU)**

A PHARE-financed report (1991) containing recommendations on the strategy for Privatisation and Restructuring in Albania has been approved by the Ministry of Economy and Finance, which has overall responsibility for privatisation programmes. It is likely that the privatisation of Albanian state enterprises will be by traditional methods. Mass privatisation was recommended, given the current state of the economy, but plans have yet to be finalised. Privatisation will take place in strategic sectors which will be identified by future PHARE-financed sectoral studies.

The privatisation component will oversee the restructuring of certain companies which can be made viable and which can gain export markets. This should result in at least some flow of foreign currency. The financing of management contracts for some state-owned enterprises and the training of managers of selected companies will also be financed by the privatisation component.

Technical assistance will be provided to the National Agency for Privatisation to revise the legal framework of privatisation and preparatory steps for pilot privatisations will be overseen.

#### **Financial sector component (0.5 MECU)**

Policy advice and long term expertise have been requested by the Ministry of Economy and Finance in the fields of taxation, accounting, and assistance to the Bank of Albania.

***Taxation:*** in order to meet the rising costs of public expenditure, increasing demands will be made upon Albania's system of revenue collecting. Reducing the role of the State while opening the economy will also lead to the emergence of potentially large numbers of private sector taxpayers.

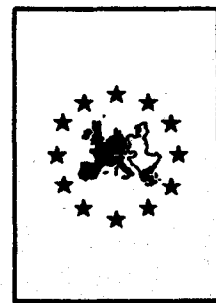
PHARE will assist (in consultation with other international financing institutions, notably the IMF) by providing experts on tax administration, turnover tax and training of tax officials (up to 18 man months)

***Accounting:*** using the French "Plan Comptable" as an exemplar, the Hungarian and Bulgarian authorities have been re-drafting their Accounting Laws. The results will be adapted for Albanian use. PHARE will provide further drafting assistance and advice in the development of training programmes.

***Banking:*** in the former Albanian State bank, there was no separation of responsibility between central and commercial banking functions, nor a proper mandate for a central bank.

Currently, the IMF is co-ordinating a programme of technical assistance to transform the State Bank of Albania into a fully fledged central bank, one step towards which was the recent law establishing the Bank of Albania as a Central Bank. Following the recommendations of the IMF (which were developed by a team of consultants from 6 Western European Banks), PHARE and the UNDP will each provide one resident expert for the Bank. PHARE's expert will be known as the Monetary, Foreign Exchange and Banking Operations Facilitator (supervision and training).

# ALBANIA



# GTAF

# ALBANIA



# GTAF

## **Tourism component (0.2 MECU)**

Following the results of two studies begun in May 1992, one concerning the improvement of the legal and institutional framework for tourism development in Albania (EBRD funded) and the other concerning strategic guidelines for the environmentally sensitive development of coastal sites (PHARE and EBRD-funded expert), the EC financed a second expert to identify the training needs of the tourism sector, and a third expert to assist in the evaluation of offers from potential investors.

The tourism component of the GTAF programme will fund a complementary study on guidelines for the development of non-coastal sites, promotional activities and training for managers and staff. Some training activities working on the results of the above study are foreseen.

## **Administrative equipment,(0.7 MECU)**

Globally speaking the situation concerning equipment in almost all sectors is fairly critical. PHARE will finance the supply of basic office equipment to the Ministries as work is seriously hampered by the lack of the most basic tools - things like pencils. This programme will supply fax machines, photocopiers and PCs in addition to the basics.

## **Customs equipment (0.2 MECU)**

The opening of the borders will increase Albania's vulnerability to smuggling, drugs, and fraud at border posts, reported a PHARE fact-finding mission in February 1992. Customs officers at present have no equipment for the detection of drugs, no communication facilities and no transport.

PHARE will provide this vital equipment to act as the practical complement to the theoretical, organisational and legislative changes proposed by the PHARE Regional Customs Co-operation Programme.

## **Health equipment (0.7 MECU)**

A survey of medical equipment made by the World Health Organisation in July 1991 found that the average age of the medical equipment in Albania is 25 years old, and that purchasing activities in the sector fall dramatically short of needs.

PHARE will provide basic equipment for the main hospitals in Tirana as a complement to the technical assistance to the Health Ministry already being undertaken.

PHARE is the major importer of finished and unprocessed pharmaceutical products to Albania.

The Ministry of Economy and Finance will be responsible for the management, installation and proper use of the equipment provided under this component.

## **3. IMPLEMENTATION**

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

## Development of Agriculture and Distribution Systems

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 17/3/92 at Management Committee meeting N° 15*

Country:	Albania
Programme:	Assistance and emergency inputs to Albanian agriculture
Duration (months)	18
Year:	1992
EC Contribution:	15 MECU <sup>2</sup>
Sector classification:	Agriculture
Responsible authority:	Ministry of Agriculture

### 2. SUMMARY

#### *Background*

The land distribution process initiated in 1991 has led to the establishment of ~350 000 "new" private farmers who have received on average 1.5 hectares of land each. They are, however, deprived of the most basic inputs and of agricultural equipment adapted to their farm's size. At the same time the complete destruction of the production system, including the accelerated dismantling (or physical destruction) of the co-operatives' assets has led to serious disturbances in food production and distribution.

#### *Programme Objectives*

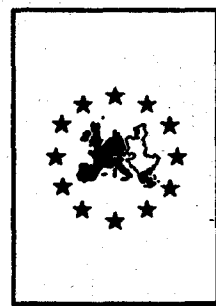
The programme aims to improve the country's capacity to feed itself by increasing the potential for agricultural production and by improving the transport and distribution systems. The programme will also improve the country's policy-making and implementation capacity related to the transformation and privatisation of agriculture.

#### *Programme Description*

The programme will provide technical assistance and emergency inputs to be administered by the Programme Implementation and Co-ordination Unit (PICU) established within the Ministry of Agriculture.

<sup>2</sup> million European Currency Units

# ALBANIA



# AGRICULTURE



• Supply of Agricultural Inputs

9.0 MECU

The most acute shortages cover fertilisers, animal feed, pesticides and seed. This component will purchase and distribute such inputs. Small teams of ex-cooperative staff will be recruited to assist and monitor the local distribution of inputs. The teams set up by the PICU will also provide an element of extension to the farmers and be in charge of one or two pilot projects. Each of the 6 teams will be supported by one foreign specialist with experience in international rural development recruited by the ICU. The Government of Albania will jointly determine with the Commission the local selling price of the supplies together with the split of end-users. The proceeds of the sale will be collected into a counterpart fund, the Agricultural Fund.

• Farm Mechanisation and Transport of Agricultural Produce

3.5 MECU

The improvement of farm mechanisation is unanimously regarded by the Albanian authorities and by farmers as a top requirement in terms of external assistance. For technical reasons the supply of large equipment (such as tractors) is not envisaged at this stage. The programme will finance small equipment and spare parts which will be provided either through a credit line or through a standard import programme targeting identified end-users. A preliminary study is currently under way in the area of privatisation of tractor and machine stations which will provide a detailed overview of the equipment presently available in the country, and therefore of the equipment and parts most urgently required. The programme will also provide spare parts and equipment to improve the distribution of agricultural inputs and food products. This will include the possible supply of handling equipment for the main ports as well as basic spare parts for road and rail transport (tyres, batteries, axles etc.).

• Programme Implementation and Coordination unit (PICU)

2.5 MECU

The PICU will be set up in the Ministry of Agriculture. It will implement and monitor the programme, help the Ministry create a credit system, assist the Ministry with aid coordination and provide policy advice.

The PICU will be attached to the Foreign Aid Division of the Ministry. Its director will be appointed by the Minister and have direct access to him. The PICU will benefit from the following resources financed by PHARE:

- Technical Assistance, to be provided by a three-man unit (1 aid coordinator/supervisor, 1 inputs supply coordinator and 1 credit specialist);
- assistance for the regional monitoring of input distribution by a team of auxiliaries;
- short-term consultancies and studies; and
- office equipment, local staff costs and other costs.

The breakdown of costs for the PICU includes 0.2 MECU for consultancies and studies, 0.4 MECU for auxiliary staff; 0.7 MECU for the 3-person unit; 1 MECU for staffing, equipment and local costs; and 0.2 MECU for training.



### 3. IMPLEMENTATION

#### *Programme management*

The programme will be implemented under the responsibility of the Ministry of Agriculture. The Ministry will delegate its powers when necessary. In particular, the Bank for Agricultural Development will be the day-to-day manager of the credit line for mechanisation and will handle the inputs supply component. A Policy Implementation and Co-ordination Unit (PICU) will be set up to assist the Ministry of Agriculture with sectoral aid co-ordination and with the implementation of the programme (*see above*).

#### *Procurement*

Technical assistance contracts will be awarded under the responsibility of the Ministry of Agriculture and will be signed by the Director of the PICU, following the usual procedures: procurement of supplies and equipment will be made by international tender or by restricted consultation if justified by the cost or special technical characteristics of the equipment. Technical assistance will be recruited by restricted consultation or direct agreement depending on the cost or specific nature of the services. Small expenditure of minor importance may be the subject of direct agreement.

ITALTREND has been selected as the procurement agent for those products to be forwarded to Albania in time for the 1992 growing season. Additional supplies will be procured later in the year through a public tender procedure and will be locally imported through similar mechanisms.

The Government will be responsible for preventing the re export of supplies procured under this programme

# ALBANIA



# AGRICULTURE



## Support of the transport sector

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 30/7/1992 at Management Committee meeting N° 18*

Country:	Albania
Programme:	Programme for the support of the transport sector
Duration (years)	2
Year:	1992
EC Contribution:	4.4 MECU <sup>3</sup>
Sector classification:	Transport
Responsible authorities:	Ministry of Finance, Ministry of Transport

### 2. SUMMARY

#### *Background*

Road transport accounts for two thirds of both freight and passenger transport.

- **Urban & interurban passenger transport:** 1700 old buses of different makes have been accumulated *ad hoc*. About one third of those have exceeded their wear rate and have run more than 2 million kilometres. Those who break down are being withdrawn from service as the maintenance workshops operated by the Ministry of Transport are unable to work properly, mostly due to a lack of spare parts, equipment and trained personnel. The breakdown rate is increasing as the buses have to work in difficult conditions: worn-out road surfaces, extreme weather conditions etc. As the private ownership of cars was not permitted until 1991, these buses still represent the only urban transport system for the vast majority of the active population. The state of the passenger transport system is seriously hampering economic development, as an increasing proportion of the working population has no choice but to walk to work.
- **Freight and Cargo :** A truck fleet of about 15,000 units exists; two thirds of which is over 20 years old and consequently fully depreciated. One third is about 10 years old and 60% of these units are fully depreciated. Maintenance problems are similar to those of the bus fleet. These trucks are expected to maintain essential food distribution throughout Albania.

The situation of the transport sector in Albania has to be seen to be believed. Roadsides are littered with the carcasses of defunct and abandoned vehicles. Since the previous regime prevented the importation of tools or spare parts, all existing technology (in all fields) is long past its sell-by date.

#### *Programme objectives*

The programme will assist the Albanian Government in the transformation process and promote the economic efficiency of the transport sector. Specifically, PHARE will:

- assist the authorities and operators in maintaining basic passenger and goods transport services;
- support the restructuration and privatisation of the transport sector; and

<sup>3</sup> million European Currency Units

- reinforce the Ministry of transport's capacity to conceive and implement reform programmes.

### ***Programme description***

Under its emergency supplies programme, the Commission has been able to respond to the immediate needs of the Albanian government by granting 30 MECU this year for the critical importation of spare parts which will keep selected industries ticking over and the labour market in employment.

The present transport sector programme is in addition to this 30 MECU supply programme aid and aims to keep basic transport services running, whilst at the same time preparing to implement the necessary reform plans for the transformation of the transport sector.

#### ***1. Procurement***

International tender will be used to supply:

- trucks, second-hand buses (2.5 MECU);
- maintenance equipment (0.4 MECU); and
- spare parts (0.8MECU)

This equipment will be used directly by the public transport enterprises belonging to the Ministry of Transport.

A new MOT maintenance workshop will also be financed. Key equipment will be funded by PHARE, whilst local installation costs are to be borne by the Albanian government.

#### ***2. Technical Assistance (0.7 MECU)***

PHARE will also provide Technical Assistance to the Ministry of Transport for Institution building, policy making and the groundwork for the eventual privatisation of urban transport. Inter-city passenger transport is virtually non-existent at the moment. Therefore, a strategy to get the private sector involved from the start is being followed.

### **3. IMPLEMENTATION**

The Ministry of Economy and Finance will be responsible for overall management of the programme. It will implement the programme in close co-operation with the Ministry of Transport and the Commission's services.

Procurement of buses, trucks, tools and spare parts will be by international open tender unless a restricted consultation procedure is justified by the cost or technical characteristics of the supplies. A Procurement Agent has been appointed in order to speed up the procurement of supplies.

Technical Assistance will be procured by restricted tender, except where the nature of the services or their costs justify a direct agreement. Small expenditures may be the subject of direct agreements.

#### ***Present status***

Following a commissioned study it was decided that 60 buses would be sufficient to cover Tirana's public transport needs. Accordingly, 60 second-hand Van Hool buses from the Société des Transports Intercommunaux Bruxellois (STIB) have been purchased by the Ministry of Transport, of which 40 were financed by PHARE. The contract includes spare parts and maintenance crew training. By October 1992, 45 of these buses had been delivered.

# ALBANIA



# TRANSPORT



## General Technical Assistance Facilities

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decisions taken 8 July 1992 at Management Committee meeting N° 17*

Country:	Estonia, Latvia, Lithuania
Programme:	General Technical Assistance Facilities
Duration (years)	
Year:	1992
EC Contribution:	Estonia: 9.0 MECU <sup>4</sup> Latvia: 13.5 MECU Lithuania: 9.0 MECU
Sector classification:	Multidisciplinary
Responsible authority:	Commission of the European Communities and national authorities

### 2. SUMMARY

#### *Background*

The three Baltic States secured international recognition as independent states in September 1991. Due to their similar size and history they share similar problems in the scope of economic reconstruction, and the GTAF programme developed for each shares enough similarities with those of neighbours to be presented in a single update.

Nevertheless, the programmes described are independent national programmes, and must not be confused with regional programmes.

#### *Programme objectives*

The GTAF has proved to be an invaluable enabling device in development finance. Its flexibility permits the financing of short and medium term technical assistance to core areas and of limited exploratory studies in other sectors.

The general objective of the General Technical Assistance Facility in all three states is to assist the authorities to develop appropriate sectoral reforms in areas where market-oriented legislative policies and appropriate institutions are required and where the necessary amount of PHARE support does not justify a separate system of management.

An emphasis on creating opportunities for co-financing and complementary donor assistance will be high on the agenda for all three GTAF.

<sup>4</sup> million European Currency Units

## **Programme descriptions**

### **Banking and Financial Sector reform**

in this sectors is crucial to ensure effective privatisation, SME development and investment promotion programmes.

#### **Banking sector reform**

In all three countries, Central banks of all EC Member States are expected to play a prominent role.

#### **LITHUANIA (1.6 MECU)**

Representatives of the banking profession in Lithuania will receive from PHARE technical assistance in order to:

- (i) establish a training programme for the National bank of Lithuania (long term), and focus on the short term needs to "train the trainers" in some of the Central and Commercial banks and help the authorities concerned to identify options for their restructuring requirements;
- (ii) develop a legal framework for the codex of accounting rules for the banking sector. Legal consultants will be provided to ensure the legal texts and codes are developed in a manner which is both coherent and which allows recourse to EC experts. The legislation should be inspired by similar EC legislation. A review of accounting standards and their future will take place.

Co-ordination of this component with the IMF will be assured, especially with regard to the bank accountancy project.

#### **LATVIA (1.5 MECU)**

This component's description is identical to the Lithuanian Banking Sector programme described above.

Additionally, the Latvian Investment Bank, established last year with the help of Community assistance to provide long term credit for SMEs, will continue to receive support on an *ad hoc* basis.

Other Donors for this component are the Nordic Investment Bank and the EBRD.

#### **ESTONIA (1.1 MECU)**

This component addresses the same elements as the Lithuanian banking sector programme parts (i) and (ii).

Estonian banks will also be encouraged to forge links with European banks.

Other Donors are the IMF and the EBRD.

#### **Financial sector reform**

In all three countries, the setting up the Treasury offices will draw upon the expertise of the national finance administrations of the EC Member States.

Provision for basic training equipment and the design of relevant data systems (long term) for information exchange between taxation, customs and the budget Departments as well as Ministries are foreseen in the Taxation component.

#### **LITHUANIA (1.5 MECU)**

With special regard to the introduction of a national currency, PHARE Assistance will concentrate on the establishment of a Government Treasury and the introduction of fiscal reform. The Treasury will be geared up to monitor foreign debt obligations and to control public expenditures.

A new fiscal policy will be required to decelerate inflation and keep public expenditure within targets. The tax administrations will also have the difficult

# BALTIC STATES



# GTAFS

# BALTIC STATES

task of maintaining levels of tax collection whilst introducing more market oriented taxes such as VAT as well as winding up the traditional state enterprises tax base.

## **LATVIA (1.2 MECU)**

This component's description is identical to the Lithuanian financial sector component.

Other Donors: the IMF.

## **ESTONIA(1.2 MECU)**

This component's description is identical to the Lithuanian financial sector component.

Another element is the Estonian government's expressed wish to boost the human resources of the tax administration. The programme consequently includes elements for organisational changes and staff motivation.

Other Donors are the IMF and the EBRD.

### **Privatisation and small & medium-sized enterprises**

For a general summary of the projects considered, please see the attached Lithuanian SME Project Summary. In addition, this component includes:

## **LITHUANIA (0.5 MECU)**

In addition to the 9 MECU committed for the Lithuanian GTAF.

## **LATVIA (3.5 MECU), ESTONIA (4.5 MECU)**

### **Promotion of foreign investment**

## **LITHUANIA (1 MECU), LATVIA (0.5 MECU), ESTONIA (0.2 MECU)**

Foreign investment could play a vital role in providing capital, technology, management, know-how and access to international markets. These factors will in turn facilitate privatisation of state enterprises, and accelerate overall modernisation and expansion. Due to the comparatively small size of the countries and their previous total dependency on the former USSR (90 % of their current trade) it is imperative that they develop individual economies which are outward and internationally oriented. The Baltic states have many advantages, but one major disadvantage which they suffer from in comparison with their older PHARE colleagues (which were Soviet satellites rather than part of the Union) is that they lack national institutions and their accompanying frameworks. All this has been noted by the foreign investor and so even though all three Governments have been active in liberalising price control, protecting foreign and domestic investment and enacting foreign investment laws, certain unknown risks stalk the interested international business community. To examine the foreign investment climate in accordance with the wishes of the governments of Lithuania, Latvia and Estonia, the PHARE GTAF programme will provide advisory assistance in the following areas:

# GTAFS



- (i) Policy Framework
- (ii) Investment Promotion
- (iii) In Latvia and Lithuania only: Trade Development (Tourism)

These three diagnostic studies should identify impediments on the FDI climate, and present recommendations for any future advisory and technical assistance.

## (i) Policy framework.

A study for the development of a Foreign Exchange policy to facilitate foreign currency transactions including foreign trade and repatriation of capital and profits; the policy of ownership of equity and land; a trade policy to support access to human resources; the access to local financing; fiscal and incentive policies which will attain national economic development and industrial objectives and stimulate private investment; safeguards against expropriation for the investor and the protection of intellectual property rights are examples of the kind of policies which will be studied. PHARE will assess policies and regulatory and administrative frameworks as they are relevant to the FDI climate in each state, placing the Baltic states within the context of the global economy.

## (ii) Investment Promotion.

A National Investment Promotion effort should encourage FDI in privatisation, trade diversification and industrial modernisation. PHARE will examine the current facilities available and ascertain through the individual government agencies their intended objectives. Recommendations will be made, bearing in mind the experience of other countries, as to which promotion activities are most suitable and what roles the government and private sector should play in the future. The varying financial commitments allocated by each country reflects its own government priority as well as geographical area.

## (iii) Tourism.

Additionally, Latvia and Lithuania have set aside 150,000 ECU to support improvements in hotels and the training of travel agents.

## Labour market development

There are a growing number of people in the Baltic states who are experiencing social hardship as a result of the changes taking place in their economies, in particular with the restructuring of industry and the various privatisation measures. The Governments of the Baltic states wish as a matter of priority to remain abreast with the increasing unemployment resulting from the change in economic practices and to enhance the employment opportunities of entrants to the labour market. For the most part the projects of the three countries in these field (labour, health, social security) are similar but where the Lithuanian government has decided to target certain specific disadvantaged groups in order to provide social services, the Latvian and Estonian governments are developing elements of a national social security system.

## LITHUANIA (2 MECU)

The Lithuanian Ministry of Labour will receive from PHARE technical assistance to design policies and strategies which will enable it to restructure its labour market and its training (secondary vocational schools) and retraining (unemployed) systems, which are currently linked to state-owned institutions. The PHARE programme will also seek to guide and supervise the development of an effective labour market administration drawing on a network of labour exchanges, staff training for placing, the promotion of job mobility, career counselling



services and the implementation of active employment measures. Lastly, specialist measures such as local job creation initiatives and local welfare programmes are foreseen for specific groups (the handicapped or those with obsolete skills) and/or those in areas of Lithuania which are especially badly hit.

## **LATVIA (0.7 MECU)**

For most of this component the measures to be initiated under the 1992 PHARE programme are identical to those of the Lithuanian PHARE/LMD programme above. Additionally, the design and implementation of an appropriate data processing system for the network of labour offices and staff training for those using it is foreseen. Social security reform to ensure e.g. unemployment benefit, and other social protection schemes will also be considered.

## **ESTONIA (0.6 MECU)**

### **Labour Market Development (300,000 ECU):**

May 1992 saw some 10,000 unemployed Estonians being handled by a network of 20 local labour offices supported by only one central office. Forecasts say that this figure could rise to 70,000 - 80,000 by September. The programme will initiate similar measures to improve the Labour Market network as those proposed for Lithuania and Latvia.

### **Social Security Sector (300,000 ECU):**

With the assistance of PHARE a new employer/ employee contribution scheme (inter alia) will be introduced to finance the new measures and benefits aimed (initially) at those groups which have been hit the hardest by the changes in industry and privatisation initiatives.

## **Public Administration**

Over a limited domain, notably Public Administration and Environment (see next section), the priorities of the governments of Latvia and Estonia diverge from those of the government of Lithuania. Both the PHARE Regional Customs and Statistics programmes (which have been in progress in the other PHARE countries for some time) were extended to the three states in December 1991 shortly after their inclusion into the PHARE programme.

The objectives of the customs and statistics components under the Latvian and Estonian 1992 GTAfs will be to complement the assistance given under the Regional Programme, particularly in the field of staff training by supplying limited amounts of audio-visual, and inspection equipment; "There is clearly some difficulty to be encountered when training a Customs official to use a complicated X ray machine when he has never seen one; and little sense in doing so unless he is going to have access to one" This is the type of equipment which will be provided. The Departments of statistics will receive equipment for data processing and collecting and for general training.

## **LATVIA (1 MECU):**

The breakdown is as follows: Customs(400,000 ECU), Statistics (500,000 ECU) and Public Procurement (100,000 ECU)

The Latvian government has also asked PHARE for technical assistance to enable the development in Latvia of rules and systems for public procurement which conform to international and EC standards. The establishment and concept of financial accountability is also introduced under this component.

## **ESTONIA (0.7 MECU):**

The breakdown is as follows: Customs (350,000 ECU), Statistics (350,000 ECU)





## Environment

### **LATVIA (700,000 ECU)**

Technical assistance will be provided to the Ministry of Environment for a global national policy and staff training. Several pilot studies are foreseen.

### **ESTONIA (250.000 ECU)**

The Estonian Ministry of Environment aided by its 19 local environmental boards is currently responsible for environmental protection and the management of minerals, water, fisheries and forestries, with an independent Chief Inspector of Nature and Environmental Protection to identify environmental problems. The institutions have no overall regulating framework so that standards vary considerably between units. PHARE Technical Assistance to the Ministry of Environment will provide policy advice, restructure the staff training system and identify opportunities for environmental protection, testing the policies eventually by means of pilot projects.

## Health sector

### **LITHUANIA (1.0 MECU)**

Advice assimilated under the 1991 PHARE programme will be elaborated and continued by means of studies and technical assistance in the areas of: reorganisation of the health sector, development of a national health policy and management strategy, health insurance and other financing mechanisms, and drug policy (legislation pricing policy pharmaceutical control, distribution strategy).

### **LATVIA (600,000 ECU)**

A similar component to that of Lithuanian Health. In particular PHARE Assistance to the Latvian Health sector will especially focus on finding a strategy for suitable ways to finance and implement a "HEALTH For ALL" concept. Of note, health insurance will consider contractual relations between providers of health care and the consumer.

## Agriculture

### **LITHUANIA (0.6 MECU)**

This will consist of national agricultural and food reform strategies which make use of domestic and imported resources in an open market. Wherever possible, private farmers and rural enterprises will be eligible to receive advisory and financial assistance under the SMALL AND MEDIUM ENTERPRISES DEVELOPMENT PROGRAMME and possibly from PRIVATISATION INITIATIVES. Pilot projects which cover cadastration requirements provision of business and technical advisory services for private farmers.

### **LATVIA (700,000 ECU)**

Activities concentrate on the promotion of agricultural productivity, improvement of farmers' access to financial extension and technical services and to foreign currency for imports of agricultural inputs and machinery. Studies under the

# BALTIC STATES

## Energy

TAUSSR 1991 programme included the introduction of the rural banking structures, de monopolisation of equipment supplying industries, development of a market in farm land and review of the current food production and distribution chain. These studies will be continued under the PHARE LATVIAN component of 1992. Furthermore, provision will be made for additional studies of the reform of the agricultural extension services and implementation of a market in land.

### LITHUANIA (0.6 MECU)

Lithuania has no significant natural energy sources and relies heavily on imports, mainly from the CIS. For electricity, it is integrated in the electricity grid of the North West of the CIS and actually has a generating capacity double that of domestic demand. Lithuania is therefore a major exporter of electricity. TAUSSR & PHARE Assistance in 1991 developed a national energy strategy (in particular cost pricing based on demand and supply investigations) and provided technical assistance to the Ministry of Energy which will be continued under the 1992 GTAF in order to strengthen its implementation capacity and provide requisite training. A safety assessment study of the Ignalina Nuclear Power plant was also initiated. Short term strategy work based on securing energy supplies for the forthcoming winter will also form part of this programme.

### LATVIA (500,000 ECU)

EC funded experts were seconded to the Ministry of Economy in 1991 for the purposes of strategy planning. This component has similar objectives to the LITHUANIAN component and particular attention will be given to the application of the findings of the studies on energy saving and restructuring in the sector. Supplies for the forthcoming winter will similarly form part of this programme.

### ESTONIA (300,000 ECU)

PHARE funded studies for the Ministry of Industry and Energy will concentrate on energy planning, efficiency and diversification of energy sources can be launched with special emphasis given to the use of oil shale reserves and district heating systems. In general, this component is similar to the Lithuanian and Latvian energy components

Other co-ordinators for all three states: EBRD and the EC's THERMIE programme.



# GTAFS

## Transport

### LITHUANIA (0.3 MECU)

In 1991 a preparation for the formation of a master plan for reorientation of the function and organisation of the Lithuanian ports was financed as was technical assistance for a study on the reorganisation of the railways. Institutional support to the Ministry of Transport where a PIU was set up last year, will continue in 1992 for the implementation of these preliminary studies.

### LATVIA (800,000 ECU)

Activities and studies under the 1991 programme will be continued notably in the privatisation of the transport system and in the provision of expert support to the Ministry of Transport to, inter alia prepare a master plan and a priority investment programme for the ports. Complementary sectoral studies e.g. on the Current and future traffic flow in Latvia are foreseen.

## ESTONIA (300,000 ECU)

Transport is a key priority for the Estonian government. PHARE assistance under this component, will develop a parallel maritime plan (see LI and LAT supra), and a master plan which covers similar issues to those under the Latvian component.

## Foreign aid coordination

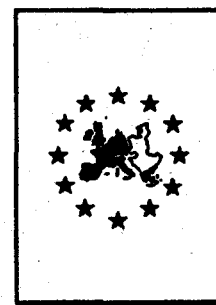
### LITHUANIA

Long term economic assistance will be provided to the Ministry of International Economic Relations to develop the institutional basis and capacity for the formal co-ordination of aid programming, sector and project monitoring and co-ordination of management and training of counterpart staff.

### LATVIA

Two PHARE funded EC specialists will be seconded to the Ministry of Foreign Affairs in Latvia to perform and assist in the same or similar tasks as outlined under the Latvian component for Foreign Aid co-ordination. The GTAF will also provide long-term technical assistance to the Ministry of Economy to develop aid coordination.

Implementation: The Ministry of International Economic Relations will be responsible for the overall management of the programme with specific implementation carried out by the counterpart ministries.



## PHARE FOLLOW UP TO 1991 MEASURES IN LITHUANIA;

In November 1991 in response to the EC recognition of the independence of Lithuania, the EC committed 6 MECU for technical assistance in agriculture, energy, transport, and health in the main and some limited early steps for privatisation and aid co-ordination. LATVIA received 6 MECU for similar purposes. Follow up actions will continue under the 1992 GTAF.

## 3. IMPLEMENTATION

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.



## Support to SMEs and Privatisation

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 8 July 1992 at Management Committee meeting N° 17*

Country:	Estonia, Latvia and Lithuania
Programme:	SMEs and privatisation
Duration (years)	3
Year:	1992
EC Contribution:	Estonia: 3.5 MECU <sup>5</sup> (financed via the Estonian GTAF programme)
	Latvia: 4.5 MECU (financed via the Latvian GTAF programme)
	Lithuania: 9.5 MECU
Sector classification:	Private sector development
Responsible authority:	Estonia: Department of State Property
	Latvia: Ministry of Economic reform
	Lithuania: Ministry of the Economy

### 2. SUMMARY

Although describes together for convenience's sake, these are not regional programmes but separate national programmes.

#### *Programme objectives*

The objectives of the Programmes are to promote and stimulate the emerging private sector in the three Baltic states, by strengthening production methods, encouraging competition and giving practical help wherever possible to small businesses. This will take the form of advice, training, small amounts of start-up capital, investment services and encouraging foreign investment.

The Programme aims to do this by concentrating on three main areas:

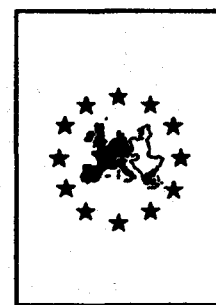
- SME development;
- privatisation through Institutional support for the Ministry responsible for Privatisation to encourage the development of an efficient framework for promoting SME development and establishing privatisation methodology and mechanisms; and
- foreign investment.

#### *Background*

##### *Lithuania*

Since 1990 Lithuania has pursued economic reforms, adopting important legislation to regulate private ownership, the privatisation of state property, foreign investment and taxation. Within the last six months, most prices have been liberalised. Macro-economic stabilisation procedures are being pursued with the IMF's help in preparation for the introduction of a national currency. Until now,

<sup>5</sup> million European Currency Units



privatisations have been by voucher and concerned mainly small enterprises in the service sector. Large scale privatisations are simply too complex in the context of the current administrative and legal structure.

The small businessman is "ready and willing" to emerge, but to date his operational ability in terms of know how and capital is weak. Most new SMEs have not really taken off. It is hoped that the PHARE 1992 privatisation programme in Lithuania can address some of these issues, building on the technical assistance seconded to the Department of Privatisation under the 1991 TAUSSR<sup>6</sup> measures.

## *Latvia*

As in Lithuania, small enterprise did not feature in the everyday life of the Latvian citizen under the Communist Soviet government. By now however, some important economic legislation has been passed. For example, on the 26 September 1991, the Law on Entrepreneurial Activity was passed. This law defines and regulates limited liability companies, which will clearly facilitate conditions in the SME sector. A Privatisation Law has been drafted with the help of an EC funded team which will clarify the institutional structure and give a mandate to the Ministry of Economic Reform to supervise the process. The law on privatisation of small government enterprises was passed in November 1991, at the same time as a law on the transfer of state property which allows foreigners to invest in Latvia with only limited trade restrictions (on media, fishing and port management). Latvia has taken the step under the GTAF of allocating 300,000 ECU specifically to draft, harmonise and train in the practice of new economic legislation.

## *Estonia*

Estonia is more advanced in terms of SME development, this having begun before the break-up of the Soviet Union. The Business Acts of 1986 and 1987 permitted SMEs. Although in theory these SMEs were state owned, in practice the law protected them from state interference.

The Companies Act in early 1990 proved important, and prompted an increase in the registration of small businesses (34 in 1986, 3000 by December 1989 and continuing at a rate of 300 per month). Support thus needs to be given to the businesses already set up, and the skills and attitudes necessary for entrepreneurs to operate successfully must be provided. Start up capital is obviously crucial here as in Lithuania and Latvia until such times as the financial sector is stabilised.

## *Programme description*

### **Privatisation and restructuring of companies in the state sector**

#### *Lithuania*

An organisational and legislative stream-lining of the Department of Privatisation, (responsible for transfer of ownership of state controlled enterprises), and the supervisory Central Privatisation Committee (which delegates to District Privatisation Committees) which in turn organises and conducts small scale privatisation for citizens is foreseen to maximise transparency, methodology and environmentally sustainable development.

Some supply of essential equipment is foreseen under this component;

#### *Estonia and Latvia*

Estonia and Latvia have similar programmes for this component which will thus be described as one. The institutions that are to receive the majority of the technical assistance will be the Ministry of Economic Reform in Latvia and the Department of State Property and the Ministry of Economy in Estonia.

Diagnostic studies and Pilot Privatisations: in all three countries, varied sector studies (overview), diagnostic studies (as a pre-cursor to possible individual restructurings), and a small number of pilot transactions will help formulate industrial policy, give impetus to the privatisation process and improve the

<sup>6</sup> TAUSSR: Technical Assistance to the USSR, responsible for assistance to the Baltic States until 1991. Now named TACIS: Technical Assistance to the Commonwealth of Independent States.



legislative framework . To give some idea of the scale of operation envisaged in Latvia there will be 5 Diagnostic studies (100,000 ECU), 2 Pilot transactions (500,000 ECU) and 2 Sector studies.(300,000 ECU).

**A1.1.3 Management Training:** Estonia has a component aiming to teach new management skills. This service is aimed at senior managers and Board members. Modular training courses will be designed with PHARE assistance.

## SME development

### *Lithuania*

**Policy Advice to the Lithuanian Ministry of Economy:** one PHARE-financed expert will be seconded to the Lithuanian Ministry to advise on SME strategy, industrial policy, legislative deficiencies and promote a general enterprise culture.

Business advisory centres will provide advice on how to capitalise, on the de monopolisation of state enterprises, etc. in terms of developing a small business. Hands on assistance in screening projects, short term professional training, and developing and identifying foreign partners will be the type of experience to be offered by the PHARE funded expertise who will work with local consultants (private wherever possible) in a PIU set up outside the Ministry. In this way, independent professional or entrepreneurial societies can influence the operational aspects of the project.

**Financing Scheme:** The financing institutions are still adjusting from the effects of their severance from the Central Banking system of the USSR. Furthermore, inflation has affected the value of personal savings very badly, substantially reducing the amount of capital available to SMEs. PHARE will set up a 3 MECU financing scheme offering credit facilities to rural SMEs. The scheme will be run by the Lithuanian Investment Bank (other banks may participate) which is currently receiving PHARE technical assistance under the 1991 programme. An expert from Nordic bank will be seconded to the LIB to oversee the operation.

### *Latvia*

Activities similar to the ones described above will take place. The Ministry of Economic reform in Latvia will receive one long term expert. The Latvian SME financing scheme will receive 1 MECU. It will be operated by the Latvian Investment Bank, currently receiving technical assistance financed under the 1991 TAUSSR programme.

### *Estonia*

The programme is similar to the Lithuanian one described above. In addition, the Estonian PIU will identify selection criteria for the identification of suitable advisory bodies and enterprises or policy areas requiring central assistance for the development of policies. It will develop consultation procedures which enable private enterprise to make its views known to the government and its agencies. The Estonian SME financing scheme will receive 1 MECU. It will be operated by the Estonian Investment Bank, currently receiving technical assistance financed under the 1991 TAUSSR programme.

## Foreign investment promotion

Diagnostic studies will be under taken in this sector and, on the basis of the results, an assessment of some of the factors hitherto unknown to the foreign investor should be available. Long term Government policies will then be formulated.

For further detail please refer to the "Promotion of foreign investment" section in the Baltic states' GTAF programme summary.

*Lithuania: (1 MECU)*

*Latvia: (0.5 MECU)*

There is a further aspect to the Latvian component whereby, in order to offer more attractive legal conditions for foreign and national investments and to enhance harmonisation between its commercial laws and those of the EEC, thereby facilitating business, the Latvian parliament and government will receive technical

assistance. This will provide advice on drafting texts and will organise a training programme for policy makers, legal administrative staff, magistrates and company lawyers. This will impart know-how about drafting economic legislation and enforcing economic regulations.

The Programme will be implemented through a framework agreement with a law institution or company.

*Estonia: (0.2 MECU)*

### 3. IMPLEMENTATION

#### *Lithuania*

No PIU is to be set up. The Ministry of Economy will be responsible for overall co-ordination of the line ministries and agencies. The SME Advisory Council is to be set up to guide overall SME policy in Lithuania and involve the relevant institutions, such as Ministries, Chambers of Commerce, etc.

The Lithuanian Programme is open to other donors, such as the Nordic bank.

#### *Latvia, Estonia*

For implementation of Latvia and Estonia please refer to the BALTIC GTAF facility under which the Privatisation and SME sectors are financed in these two countries.

#### *General*

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

# BALTIC STATES



# PRIVATISATION & SMEs



### Integrated SME/Regional Reconversion and Development Programme (REDEV)

- a PHARE assistance programme -

## 1. IDENTIFICATION

*Decision taken 30/7/1992 at Management Committee meeting N° 18*

Country:	Bulgaria
Programme:	REDEV: Integrated SME/Regional Reconversion and Development Programme
Duration (years)	2½
Year:	1992
EC Contribution:	22.5 MECU <sup>7</sup>
Sector classification:	SMEs
Responsible authority:	Ministry of Industry

## 2. SUMMARY

### *Background*

Several regions in Bulgaria are affected by high unemployment as they struggle to diversify their agricultural and heavy industries. Small and Medium-sized Enterprises (SMEs) are now widely recognised as having a critical role in both the global growth of market economies and the transformation of the Bulgarian economy.

The two pilot regions selected are Smoljan and Burgas, on the basis that their experiences could be transferable to other regions in Bulgaria which are also facing the restructuring and rationalisation of state enterprises and large job losses in the future. The Burgas region represents a classic case of a region undergoing industrial reconversion with an agricultural hinterland, while the Smoljan area is a typical underdeveloped area with rural development potential. Both regions need to diversify their economic bases, enhance their human resources and build up their institutional structures in order to help arrest the increases in unemployment that will result from the rationalisation of the large state enterprises.

Under PHARE, an SME Financing Scheme and the Pilot Regional Reconversion and Development Scheme (REDEV) will help SMEs to get credit and will initiate pilot regional reconversion and development programmes in the two areas. Although these initiatives are in principle separate, there are many common factors that provide links between the two which should help to promote the success of the programme.

<sup>7</sup> million European Currency Units



## ***Programme Objectives***

Specific objectives are :

*for SMEs :*

- to establish and strengthen mechanisms and rules which will facilitate SMEs' access to finance through appropriate financial institutions;
- to provide financial means for small entrepreneurs;
- to strengthen the existing SME Fund and create the structure for long-term SME financing to pass principally through the banking system.

*for REDEV:*

- to promote new economic activity and employment, particularly in SMEs, in regions affected by high concentrations of actual or potential unemployment arising as a consequence of the restructuring of large state enterprises.

## ***Programme description***

The programme is based upon two components which each contain a number of key elements: the SME Financing Scheme and the REDEV component.

### ***1. SME Financing Scheme : 15 MECU***

The 1991 programme allowed several actions to take place, such as an assessment study of the emerging private sector, 2 feasibility studies for the establishment of Business Support Centres, the training of local consultants and a study of financing facilities for SMEs.

Private business in Bulgaria was officially permitted under Decree 56, adopted in January 1989. Since then, over 200,000 enterprises have registered, although very few of these have used banks, preferring instead to use savings or loans from friends or the family. The problems of raising finance led to the creation of an SME-Fund in 1991 controlled by a national SME Council under the chairmanship of the Ministry of Industry and Trade.

The resources of the SME-Fund are to be used for producers and by means of interest subsidies on new loans, repayment of interest, provision of capital and expenses. As the single most immediate constraint for SMEs relates to difficulties of access to finance, the key element of the PHARE programme is support for Credit, Credit Guarantee and Equity Schemes.

ECU 1 million will be allocated to set up the PMU

ECU 14 million of the PHARE contribution will be placed into a Fund for the establishment of appropriate credit, credit guarantee and equity schemes. An indicative allocation of 9 MECU will be made to a Loans Scheme offering "soft" terms of credit to small enterprises to purchase equipment abroad, or for working and investment capital. This facility should be operated by designated bank branches or other competent locally-based institutions, which will receive the necessary training and back-up following agreement between the Ministry of Industry and the individual banks setting out the rules and procedures. Of the 9 MECU, an indicative allocation of 7 MECU will be made available for lending through the banks. The scheme will be operated primarily in regions where other PHARE initiatives for the support of SMEs are located, particularly Business Services Centres such as Plovdiv and Varna. Initially, the lending process will be funded by the SME fund and supported by an indicative allocation of 2 MECU.

# BULGARIA



SMES & REGIONAL  
RECONVERSION & DEVELOPMENT

# BULGARIA



## SMEs & REGIONAL RECONVERSION & DEVELOPMENT

The Credit Guarantee Scheme will receive 3 MECU in order to facilitate the supply of credit to small enterprises. This contribution has to be matched to one of a similar size by the state authorities. The financial institutions, who will be operating the Scheme, will be selected by the Ministry of Industry in consultation with the European Commission, as will the precise rules and mechanisms of the Scheme.

The Equity Scheme is only likely to start up after the other credit mechanisms have been established and the banking and financial system is more stable. An indicative allocation of 2 MECU will be made for the initial operation of an equity fund, to be run on an independent basis with private sector participation.

### 2. *Reconversion and Regional Development (REDEV): 7.5 MECU*

A wide number of actions is envisaged which must be undertaken at a high level of co-operation between local and national actors. Co-ordination, inter-linking and integrated implementation of individual projects is essential as is the development of the appropriate institutions with the capacity to set up and sustain regional priorities and the implementation of the projects.

The Smoljan region is remote with problems of access and limited communications infrastructure. There is serious pollution in areas occupied by the mining industry, as well as a general lack of business know-how and a shortage of finance for investment in businesses and infrastructure. The rationalisation of the mines and other businesses dependent on mining, coupled with the job losses in other industries, is already creating difficult economic, social and political conditions for the region's development.

The Burgas region is well located geographically, with strong development potential residing in the port, a free trade zone and two universities. However, the region's four municipalities are quite different in terms of overall strength and development potential. Unemployment is at 10% and rising, concentrated among women and young people, and further reductions in the workforce are expected following the restructuring of the region's economy. Again, limited know-how, lack of resources for training and retraining and limited municipal budgets for economic development are characteristic of the problems that the region is facing.

#### 2.1 *Regional Development Agencies*

A Regional Development Agency will be established in each region. The agencies' functions include the co-ordination of reconversion and development policy, the promotion of human resource development schemes, promotion of rehabilitation schemes for the reconversion of sites for business and training purposes.

Each Agency will have an autonomous status and will play a central role in mobilising resources available through other national or local schemes. A Regional Development Forum/Council representing the major private and public interests of the region will oversee each agency and provide their strategic orientations.

PHARE will support the agencies through in-house technical assistance, the provision of short-term expertise, staff training, funding for studies and other related measures. Furthermore, a close co-operation with the PHARE labour market and SME programmes will be stressed. The agencies will also be able to draw resources and support from other parts of the present programme.

#### 2.2 *Labour Market and other regional actions*

PHARE aims to support training and employment development by promoting actions including youth training, re-training and generic skills training, as well as funding studies on the reconversion and development of the two regions from a number of difference perspectives including the labour market. PHARE has also made an indicative allocation

of 500,000 MECU for training and support of Trade Unions as a major social partner involved in the REDEV Integrated Programme.

### 2.3 Regional SME Development

The growth of a strong SME sector in these regions is essential to generate new jobs and economic activities. Both regions intend to establish locally-based Regional Investment Funds to provide emerging local SMEs with access to sources of non-debt financing. Ownership of the Funds will be on a share holding basis, while management will be carried out on a profit basis. Before the Regional Investment Funds (RIFs) have been set up, their functions will be carried out through the national SME Fund with a special allocation of 500,000 ECU for this purpose. Counselling and business advisory services will also complement the financing operations carried out by the RIFs either through a special unit or a separate business advisory centre. PHARE will provide a full range of support measures to this component including management and technical assistance, as well as some capital and training services.

## 3. IMPLEMENTATION

*SME Financing Scheme* : the implementing Agency for the SME Financing Scheme will be the Ministry of Industry, in whose name a Fund will be established with an appropriate bank and denominated in ECU. The Fund will be managed by the PMU. After an initial advance of 1 MECU has been made into the SME Fund, payments will be made in the form of advances established on the basis of the work programme and cost estimates submitted to the Commission for prior approval.

*Regional development* : this component will be run by each Regional Development Agency. An annual review will be carried out by the Inter-ministerial Advisory Committee, and any adjustments agreed between the Ministries of Industry, Labour and Social Affairs and Regional Development, Housing policy and Construction and the European Commission.

#### *Procurement :*

Technical assistance will be obtained either by restricted tendering or by direct agreement with the Commission, depending on cost and nature of the services.

Procurement of goods will be by international open tender. Minor purchases may be made by direct agreement.

# BULGARIA



SMEs & REGIONAL  
RECONVERSION & DEVELOPMENT



## Restructuring of the telecom sector

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 3/7/92 at Management Committee meeting N° 18*

Country:	Bulgaria
Programme:	Assistance for the construction of a modern telecommunications service - stage II
Duration (years)	18 months
Year:	1992
EC Contribution:	3 MECU <sup>8</sup>
Sector classification:	Telecommunications
Responsible authority:	Committee for Posts and Telecommunications (CPT)

### 2. SUMMARY

#### *Background*

The Bulgarian postal and telecommunications sectors are currently undergoing a massive restructuring programme. This includes changes in the legal and regulatory frameworks, in strategic and policy planning and in organisational and managerial structures in addition to fundamental infrastructural improvements. Assistance to this project will shortly be available from International Financing Institutions.

The first stage of PHARE assistance to this sector, worth 3 MECU, was approved in late 1991 and started in early 1992. All interested parties<sup>9</sup> collaborated in the elaboration of a "Technical Assistance Work Programme". This allowed the preparation of a series of reports outlining the various investment strategies available to the three banks. It also looked at issues of policy, regulation, privatisation, management and organisation, human resources, accounting and financial matters, and information and computing systems.

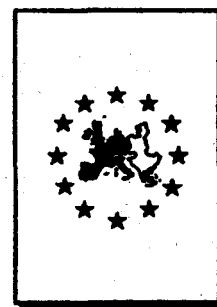
These services have resulted in the following series of concrete measures:

- the separation of regulatory and operational activities into the "Committee of Posts and Telecommunications" and the "Bulgarian Posts and Telecommunications Ltd.";
- a draft Telecommunications Act, soon to be submitted to Parliament;
- the adoption of new policies and strategies in line with EC policies and the recommendations outlined in the Green Paper;
- the definition of guidelines in order to divide the operator into two new postal and telecommunication companies;
- the compiling of the data needed by the banks for loan appraisal and for tender preparation.

The 2<sup>nd</sup> stage of the telecom assistance programme will carry on the work of the programme's first stage, shifting the emphasis of assistance where necessary.

<sup>8</sup> million European Currency Units

<sup>9</sup> PHARE, EIB, EBRD, World Bank, CPT



### ***Objectives***

The overall objective remains the adaptation of the postal and telecommunication services to the requirements of a competitive market. To achieve this, the operators of the postal and telecom branches are going to receive organisational and managerial support during the separation stage and thereafter. The political and regulatory functions of the Administration will be strengthened. The promotion of the most efficient use possible of existing resources will be complemented by the introduction of modern communication infrastructure. Last but not least, procedures and regulations will be harmonized on the basis of EC experiences and standard industry practice.

These goals will be pursued by:

- assisting the personnel responsible for setting up the new operators by providing support in creating the new corporate structure as well as in financial, technical and personnel management;
- providing training in regulatory, legal, financial and commercial matters;
- setting up in-house training and retraining facilities, emphasis being laid on the use and maintenance of modern systems;
- developing short- and medium-term investment programmes.

### ***Project description***

The project will run under three headings: restructuring, staff training and technical assistance for commercial issues.

#### ***Restructuring***

The very ambitious restructuring plan defined by the Administration must be implemented over a short period of time: the operators are to be separated before the New Year. Consequently, technical assistance drawing on pan-European experiences will be provided to achieve the following three undertakings:

- \* to consolidate the CPT in the tasks of policy/strategy definition and regulatory work, including policies for investment promotion, staff efficiency and regional or transnational co-operation;
- \* to assist both post and telecom operators during and after the operator's separation. Reorganising management is the key issue here; accordingly, close attention will be paid to strategic planning, accountancy, debt, tax and general financial planning, contracts, marketing and service.
- \* to prepare the creation of financially responsible subsidiaries in both the postal and telecommunication fields. The ultimate aim is to terminate telecom-to-post cross-subsidies.

#### ***Staff training***

Specific short-term training sessions will be organised mainly by EC-based telecom operators and consultants in Bulgaria, although on-the-job training in the EC is being considered. Target audiences are senior and middle managers as well as in-house training staff. Subject matter will respond to the specific needs of the Bulgarian operator and will cover legislation, structural and financial management. These sessions will, wherever possible, complement the management training modules offered under the 1992 regional technical assistance programme.

#### ***Assistance to commercial issues***

This component will cover *ad hoc* consultancy services for the procurement of equipment funded by IFOs and for the preparation of technical and commercial dossiers. In particular, feasibility studies for the introduction of modern systems needed by the business user (mobile phones, data networks etc.) will be financed, as will advice on joint ventures, licensing agreements and foreign cooperation. Pilot projects to create Management Information Systems (for accountancy and financial data) are to be established. Independent experts will be hired to evaluate tenders on their technical, financial and economic qualities.

# BULGARIA



# TELECOMS

### 3. IMPLEMENTATION

Overall responsibility for the programme rests with the CPT. The existing Programme Implementation Unit will manage the programme and ensure proper coordination with other projects in the telecom sector. The PIU will conclude contracts with retained contractors selected according to the usual competitive selection procedures. It is worth pointing out here that main contractors may subcontract selected services. Tender evaluation will be carried out by the Bulgarian authorities in collaboration with PHOS in Brussels. Progress reports are to be produced on a six-monthly basis. In addition, independent experts are to monitor both progress and performance of the project.

## Restructuring and Development of Agriculture

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 2/12/92 at Management Committee meeting N° 20*

Country:	Bulgaria
Programme:	Restructuring and Development of Agriculture
Duration (years)	2
Year:	1992
EC Contribution:	10 MECU <sup>10</sup>
Sector classification:	Agriculture
Responsible authority:	Ministry of Agricultural development, Land Use and Land Restitution

### 2. SUMMARY

#### **Background**

The Ministry of Agriculture held a Workshop in Hissar in September 1992 within the framework of the PHARE programme which resulted in the elaboration of a strategy based on four actions :

- to simplify and expedite the establishment of private property rights in agriculture and the food distribution chain. This involves the restitution of land, the re-allocation of non-land assets of collectives through liquidation and the privatisation of assets in the rest of the food distribution system;
- to complete the liberalisation of prices and trade;
- to promote sustainable financial and credit policies as there is a strong need for special credit programmes to help overcome producers' shortage of working capital during the transition period;
- to stimulate institutional support for commercially viable agriculture. Efforts are to be concentrated on the promotion of competition and efficiency in the supply of inputs and in processing and marketing industries; on the improvement of the commercial infrastructure and services; on the development of a research and extension service appropriate to a transformed agricultural sector; on support for an appropriate legal and administrative framework for health protection; on the development of an irrigation system suited to private sector farm operations; and on support for the creation of a new policy framework for the effective promotion of regional development.

The four actions aim to implement the Agricultural Strategy and complement the actions already covered by the PHARE 1990 and 1991 programmes.

<sup>10</sup> million European Currency Units

# BULGARIA



# AGRICULTURE



### ***Programme Objectives***

The programme will continue to assist Bulgaria in the transformation, privatisation and rebuilding of the agricultural sector by :

- restoring property rights by accelerating land restitution and land registration;
- assisting in the privatisation of the remaining state-owned agricultural enterprises;
- promoting the development of private wholesale and auction market networks for agricultural products;
- promoting media coverage for the clarification of agricultural strategies; and
- building flexibility into the programme by incorporating a provision for general technical assistance to address other urgent issues arising during its implementation.

### ***Programme Description***

#### **1. Restoration of property rights**

**3.1 MECU**

##### ***Technical assistance & training***

Technical assistance will be provided to support the development of strategic land management and planning policy for a total of 24 man-months. The recent changes to the Law on Ownership and Use of Farm Land (LOUFL) and the formation of a new implementing institution within the Ministry indicate a more positive approach to land reform and the recognition that the restitution of farm land with full legal title is the essential basis for the regeneration of private agriculture. The technical assistance will also provide continued support for land restitution for a total of 24 man months and land registry for a total of 12 man months.

Training courses will also be provided for specific management and technological needs (9 months) as well as training courses within EC countries for senior and middle managers.

The programme will also finance the purchase of equipment to support air photography programmes for map updating (0.5 MECU), survey equipment (0.25 MECU) and land registry equipment (0.25 MECU)

##### ***Support for the liquidation of collectives***

A mobile task Force will be set up to help liquidation Committees to value and redistribute co-operative assets to the membership as well as to assess the operational and financial aspects of the co-operatives. The Task Force will help the Committees to resolve specific problems such as the separation of states' shares from collectives' shares, share definition and other elements which are currently slowing down the completion of the liquidation process. The expertise required will include:

- co-operative restructuring specialist - 10 man/months
- auctioneer specialists - 10 man/months
- financial specialists - 10 man/months
- receiver specialist - 10 man/months

#### **2. Privatisation of state-owned agriculture enterprises**

**1.9 MECU**

Technical assistance will be provided to help the Ministry of Agricultural Development, Land Use and Land Restitution to privatise the remaining Agricultural State Enterprises, including poultry and pig farms, breeding farms and flour mills. The programme will be co-ordinated with the privatisation Agency who will be looking to the PHARE-funded technical assistance to carry out technical and financial audits of the enterprises still waiting to be privatised. The expertise required will include technical staff, financial auditors and privatisation specialists for a total of 95 man/months.



### **3. Market development**

**2.25 MECU**

In order to help develop wholesale/auction markets and other marketing channels, the following technical assistance will be provided :

- advice on core numbers and locations of wholesale/auction markets  
5 man/months
- advice on the future location of wholesale/auction markets and transformation of likely facilities  
5 man/months
- professional and management training for wholesalers, auctioneers and civil servants employed by municipal facilities  
40 man/months
- definition of the scope and type of supporting activities (transport, insurance and grading standards)  
5 man/months
- assistance for the preparation of the necessary legislative requirements  
5 man/months
- provision of essential support and operational equipment  
1 MECU

### **4 Public Relations campaign for agricultural strategy promotion**

**1 MECU**

Assistance would be required to design, develop and implement an effective public relations campaign to encourage local initiatives and minimise the confusion over the Government's agricultural strategy. Its objectives and progress should reach the public through the various media channels - TV, radio and the written press - to create a strong sense of public involvement and co-operation.

### **5. General Technical Assistance Facility**

**1 MECU**

The GTAF is designed to provide a level of flexibility to cope with new constraints and will enable the programme to provide unexpected contingency technical assistance. It will also fund a feasibility study on regional development programmes incorporating all aspects of the agricultural and rural development strategy.

### **6. Project management unit**

**0.75 MECU**

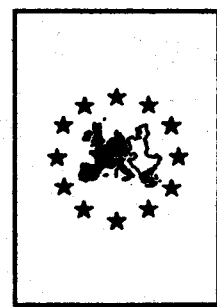
The PMU will concentrate on the development of a Bulgarian capability for projects and studies formulation. It will coordinate the various components of the Programme and will continuously monitor and evaluate it.

## **3. IMPLEMENTATION**

The programme will be implemented under the responsibility of the Ministry of Agricultural Development, Land Use and Land Restitution who will delegate when necessary the concrete implementation of the different components to either the Privatisation Agency or the Ministry of Regional Development and Construction.

Technical assistance contracts will be awarded following restricted tender or by direct agreement depending on the cost or specialist nature of the services. The procurement of equipment and supplies will be on the basis of open tenders or by restricted tendering if justified by the cost or special characteristics of the equipment.

# BULGARIA



# AGRICULTURE



## Restructuring of the Health Sector

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 14/12/92 at Management Committee meeting N° 21*

Country:	Bulgaria
Programme:	Restructuring of the health sector
Duration (years)	until 3/3/96
Year:	1992
EC Contribution:	10.5 MECU <sup>11</sup>
Sector classification:	Health
Responsible authority:	Ministry of Health

### 2. SUMMARY

#### *Background*

The health sector in Bulgaria has been deteriorating since the 1980s. Mortality rates in all sections of the population have risen, particularly amongst the under-fives where they now reach 1.7%. Studies of mortality rates indicate that health standards are far lower in rural areas than in the cities. Although due in part to the unfavourable socio-economic situation prevalent in the countryside, the figures are artificially worsened because the younger - and healthier - are moving to urban areas in search of employment. Overall, the ageing population boosts rates of cancer, heart disease and strokes.

The Ministry of Health has taken on the responsibility of developing a health care policy which includes the definition of standards, the supervision of health services and the training of personnel, but available resources are inadequate. This situation is not improved by the lack of competence of general practitioners and the poor integration of emergency services in both the public and private sector. The resulting inadequate emergency treatment services contribute to the high death rates of accident victims and cardiovascular patients: overall, over 50% of all deaths occur in these two groups. The insufficient numbers of trained doctors, public health specialists and para-medical personnel all contribute to the deteriorating situation.

The pharmaceutical sector is undergoing restructuring: supply and distribution systems are being decentralised, the sector is being prepared for privatisation. However, the lack of a regulatory structure is hampering the quality and pricing of medicines distributed throughout the country, as is the economic crisis. This is further exacerbated by the abolition of COMECON and the lack of hard currency needed for the purchase of raw materials.

A number of bi-lateral donors from the G-24 are already providing support programmes. The British, Americans, Dutch and Japanese are all working on specific micro projects.

<sup>11</sup> million European Currency Units

## ***Programme Objectives***

The PHARE programme aims to strengthen the institutional components of the healthcare sector by improving the services offered to the population and rationalising the use of human, financial and material resources of the healthcare sector.

## ***Programme Description***

The programme is composed of four separate elements :

- Support to financial reform and health insurance system 2.3  
MECU

The establishment of a health insurance system is the key stone for a number of reforms in as much as it conditions the development of new management and administration systems as well as the strengthening of the private sector. This will be undertaken by means of support to the Scientific and Practical Centre for Health Insurance in terms of technical assistance and equipment. The first phase of this programme is already under way and now needs to be evaluated for the definition of modules to put into practice the health insurance system. Management and informatics training is also an important part of this component.

- Training for healthcare personnel; definition of a training policy 4.6  
MECU

Technical assistance will be provided to define a training policy as well as undertaking training activities in areas identified as needing the most urgent support. Equipment will be provided as well as teaching material, while assistance will also be available for the development of a Health Commission at the Ministry of Health and for an Institute for medical demographic information. Public health administration and management training will also be given. Nursing and general practitioner training, together with a medical information data bank to help general practitioners will also be supplied.

- Support for preventative medicine 2.1  
MECU

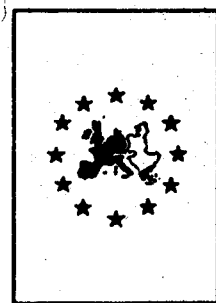
This part of the programme will offer technical assistance for the setting up of a national family planning programme involving NGOs. Support will also be available to reduce the large number of work-related accidents by providing technical assistance on the one hand, and studies on health and safety conditions at work on the other. This will be complemented by studies on the regulatory environment and the control and inspection techniques currently in use. A multi-disciplinary Commission for Health and Safety at Work will be set up to harmonise Bulgarian legislation with EC legislation. The PHARE programme will provide technical assistance, finance to fund study visits, documentation and training seminars and will supply the necessary equipment.

- Support for the development of the private practice of medicine 1 MECU

Technical assistance will be supplied in order to define the legislative context for the private practice of general medicine. The programme will also set up information centres for family practitioners.

A reserve fund of 0.5 MECU is also planned for.

# BULGARIA



# HEALTH



### 3. IMPLEMENTATION

#### *Programme management*

The Ministry of Health will have the overall responsibility for the implementation and co-ordination of the different sections of the programme. The Project Management Units set up for the first phase of the programme will be further enhanced by specific technical assistance, but the success of the programme will in essence depend on the effectiveness of the reforms undertaken by the government.

#### *Procurement*

The purchase of equipment and supplies will be undertaken through international calls for tender, or restricted agreement if justified by cost or technical reasons. Technical assistance and the provision of services will be sought through restricted contracts or direct agreement according to cost and the nature of the services required. The European Commission will evaluate the calls for tender in all instances.

## Environmental Sector Programme

- a PHARE assistance programme -

### 1. IDENTIFICATION

Country:	Bulgaria
Programme:	Environmental Sector Programme
Duration (years)	3 years
Year:	1991 and 1992
EC Contribution:	15 MECU: 1991: 7.5 MECU 1992: 7.5 MECU
Sector classification:	Environment
Responsible authority:	Ministry of Environment

### 2. SUMMARY

#### *Background*

Although Bulgaria has many natural advantages, it suffers from the same environmental problems as the other Central and Eastern European Countries, engendered by an economic system favouring the attainment of pre-set production targets at any costs. The problems have been exacerbated by the use of old technologies and by a total lack of concern for the environmental consequences of actions that have left parts of the country scarred or poisoned and that has polluted many resources.

However, Bulgaria differs from its neighbours in the level of popular environmental awareness. Green parties were instrumental in Bulgaria's transition to democracy and help to sustain the levels of both popular interest and specialist debate.

The ministry of the Environment has now been given a governing regulation outlining its tasks and its staffing levels, and decisions have been taken on some of the main problems, such as the future of the Kozloduy nuclear power plant and regional action in the Danube Basin and the Black Sea. The PHARE programme will assist the Government in meeting its targets.

#### *Programme Objectives*

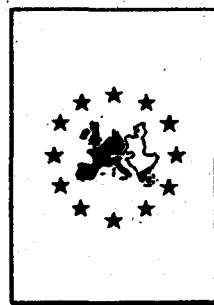
The programme aims to provide the framework for enhanced environmental activity by creating adequate data monitoring and information systems and by strengthening the Ministry of the Environment's capacity for action. The following objectives are targeted:

- to enhance the Ministry's capacity to develop appropriate strategies on the basis of improved information, in the context of its functional abilities;
- to ensure adequate public awareness and participation in the process;
- to enhance the monitoring capacity in all major environmental fields, starting with the critical areas of air, water and radiation, in order to provide the information upon which to base sound programmes; and
- to reinforce the technical expertise to manage and use the monitoring systems effectively.

The short-term objectives are:

1. to assist the Ministry in its task of developing appropriate responses to problems already identified and to ensure the integration of environmental concerns into the economic development activities;

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# ENVIRONMENT



2. to help the Ministry set its own short- and medium-term priorities for action, especially in relation to Government initiatives on matters likely to affect the environment; and
3. to identify and procure the appropriate monitoring equipment, and to establish a technical assistance programme to operate it, and lastly to use the results effectively.

### ***Programme Description***

The components of the immediate action programme reflect the priorities described above. They are divided into two sub-programmes. The first answers the technical and other needs of the central Ministry of the Environment. The other covers the Ministry's monitoring and related needs.

#### ***1. Institutional Strengthening and Policy Formulation.***

This part of the programme will provide a small team of technical advisors to assist in the formulation of national and/or sectoral environment strategies and policy instruments, and to integrate them with other sectoral policies. The sub-programme aims to define a development strategy which takes account of all aspects.

Technical assistance to the Ministry will be a flexible programme of cooperation between the PHARE team in the Project Management Unit and the units of the Ministry as a whole. It will provide full-time experts and a number of specialists with short-term inputs. There will also be the possibility of short term training for Ministry staff in EC Member States.

The full-time experts are required for core technical assistance to the Ministry, providing support for the development of its capacity to participate in the national economic reconstruction and development process. Furthermore, the team will provide advice on the evolution of the Ministry's work programme and action as part of the identification of longer term needs.

Short term specialists will be provided in the first instance for environmental impact assessment tasks, to carry out environmental audit of existing enterprises, and to help develop appropriate economic and fiscal instruments. A further need is likely to be advice on the development and effective use of the Ministry's existing environmental fund in conjunction with other instruments being developed.

Lastly, training courses will provide more specific skills in policy formulation and in the use of the various instruments adopted.

#### ***2. Environmental Monitoring.***

##### ***• Air Pollution Monitoring Network***

The main air pollutants are particulates and SO<sub>2</sub>, both serious health risks. The principal problems are linked to the low operating efficiency of burners and the high sulphur and ash content of much of the coal used. This is compounded by local pollution from heavy metals and from chemical processes, which occurs in many industrial areas. In urban areas, heating and traffic contribute significantly.

The present monitoring network includes 93 permanent measuring points. Non-continuous monitoring is carried out on basic parameters including dust, SO<sub>2</sub> and NO<sub>2</sub>, but are limited by the mobile equipment available. The number of monitoring points appear to be adequate to cover the needs, but the equipment is outdated, unreliable, and/or poorly calibrated, giving doubtful results. The essential needs are to update the system either by repairing existing equipment, or by introducing new equipment. Staff training will be geared to the new equipment for both the monitoring and the quality control facilities. Specific air monitoring programmes may need to be devised for areas of significant pollution arising either from local industry or from specific climatic conditions.

##### ***• Water Pollution Monitoring***

Fourteen out of 15 Bulgarian river basins are polluted, worst affected are the lowland or plateau sectors close to major urban or industrial concentrations. The range of both

organic and inorganic pollutants is impressive. Major urban areas have waste water treatment facilities, but these often operate below capacity.

Analysis and reliability problems are similar to those found in the air monitoring system and the principal needs are to update and improve the existing monitoring network. Technical assistance needs are similar. The two principal issues likely to arise in the near future are the Danube Basin System and the Black Sea, both of which to be dealt with by international conventions currently in preparation.

- Radiation Monitoring

Kozloduy nuclear power station produces 40% of the country's generated electricity. Its current monitoring network is inadequate to provide early warning of radiation increases. As with the previous monitoring systems, the need is not for replacement, but for updating and reinforcing the present system by means of new equipment and new laboratories.

- Central Control Unit and Laboratories

The Ministry's Environmental Research and Information Centre (ERIC) is the hub of both the laboratory and the data processing services in Bulgaria. Its capabilities need to be developed in parallel with the monitoring networks. In addition, the Centre should be the hub of technical assistance and training programmes for the 16 regional inspectorates into which Bulgaria is divided.

### 3. IMPLEMENTATION

#### *Programme management*

The implementing Authority will be the Ministry of the Environment. A Project Management Unit (PMU) will be set up and will ensure the completion of programme preparation. The Ministry will provide the staff, office space, support services and basic running costs of the PMU and of the ERIC.

A financing facility will be established at a local bank, including a special bank account in the name of the Ministry of the Environment and denominated in ECU.

#### *Procurement*

Equipment procurement will be subject to international tender, or through restricted consultation if justified by the cost or special technical characteristics of the equipment.

Technical assistance will be recruited either by restricted consultation or direct agreement depending on the cost and specialist nature of the services.

Small expenditures could be incurred on the basis of direct agreement.

# BULGARIA



# ENVIRONMENT



## Energy Sector Programme

- a PHARE assistance programme -

### 1. IDENTIFICATION

Country:	Bulgaria
Programme:	Assistance for restructuring of the energy sector
Duration (years)	3 years
Funding years:	1991 and 1992
EC Contribution:	10 MECU (1991: 2 MECU, 1992: 8 MECU)
Sector classification:	Energy
Responsible authority:	Committee for Energy

### 2. SUMMARY

#### *Background*

The Bulgarian energy sector faces several difficult problems. Energy use and waste is very high, especially in the large inefficient and obsolete industrial sector. Low subsidised energy prices play an important role in this regard. Furthermore, the sector is centralised and monopolised. Bulgaria possesses limited resources of fossil fuels (mostly poor quality lignite) and is still heavily dependent on the former Soviet Union for imports of oil, gas, hard coal and electricity. Nuclear capacity is very high: it accounts for some 40% of the country's electricity supply and more than 10% of the total energy needs. But the Kozloduy nuclear power plant, incorporating first generation Soviet pressured water reactors, presents large safety risks. The disposal of nuclear waste, which formerly could be exported free of charge to the former USSR, poses a new problem for Bulgaria.

In order to remedy the short term nuclear safety risks, the Commission, after a positive opinion of the PHARE Management Committee, has approved an emergency nuclear safety programme of 11.5 MECU. That programme, focused on Bulgaria, is the first tranche of a 15 MECU Regional Nuclear Safety programme.

The present programme will assist the Bulgarian authorities to remedy the deficiencies of the energy sector.

#### *Programme Objectives*

The Bulgarian indicative programme covers a two years period. In order to improve the coherence and the comprehensive character of the "Energy Sector Programme", a set of actions covering the two year period has been prepared. On the 1991 budget a number of start-up activities will be financed for a total of 2 MECU. These will be expanded with the 8 MECU available from the 1992 budget.

The aims of this programme are to provide assistance to achieve the following:

- increase the efficiency of the energy sector according to the principles of a market economy;
- increase nuclear safety;
- optimise the use of existing resources;
- improve the rational use of energy;
- diversify and secure supply; and
- increase the levels of environmental protection in energy generation and use.



## ***Programme Description***

### **Non-nuclear energy sector: policy & efficiency**

A high level energy policy advisory unit will be created within the committee for Energy to advise senior management on all aspects of developing the appropriate Bulgarian model for energy policy. The Advisory Unit will consist of at least 2 permanent experts selected in agreement with the Bulgarian authorities. This unit will have a lifetime of at least 24 months.

As a matter of priority, the unit will address the following issues:

- the structure of the energy sector, in particular the role of public and private operators;
- energy policy formulation, including demand forecasting and management, supply questions and environmental issues. Assistance to collect, treat and analyse statistical data is also necessary and planning purposes;
- pricing and taxation policies, including recommendations on pricing levels and structures and their impact on the energy producers, on consumers and on Government revenue.
- energy conversion and efficiency measures: possible instruments may include information on efficiency improvement, the provision of financial incentives and the preparation of specific studies. Governmental institutions, regional and local authorities, industry and the private consumer should all be addressed. The social consequences of the measures to be proposed will be taken into account.
- The setting up and management of a database on energy projects and proposals, including training in the areas of investment analysis, the preparation of financing packages, and contract negotiations. This would enable the authorities to avoid duplication of assistance and encourage cooperative measures such as co-financing by several donor agencies.

### **Nuclear energy sector**

Please see also the PHARE Regional Programme for Nuclear Safety and the PHARE Bulgaria Nuclear Safety Programme, as the present programme will deal with nuclear issues in a manner already agreed upon. The exception is the problem of nuclear waste disposal:

In view of the increasing quantities of radioactive wastes, it becomes urgent to envisage a repository. Assistance will be given to the creation of a final storage site as well as to the preparation relevant legislation which will be similar to legislation existing in other countries. Adequate software will be provided in order to realise such studies.

### **Diversification & security of supplies**

In order to improve the diversification and security of supply, lignite resources, gas and electricity will be addressed in the following studies:

- National Programme for the development of domestic lignite

Lignite is more or less the sole domestic energy resource. Bulgaria needs a national programme to optimise the use of this resource, especially considering the environmental impact of lignite, the difficulties with energy imports and the possible future reconsideration of the nuclear programme.

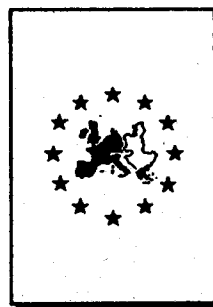
- Gas supply to households

A study will be carried out to assess on a least cost basis the potential to supply gas directly to households as an alternative to the existing district heating system, which entails relatively high economic and environmental costs.

- Electricity generation: medium- and long-term strategic study

As a result of the current economic reforms, the conditions under which the power generation sector operates will change radically and the operations of the Bulgarian electricity supply industry will need to be evaluated and reoriented. Account will also

# BULGARIA



# ENERGY



have to be taken of the results of the present investigation into the future of the Kozloduy nuclear power plant.

An electricity strategy study has been proposed involving a limited number of sponsoring organisations, coordinated by the EC Commission in close liaison with the Bulgarian authorities.

The study should be action oriented and include a list of investments needed in the power generation industry, in high voltage networks and in environmental protection measures. The study will address these issues in the short and long run and provide justified suggestions for courses of action.

The study will be divided into 5 sections dealing with:

- the reorganisation of the electricity sector;
- demand forecasting, including recommendations on demand management;
- power generation;
- distribution networks; and
- the environment.

The EC will take direct responsibility for the sections on generation and the network.

The *generation* module will make recommendations on ways to improve short-term efficiency and prepare a prioritised list of necessary investments.

The *network* module will review the performance of the existing high voltage network and evaluate the level of supply security available. Account will have to be taken of any broader regional-based strategy.

- Conversion of the Kozloduy nuclear units to combined gas cycle turbines.

A study is planned to look into the possibility of converting this nuclear power plant to a combined gas cycle unit. This study can be started up after the results of an IAEW/WANO study on the modernisation of nuclear units in Eastern Europe become available.

### 3. IMPLEMENTATION

#### *Programme management*

Technical assistance and training will be arranged for management in energy production and distribution companies. The assistance will cover overall management, marketing, technical, financial and personnel management issues. The assistance will be provided mainly by experienced managers from EC countries and will be organised principally by way of on-the-job training in Bulgaria. Training modules in EC countries will also be considered.

#### *Procurement*

A contract will be concluded with a qualified consultant to strengthen the capacities of the Project Implementation Unit (PIU).

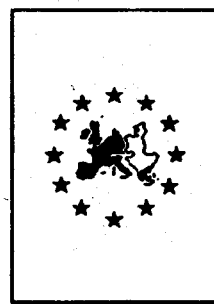
The PIU will conclude contracts with those contractors best qualified after a restricted tendering procedure. This administrative part of their task will be carried out in close collaboration with the Implementation Units set up in the Ministry to deal with other parts of the PHARE Programme (Industrial Restructuring).

Standard PHARE/EC procurement and tendering rules apply.

## Complementary Energy Programme

- a PHARE assistance programme -

# BULGARIA



# ENERGY II

### 1. IDENTIFICATION

*Decision taken 2/12/92 at Management Committee meeting N° 20*

Country: Bulgaria  
Programme: Complementary emergency energy programme  
for the winter of 1992/1993.  
Year: 1992  
EC Contribution: 10 MECU  
(a further 10 MECU will be allocated in 1993)  
Sector classification: Energy

### 2. SUMMARY

#### **Background**

This programme is an emergency programme for the winter of 1992/93. It consists of two separate, but complementary parts:

1. assistance with the generation & availability of electricity of non-nuclear origin;
2. emergency assistance for the operators of Units 5 and 6 of Kozloduy nuclear power plant

#### **1. Generation & availability of non-nuclear electricity**

During the winter of 1991/92, emergency assistance was given to Bulgaria in the form of electricity supplies valued at 10 MECU. This kept power cuts affecting the public to a minimum.

The measures introduced since then under the PHARE energy programme are intended to improve the situation, in particular by promoting more rational use of electricity and by modernising conventional power stations.

The incident which affected Units 5 and 6 on 22 September has severely penalised the country's electricity-generating capacity. Already Bulgaria imports approximately 1000MW of electricity. This winter, the availability of the additional means of production will be critical.

Despite a reduction in electricity consumption of around 5% a year since 1990, the crisis situation brought about by the present unavailability of Units 5 and 6 of the Kozloduy power station necessitates urgent action in the form of a new emergency programme for the winter of 1992/93. Needs are estimated at about 2000MW.

#### **2. Existing assistance to Kozloduy**

This component will extend the nuclear safety assistance programmes already being implemented, namely: the 3.5 MECU national programme for Kozloduy and the relevant part of the 20 MECU regional programme. The regional programme foresees 6 MECU for the safety authorities of all PHARE countries, and 7MECU for those PHARE countries with VVER440 V230 reactors. The detailed breakdown of aid is the responsibility of the recipient countries, but the following orders of magnitude are likely in the case of Bulgaria: ECU 1 to 1.5 million for the safety authorities and 4 to 5 MECU to support operators.



### **Programme Objectives**

#### **1. Non-nuclear electricity**

Reflecting the logic of the actions taken under the PHARE programme, and in accordance with the recommendations from EURELECTRIC on behalf of the Commission, the objectives of the emergency assistance, in the following order of priority, are:

- the reduction and better spread of demand to reduce black- or brown-outs;
- improve the supply of electricity generated in conventional power stations by supplying spare parts and fuel;
- improve the supply of electricity by direct imports of power if the two actions outlined above fail to meet basic needs.

#### **2. Nuclear power generation: assistance for the operators of Units 5 and 6**

This extension of the programme is designed to provide financial assistance to the Bulgarian authorities in order to cover the additional expenditures necessary to ensure the maximum availability of these units in the winter months, a crucial factor given their importance in terms of electricity output.

### **Programme Description**

#### **1. Non-nuclear sector**

##### **Short-term demand reduction**

- decrease the volume of industrial consumption at peak times;
- carry out a public information campaign to encourage domestic consumers to reduce their consumption. This campaign will be planned and implemented by the EBRD.

##### **Improving the availability of thermal power**

- increase fuel supplies to thermal power generators;
- supply needed spare parts to bring back into service currently unavailable generating units.

##### **Electricity supplies**

Bulgaria will receive additional electricity supplies from neighbouring countries should these emergency measures fail to prevent a significant shortfall of capacity. The technical and economic conditions will be validated by experts made available to the State Committee for Energy by the PHARE programme.

#### **2. Projects concerning Units 5 and 6**

An emergency assistance programme is absolutely essential in order to improve the availability of the units for the winter of 1992/93. The management of work, the quality of the work, the role of contractors, their qualifications, the division of responsibilities, etc. will be receiving particular attention.

### 3. IMPLEMENTATION

#### *Programme management*

The non-nuclear part of the assistance programme will be implemented by the National Energy Company under the authority of the State Committee for Energy. The three EEC experts placed at the Bulgarian Government's disposal by the PHARE energy programme are already involved in the planning of all the components of the assistance.

For the Kozloduy Power Plant, a consultant chosen by the Commission will be in charge. Coordination with other bilateral programmes will take place in the context of the G-24's Kozloduy project Group chaired by the Director-General for the Environment, Nuclear Safety and Civil Protection.

#### *Procurement*

The contracts concerning the supply of coal and electricity will be prepared and negotiated by procurement advisors placed at the Bulgarian Government's disposal by PHARE. The supply for coal and electricity shall be supplied by PHARE beneficiary countries or the member states. A counterpart fund will be set up and used for the construction of a desulfuration system for the thermal power station of Maritsa East II.

# BULGARIA



# ENERGY II

## Nuclear Safety at Kozloduy power plant

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 8 July 1992 at Management Committee meeting N° 17*

Country:	Bulgaria
Programme:	Continuation of the PHARE 1991 nuclear safety programme at the Kozloduy nuclear power plant
Duration (years)	
Year:	1992
EC Contribution:	3.5 MECU <sup>12</sup>
Sector classification:	Nuclear safety
Responsible authority:	Energy Committee of Bulgaria, Committee for the Peaceful Use of Atomic Energy

### 2. SUMMARY



#### *Background*

The subject of nuclear safety in Central and Eastern Europe has been extensively discussed at international fora of late. A number of orientations are expected to crystallise from these meetings which will influence the future actions not only of PHARE but of all the organisations involved in the field.

Bulgaria shares similar energy problems to the rest of the CEEC<sup>13</sup>. They are compounded by her dependence on nuclear energy. Soviet-designed VVER 230 reactors running at Kozloduy are reputed to be the world's most dangerous. Poor design (such as the lack of containment structures) is worsened by shoddy maintenance, a lack of spare parts, of skilled staff and even a lack of comprehensive operating manuals. As these reactors provide about 40% of the national energy supply, the most obvious solution to these problems - an immediate shutdown of the affected reactors - cannot be envisaged. Bulgaria will need something like 4 to 7 years to develop alternative energy supplies. In the short term, the Bulgarian authorities hope to put Unit 2 of Kozloduy back on stream in safeish conditions to satisfy electricity needs this winter. The PHARE programme, which committed 11.5 MECU last summer to Kozloduy, is actively assisting the authorities in running the plant as safely as possible, by providing a variety of services. The programme also sees to it that the "house is being kept in order" and is encouraging a modern safety culture. Additionally and concurrently, a PHARE energy programme for 10 MECU helped to set up a High Level Advisory Unit in the Committee for the Peaceful Use of Atomic Energy. This unit aims to determine energy policy, diversification of supplies and the possible conversion of Kozloduy to a clean gas supply unit. The unit must also consider alternative methods of disposing of the nuclear waste previously shipped back to the former USSR.

#### *Programme objectives*

<sup>12</sup> million European Currency Units

<sup>13</sup> Central & Eastern European Countries

The Kozloduy project, due initially to run for six months, has taken a year to overcome initial organisational difficulties. It is well on target to finish by November 1992. This component aims to build on the results achieved so far.

#### **Programme description**

The 1992 programme will have two main components:

##### **Housekeeping and outage tasks**

The WANO with the assistance of PHARE will second an Outage Assistance Team (OUT) of about 18 Western experts to Bulgaria. Six will go to ENERGOPROJECT, a nuclear design institute in Sofia and the rest will reinforce the nuclear operators who are implementing Phase I (1991) of the assistance programme in Kozloduy. OUT's programme will include maintenance and housekeeping activities to restore the initial physical conditions of the equipment and buildings in Kozloduy and the up-grading of the safety level by implementing design modifications, improvement of plant management and organisation, as well as operating and maintenance procedures.

WANO, with the assistance of PHARE and TACIS, is co-ordinating and exchanging information with the similar programmes operating in the CSFR and the CIS where similar reactors are operating.

WANO will also arrange a twinning scheme between Kozloduy and the Bugey nuclear power plant (France). This will heighten the Bulgarian operators' awareness of international operational standards, whilst taking into account local conditions so that the concept of a safety culture can be cultivated. Maintenance and operating procedures, particularly for emergencies and abnormal operations, are to be developed. In the main, permanent experts will be seconded to Bulgaria but visits to Bugey are also envisaged by Bulgarian operators.

##### **The WANO six months programme**

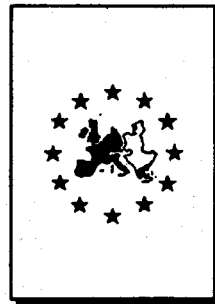
Through this component, the competent Bulgarian authorities will be reinforced by a consortium of 4 Western regulatory bodies, selected by an international bidding process. The objectives are to improve the regulatory framework and the capacity of the regulatory authorities to enforce safety regulations and grant or withhold operating licenses

The Consortium, in co-operation with the Committee for the Peaceful Use of Atomic Energy, will evaluate the WANO outage programme.

### **3. IMPLEMENTATION**

WANO has been contracted by PHARE to set up a Programme Implementation Unit geographically balanced between its Paris Centre and Sofia to assist in the overall co-ordination and contract management. The Commission-initiated steering committee has representatives from Member States and relevant international organisations.

# BULGARIA



# NUCLEAR SAFETY

## General Technical Assistance Facility

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken at Management Committee meeting N°*

Country:	Czech and Slovak Federal Republic
Programme:	General Technical Assistance Facility part II
Duration (years)	
Year:	1992
EC Contribution:	30 MECU <sup>14</sup>
Sector classification:	Multidisciplinary
Responsible authority:	Bureau for the Coordination of Foreign Assistance

### 2. SUMMARY



#### *Programme objectives*

The general objective of the GTAF II/92 is to assist the authorities to develop appropriate sectoral reforms in areas where market-oriented legislative policies and appropriate institutions are required and where the necessary amount of PHARE support does not justify a separate system of management.

GTAf II is a flexible fund which will be used for financing short and medium term technical assistance measures in the areas of finance and banking, transport, trade, health and social security, public administration and agriculture. The funds may also be used to cover the foreign exchange costs of equipment required by the projects.

An asterisk (\*) denotes projects which build on the projects launched under part I of the GTAF.

#### *Programme description*

##### *(\*) Financial Sector (5 MECU)*

GTAf I provided expertise and support to carry out feasibility and design studies in the fields of banking staff training, export guarantee schemes, banking supervision, accounting etc. Permanent support is foreseen for some of these areas in GTAf II.

Under GTAf II, a State Treasury will be introduced to improve the Ministry of Finance's capacity to manage state expenditures and to improve the information systems. New training structures will be set up for insurance companies.

##### *(\*) Transport (2MECU)*

GTAf I carried out studies in transport management, human resources, the organisation of the Ministry of Transport and transport legislation. Projects that could be commercially financed, such as pre-investment and user charges systems in road transport, were studied in collaboration with other IFIs<sup>15</sup>

<sup>14</sup> million European Currency Units

<sup>15</sup> International Financing Institutions



GTAF II will restructure and, where appropriate, privatise the major state enterprises for transport (rail, road, intercity, urban) and consider infrastructural priorities for investment planning (feasibility studies and environmental impact evaluations).

*Trade Promotion, including assistance to customs, UN/EDIFACT, Chamber of Commerce, Standardisation, Industrial Property protection and Statistics. (8 MECU)*

- UN/EDIFACT (Electronic Data Interchange for Administration, Commerce and Transport): most transactions in the CSFR are currently paper-based. GTAF II will ensure the coherence and integration of Electronic Data Interchange (EDI) in the CSFR with the current Western European approach as defined by TEDIS (Trade Electronic Data Interchange System) and implement and disseminate the results of a number of pilot projects (in particular to SME's).
- (\*) For customs, GTAF II will work on the results of the feasibility study undertaken under GTAF part I in 1991 and set up a data processing system which includes the procedures for import and export, customs automatization, and the application of combined nomenclature and integrated tariff structures as used in the EC. (this programme is linked to the Regional Programme for customs co-operation 1991).
- The Czechoslovak Chamber of Commerce (CCCI) is setting up a network of regional offices throughout the country for which GTAF II will provide support in the form of planning and devising an appropriate communication system.
- (\*) In line with the Association agreements GTAF II will provide for voluntary and mandatory standardisation to improve compatibility with the international community and hence export prospects and at the same time protect the consumer and the environment. Proposals include the purchase of hardware, software and related training for processing standards and disseminating them efficiently. Key equipment for testing laboratories for export quality will also be provided. (Linked with the 1992 Regional Programme for Quality Assurance).
- Industrial property problems will be dealt with by the Federal Office for Inventions (FOI) in conjunction with the European Patent Office. A five year modernisation plan linked to a detailed investment schedule is currently being drawn up. The new industrial property Laws of 1991 will result in the eventual accession of the CSFR to the Patent Co-operation Treaty. The resultant, considerable modernisation of equipment and training which will be required by the FOI will be provided by GTAF.
- Technical Assistance and training are provided for the design and implementation of statistical techniques, methodologies and information technology (hardware, software, training) under the Regional Programme for Statistical Co-operation. Following recommendations from the Eurostat office, the GTAF will (i) convert the present system, (ii) extend and develop the system hardware and (iii) set up a training programme. A steering group will be set up for this component.

*Social Sector development: Health (4 MECU)*

New legislation on the broad framework of reforms has been adopted and efforts are concentrated on the implementation of the financing of a new system including health insurance and a new management structure. The GTAF II will also concentrate on providing a network of advisory centres for primary health care and developing information systems for health promotion. Health insurance systems will also be monitored.

SME loan facilities will be accessible to General Practitioners to allow the setting up of private practices.

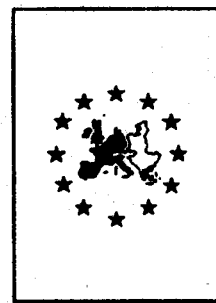
*(\*) Social Sector development: Social Security (2MECU)*

This sector is well supported by the GTAF I which has been used to develop social security systems; their computerisation at republic and district level, the design of a family benefit and social assistance system and other topical issues.

GTAF II will establish appropriate financing mechanisms and support institution building in the sector.

*Public Administration (1 MECU)*

CSFR



GTAF

# CSFR



# GTAF

Following the regional SIGMA programme, basic civil servant policy is being redesigned and reformed. GTAF II will provide further national Technical Assistance in the form of study visits, seminars etc., and in particular envisages setting up a public administration training system.

#### *Local Government (1 MECU)*

GTAF II will extend and intensify the training system and continue to assess the needs set up and exposed by the GTAF I

#### *Agriculture (3 MECU)*

In the main, GTAF II will set up a wide-ranging sector study to find alternative activities to agriculture in the unprofitable marginal areas and reduce ecological damage to soil, food and water. Following this, there will be a regional planning study for diversification in the marginal areas; assistance in the "greening" of agriculture and the development and implementation of a training programme.

### 3. IMPLEMENTATION

The Federal government in December 1991 set up the Bureau for Foreign Aid Co-ordination which forms the liaison secretariat for the two republics and the International Financial Institutions. The Council is currently chaired by Mr Vladimir Dlouhy, Federal Minister for the Economy.

For the purposes of PHARE the Bureau houses a special GTAF Programme Management Unit which will be responsible for the overall management of the GTAF programme.

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

## Privatisation, restructuring & private sector development

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 3/7/92 at Management Committee meeting N° 18*

Country:	Czech and Slovak Federal Republic
Programme:	Privatisation, restructuring and private sector development
Duration (years)	3
Year:	1992
EC Contribution:	31 MECU <sup>16</sup>
Sector classification:	Industry - Restructuring & privatisation
Responsible authority:	Federal Ministry of the Economy

### 2. SUMMARY

#### *Background*

The privatisation programme in the CSFR is amongst the most successful in the region. It is being pursued despite the constitutional changes affecting the country and is following a two-pronged approach.

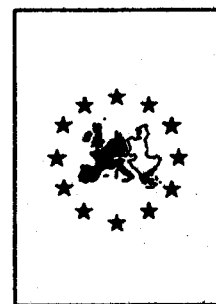
Under the Small Privatisation Act, 50,000 small businesses are being sold in two rounds. The first round has been completed. The second round will continue into 1993. More than 20,000 units had been privatised by the end of 1991, the last date for which figures are available.

The sale of medium and large enterprises is governed by a voucher scheme established in the summer of 1991. After identifying those enterprises which, for a variety of reasons, were unlikely to be privatised over the next five years, the target businesses were prepared for privatisation in two waves. The first wave of privatisation is at present underway. Shares are allocated to voucher holders according to their wishes in a computer-run, market-driven fashion. Vouchers and shares may be traded, although as yet there are no comprehensive securities laws. The interest generated has nevertheless been great and has led to the organic rise of a large number of private investment funds. This encouraging development makes the concentration of ownership possible and keeps the market liquid, thereby at one stroke creating the most important conditions for an efficient allocation of capital resources. An idea of the scale of the programme can be gained from the following table:

	First wave	Second wave	No privat. for five years	Liquidated	TOTAL
Czech rep.	1176	1170	439	41	3426
Slovakia	624	562	665	35	1886
TOTAL	2400	1732	1104	76	5312

<sup>16</sup> million European Currency Units

CSFR



PRIVATISATION &  
RESTRUCTURING

# CSFR



## PRIVATISATION & RESTRUCTURING

Both the hard and soft aspects of enterprise restructuring<sup>17</sup> are now the main challenges facing the CSFR. Capital finance for hard aspects are expected to come from sources such as the international development banks and the commercial capital markets. PHARE assistance will concentrate on soft aspects.

The industrial profile of the CSFR is still dominated by heavy industries, although their present decline is accelerating. As such industries tend to cluster in certain regions, the social impact of their decline can be severe. PHARE allows for this by including regional factors in its programming.

The mobilisation of foreign capital is the third major factor that will influence the success of economic restructuring programmes. PHARE will take an active role to promote investments.

### *Programme objectives*

Specific objectives are:

- to further the privatisation of selected enterprises;
- to develop planning and management capacities in the processes of industrial reconversion and development in two selected regions; and
- to strengthen the institutional capacity to promote investment and inward capital flows.

### *Programme description*

The programme will include three components: privatisation & restructuring, regional reconversion (including SME development), and investment promotion.

#### *1. Privatisation and restructuring: 11 MECU*

The 1991 programme followed a two-pronged approach:

- support for policy and strategy formulation, training, project management and other short-term needs; and
- technical assistance to enterprises for essential preparatory tasks required prior to privatisation.

Sixty to eighty interventions were covered. While this is clearly insufficient, given the number of businesses involved, the newly apparent pressing need for assistance to soft aspects of restructuring will be the priority concern of the programme this year. Nevertheless, about 5 MECU of the allocation will be made available for preparatory work similar to last year's programme.

A Soft Restructuring Facility (SRF) will be set up to assist the implementation of selected companies' soft restructuring plans. In addition to providing help in tackling the whole gamut of subjects related to soft restructuring, the SRF will act as a pump priming instrument, designed to help enterprises attract investment and loans through better project preparation, seminars etc. Special consideration will be given to those sectors where an overall restructuring policy was developed with PHARE assistance in 1991<sup>18</sup>. The facility will be financed by a cost-sharing formula, with the funds being fully repaid should the assisted company reach a state of full profitability. These reimbursed sums will finance a revolving fund facility available for further assistance measures in the field of enterprise restructuring.

<sup>17</sup> Hard aspects: capital, investment, modernisation of plant and machinery etc.;

Soft aspects: organisation, management, personnel, training, process management, marketing, research and development, design...

<sup>18</sup> steel, coal, defence and pharmaceuticals

## 2. regional reconversion and development: 16 MECU

Two regions have been selected by the federal authorities for support under this scheme: *Ostrava* in the Czech Republic and *Horne Povazie* in Slovakia. The regions are contiguous with each other and with the Polish "black country" centred on Katowice. Both areas rely excessively on mining and heavy industries, suffer from high unemployment and show growing signs of social degeneration.

### 2.1 Regional Development Agencies

A Regional Development Agency will be established in each region. The agencies' functions include the co-ordination of reconversion policy, regional and local reconversion planning (including environmental aspects), the promotion of human resource development schemes, assistance in turning idle land and buildings into premises for new businesses, and the promotion of external investment.

Each Agency will have an autonomous status and will play a central role in mobilising resources available through other national or local schemes. A council representing the major public and private interests of the region will oversee each agency and provide their strategic orientations.

PHARE will support the agencies through in-house technical assistance, the provision of short-term expertise, staff training, funding for studies and other related measures. Furthermore, a close co-operation with the PHARE labour market and SME programmes will be stressed. The agencies will also be able to draw resources and support from other parts of the present programme.

### 2.2 SME development

This component will be run in the two regions identified above. The growth of a strong SME sector in these regions is essential to generate new jobs and economic activities. PHARE will therefore help local institutions to implement measures essential to SMEs, such as business advisory services and the promotion of financial access. The 1991 programme of credit and loan guarantee schemes will be extended in both regions through local banks.

As access to non-debt finance is the biggest hurdle facing the developing SME sector, the guarantee programme will be complemented by locally-established SME Funds. These Funds will be commercially managed and are expected to show a profitable return. The directors will report back to a board nominated by the shareholders<sup>19</sup>. The Funds will provide seed financing, subordinated loans and other non-debt financing to commercially and socially appraised SME projects. Involvement with any SME will cease once commercial viability has been achieved. The money involved will be rolled over into new projects.

Business advisory services may be provided either by the Funds or by the National SME programme. The duplication of efforts will be avoided through close co-operation between the institutions involved.

PHARE will provide a full range of support measures to this component, including management and technical assistance for up to two years, some capital, and training services. Considering the scale of the problem, PHARE support can only be an initial contribution. Therefore, the Funds will seek to mobilise other sources of national and international capital.

## 3. Investment Promotion: 4 MECU

This component, which will be run on both republican and regional levels, is being implemented in three steps.

<sup>19</sup> Shareholders will be national, republican and local government, local banks and local major industries.

CSFR



PRIVATISATION &  
RESTRUCTURING



Firstly, the strategic, organisational and institutional details of the operation are to be finalised.

Secondly, the operational plan will be implemented over a thirty-month period. This will provide for strategic planning, co-ordination with other ministries and interested institutions, running promotional and marketing plans, market research, training, etc.

Thirdly, all steps are being taken to create the most effective long-term institutional structure possible for investment promotion. This involves the continuing assessment of requirements and the definition of the precise role of the various agencies involved.

### 3. *IMPLEMENTATION*

*Privatisation & restructuring:* this will use the organisational framework established under the 1991 PHARE privatisation & restructuring programme.

*Regional development:* this component will be run under the aegis of the Republican Ministries of the Economy until the regional agencies and SME funds are operational.

*Investment promotion:* the Federal Agency for Foreign Investment is the overall co-ordinator. The Czech Ministry of Economy and the Slovak Ministry for International Relations are responsible for the Republican components of the project.

#### *Procurement:*

Technical assistance will be obtained either by restricted tendering or by direct agreement, depending on cost and nature of the services.

Procurement of goods will be by international open tender. Minor purchases may be made by direct agreement.

## Renewal of the Educational System

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 30/7/92 at Management Committee meeting N°18*

Country:	Czech and Slovak Federal Republic
Programme:	Renewal of the Educational System
Duration (years)	4
Year:	1992
EC Contribution:	10 MECU <sup>20</sup>
Sector classification:	Education
Responsible authority:	Ministry of Education, Youth and Sports of the Czech Republic, Ministry of Education, Youth and Sports of the Slovak Republic

### 2. SUMMARY

#### *Background*

Although many changes have taken place in the education systems of both constituent Republics of the CSFR, there are still severe problems resulting from the 42-year long state and communist party command structure. Education is not yet 'central' in the country's overall effort towards renewal, and there is no coherent set of policies aimed at identifying priority needs and actions necessary to meet problems. Existing bottlenecks lead to a low numbers of secondary school leavers, narrow curricula and little contact with businesses and future employers who have no apparent interest in education and training. Current teaching methods do not favour individual development or a receptivity to change and there is a lack of appropriate basic educational materials.

#### *Programme objectives*

The programme will support the renewal and modernisation of the country's educational systems within its transition to a pluralistic democratic society and market economy by :

- developing reform policies for the different educational sectors and their interaction;
- improving the quality of primary and secondary education;
- enhancing foreign language teaching and learning;
- strengthening decentralised management and administration of schools; and
- diversifying higher education.

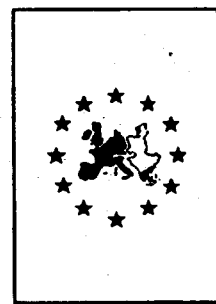
#### *Programme description*

##### *1. Education policy development : 1 MECU*

The programme is aimed at providing technical and financial assistance for education policy development and at proposing concrete measures with a view to implementing these policies and strategies.

<sup>20</sup> million European Currency Units

CSFR



EDUCATION



*Priority actions: 8 MECU*

Specific policy recommendations are expected to cover new or amended legislative frameworks for the different educational sectors as well as the future decentralisation and development of school autonomy. Similarly, the development of a comprehensive educational information system will be teamed up with recommendations to changes in institutional structures, curricular reforms and teacher training.

There are a number of selected priority actions which cover the key areas for reform :

*2.1. Improvement of basic and secondary education 3.5 MECU*

This area targets three sub-projects involving curriculum development and teaching materials preparation; education for citizenship and European studies; and an innovation fund. Short and medium-term Technical Assistance will be provided for the organisation of seminars and working groups, while the innovation fund is directed at supporting local initiatives aimed at innovation and improvement of primary and secondary school education. The PHARE contributions will complement national Funds, the principles of which have already been adopted by the Ministry of Education of the Czech Republic.

*2.2 Foreign language teaching and training : 2 MECU*

PHARE will provide short and medium-term technical assistance and financing for the development of "short-cycle higher education studies"; the creation of separate foreign language teacher training colleges; curriculum development; and intensive training seminars for the teachers and directors of the new sections and colleges.

*2.3 Management and Administration of schools : 0.5 MECU*

PHARE will provide support for the development of new school management and administration methods in the context of the overall decentralisation of the education system. PHARE will provide technical and financial assistance for the setting up of Resource Centres in each Republic to collect information on legislation and proposed policies. Also envisaged is the preparation and distribution of a handbook on school administration and self-management, short-period (1-3 month) placements of lecturers and intensive training seminars.

*2.4 Development of non-university higher education: 2 MECU*

The PHARE programme will support the development and introduction of new short-cycle courses and provide technical assistance for seminars and study visits.

*3. Joint Steering Committee and Programme Management Unit funding: 1 MECU*

### 3. IMPLEMENTATION

The management co-ordination and implementation of the programme will be effected by the secondment of 2 long-term technical assistants, the provision of short-term expertise to the Republic PMUs together with the financing of equipment. A Joint Programme Steering Committee (JSPC) will be set up by the two Ministers of Education of the two Republics. It will be in charge of the overall supervision and co-ordination of the programme and of the distribution of the funds. The heads of the Republic Programme Management Units (RPMU) established within the two Ministries of Education implementing the programme will act as the Programme Authorising Officers.

Technical assistance will be recruited either by restricted consultation or by direct agreement.

Procurement of equipment will be by international tender or restricted tender, while small contracts are subject to direct agreement.



## Programme for the Reorganisation of Posts and Telecommunications

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 2/12/92 at Management Committee meeting N° 20*

Country:	Czech and Slovak Republic
Programme:	Technical assistance for the Reorganisation of Posts and Telecommunications
Duration (years)	until October 1994
Year:	1992
EC Contribution:	6 MECU <sup>21</sup>
Sector classification:	Telecommunications
Responsible authority:	Federal Ministry of Posts and Telecommunications ( <i>until 31/12/92</i> ) Czech Ministry for Economic Policy and Development & Slovak Ministry of Transport and Communications ( <i>from 01/01/93</i> )

### 2. SUMMARY

#### **Background**

The modernisation of the Czechoslovak postal and telecommunications (PTT) sector has been built on a strategy with 4 principal components:

1. liberalising PTT services with the participation of foreign capital and companies;
2. legislative, operational and economic separation of telecommunications from posts;
3. privatising and restructuring the present PTT enterprises (including postal services);
4. State regulation through amendments to the Federal Telecommunications Act by introducing appropriate new legislation.

The first PHARE programme supported this strategy by providing technical assistance at the federal and republican levels. This supported planning, managerial and technical activities in government and in the main enterprises involved. Studies are currently underway to define the regulatory framework and organisational structures required, to develop an effective system for the drafting of telecoms standards, to specify training needs, to improve cost calculations and to undertake a comprehensive definition of the economic and technical parameters necessary in preparing investment projects.

The 1992 programme aims to build on this work. It will also adapt itself to the new constitutional realities and redefine the responsibilities of all involved parties.

<sup>21</sup> million European Currency Units

# CSFR



# TELECOMS



### *Programme Objectives*

Through diversification and modernisation, the PHARE programme aims to reorganise the postal and the telecommunications sectors into profitable commercial enterprises. The programme will also provide the framework needed to attract the considerable amount of private capital needed to modernise these sectors.

### *Programme Description*

The programme incorporates five components:

#### 1. Assistance in the management of modern telecommunication services 1.5 MECU

The technical assistance to the ministries and operating companies started under the PHARE 1991 programme will be continued. It will be provided by long-term individuals based in the relevant offices. Short-term experts may also be required on an ad-hoc basis to undertake specific tasks. Expert services will also be required to help establish and operate the Programme Management Unit. Other forms of technical assistance will be provided to the operating companies to support management reform, especially in the areas of accounting, finance and personnel. In addition to the management aspects, assistance will be provided to the enterprises for some of the technical aspects of their operations, in particular to cover the introduction of new telecommunications services.

#### 2. Assistance for restructuring and liberalising postal services 2 MECU

Postal services will be established as a separate activity, and assistance will be provided to prepare an appropriate regulatory framework and to draft the necessary legislation.

#### 3. Improving the quality control methodology of telecom services 0.5 MECU

Technical assistance will focus on new methodologies, on the collection of data, on the indexing and monitoring of the required services and on keeping quality standards under tight control. Amongst other things, this will allow the independent testing and approval of telecommunications equipment and will help to increase the qualifications of quality control personnel by providing training.

#### 4. Accounting methods, financial management and economic modelling 0.5 MECU

Initially, the existing accounting systems and the needs of the enterprises will be evaluated. Appropriate commercial accounting and financial management systems will then be introduced, starting with pilot programmes in selected departments.

#### 5. Information technology, marketing tools and public relations services 1 MECU

Experts will be recruited to formulate a proposal for the overall co-ordination of IT departments within the PTT sectors of the two republics and for the provision of management information services. Support will also be provided to set up marketing and public relations services.

### **3. IMPLEMENTATION**

From January 1993 onwards, the responsibility for the management of this programme will lie with the Czech Ministry of Economic Policy and Development on the one hand and the Slovak Ministry of Transport and Communications on the other. PMUs to be established in each ministry will have the operational responsibility for the respective programmes, including those portions to be implemented in the various enterprises.

The contracts for the different components of the programme will be prepared according to the usual EC rules and tender procedures. Tenders will be evaluated by the respective republican authorities in collaboration with the Commission's services

## Technical Assistance to the Energy Sector

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 8 July 1992 at Management Committee meeting N° 17*

Country:	Czech and Slovak Federal Republic
Programme:	Technical Assistance to the Energy Sector
Duration (years)	to summer 1994
Year:	1992
EC Contribution:	4 MECU <sup>22</sup>
Sector classification:	Energy
Responsible authority:	Federal Ministry for the Economy

### 2. SUMMARY

#### **Background**

The 1991 PHARE Energy programme to the CSFR provided technical assistance from a policy advice unit (which was based in the Federal Ministry of Energy) in order to develop an Energy Policy concentrating on increasing efficiency and developing environmentally sound practises. Past energy policy and subsidised energy prices led to the rise of inefficient, energy intensive heavy industries and a very high consumption of dirty carbon based fuels such as lignite, both of which gave rise to serious environmental problems.

Aspects of the Energy Policy reflect the principles of the European Energy Charter to which the CSFR is a signatory.

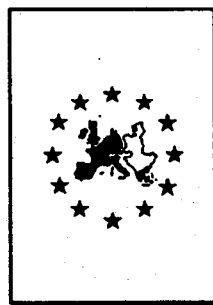
#### **Programme objectives**

The policy advice unit will continue to assist the government of the CSFR to implement the Energy Policy and to elaborate further energy policy formulations. Particular attention will be paid to:

- regulatory measures and the division of administrative responsibilities in the energy sector. The Programme will look at management structures, regional bodies and staff training programmes;
- the development of a pricing and taxation policy which takes into account market conditions and the possible collapse of certain enterprises; and
- the examination of the future structure of the coal and mining industries.

The Federal Energy Agency will supervise the progress of energy efficiency measures in accordance with detailed policies and goals agreed upon in accordance with the Energy Policy.

CSFR



ENERGY

<sup>22</sup> million European Currency Units



## *Programme description*

### **Diversification of energy supplies**

Two major EC financed studies will:

- (i) consider the optimal configuration of energy imports (oil and gas) into the CSFR in the future, and analyse the potential for future energy grids, bearing in mind that the CSFR is very suitable for energy transit;
- (ii) study techniques of bonification and gasification of coal. The shut-down of power plants burning dry fuels will be considered. The economic impact of these results will be assessed in order to reduce dependence on brown coal

### **Regional Energy Planning**

Under the PHARE 1991 energy programme, analyses of energy planning in different sectors were carried out in the following regions: Most, in North Bohemia, whose economy is characterised by chemical industry and coal mining, Ostrava, in North Moravia, whose main industries are iron and heavy engineering, and Ziar n Hronom in Central Slovakia, dependent on aluminium smelting. Further action will be taken under PHARE 1992 depending on the study's results.

This year, the regions of Prague and Bratislava will be examined and close attention will be paid to coal substitution, district heating, and the transformation of heat only plants to co-generation plants.

### **Training**

Seminars and traineeships will be provided for selected personnel in the energy sector.

### **Energy Efficiency**

The EC/PHARE studies on Energie efficiency in Buildings and Industry begun under the 1991 programme will continue.

- (i) Buildings: the pilot projects will continue in selected schools and hospitals. These focus on decreasing energy consumption by improving technique and organisation in these important sectors. The results of the 1991 energy audits will be included.
- (ii) Industry: this component will concentrate on high impact/low expenditure projects which result in substantial energy savings. Particular attention will be given to the energy efficiency of drying technologies.

## **3. IMPLEMENTATION**

The Project Implementation Unit was set up in March 1992 under the 1991 programme.

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

## NGO-Civic Society Development Programme

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 2/12/1992 at Management Committee meeting N° 20*

Country:	Czech and Slovak Federal Republic (CSFR)
Programme:	NGO-Civic Society Development Programme
Duration (years)	3 years (to December 1995)
Year:	1992
EC Contribution:	4 MECU
Sector classification:	Civic Society
Responsible authority:	The Federal Government Office in liaison with two Civic Society Development Foundations in the Czech and Slovak Republics

### 2. SUMMARY

#### **Background**

Following the velvet revolution in the Czech and Slovak Socialist Republic in 1989, the country is undergoing considerable changes not only of the economic and political system but also in the sphere of society. The success of the access to the market economy depends not only on the shape of governmental reform programmes but also on a radical shift in public attitudes and behaviour, and on support for the growth of a civic society in which individuals as well as groups of citizens are recognised actors and partners in social and economic development. The term "civic society" refers to a network created by people working in different spheres, independently of government institutions. NGOs (Non-Governmental organisations) on the other hand are a broad range of voluntary and non-profit organisational forms and groups, working independently as well.

#### **NGOs in the Czech and Slovak Federal Republic**

An estimated 9.000 legally registered associations and foundations are registered in the CSFR and many more are not legally registered. Even though the NGO structure is somewhat fragmented, there do exist umbrella organisations and networks servicing part of the NGO sector: this is particularly true of the humanitarian and environmental organisation. The smaller NGOs, however, do not yet have any cooperative structures.

Four areas need to be given particular attention in order to strengthen the participatory role of NGOs in civic dialogue in the Czech and Slovak Republics:

- There is an urgent need to expand the legal and fiscal space for the NGOs. Today only a few NGOs possess knowledge on how to influence law makers;
- There is a general requirement for funds to finance the activities and infrastructure of new, embryonic and established organisations;
- Skills and expertise need to be enhanced and developed at all levels, especially with regard to co-operating with mass media and government authorities;
- Lastly, there is a need for information and service activities for NGOs, as well as for government authorities dealing with NGOs and the public.

CSFR



CIVIC SOCIETY

# CSFR



# CIVIC SOCIETY

## ***Programme Objectives***

The general objective of the NGO-Civic Society Development Programme is to strengthen the capacity and widen the range of action of NGOs in both the civic and political spheres at Republican and local level.

The immediate objectives are:

- to improve and widen the awareness of the public, the media and policy makers on the role of NGOs in an open civic society;
- to assist new, embryonic and more established NGOs in obtaining the information and services necessary for their work;
- to enhance the lobbying skills of NGOs to influence policy makers and authorities in improving the legal framework;
- to promote co-operation and networking between NGOs;
- to develop the skills and capacities of NGOs with regard to management, PR and fund raising methods; and
- to improve capabilities by strengthening the structure of NGOs and by extending the range of activities they carry out.

The programme will seek to sub-contract most of its activities to networks and individual NGOs with the necessary skills and capacity. The target group will be non-profit-making NGOs working to find solutions to social needs or to particular problems (environmental, humanitarian, social, etc.). Political parties, professional organisations, employers and trade unions would typically not be included under the programme.

## ***Programme Description***

The two NGO-Civic Society Development Programmes will be consisting of three components:

### ***1. Grant aid for information and service activities***

300 000 ECU will be allocated to information and service activities which will be supported at Republic as well as regional and local levels.

The component will consist of the following types of activities:

- The development of legal skills and expertise to improve the legal and fiscal environment of NGOs;
- Research about the compatibility of CSFR law with European laws;
- An information and service centre in each of the two Republics with full or part time professional staff and equipment;
- Public awareness campaigns on the achievements of NGOs;
- Workshops and briefings for journalists to acquaint the media with the development of the NGO sector and to encourage the reporting of NGO events;
- The production of handbooks containing topical information, such as how to establish and register NGOs, the legal framework, fund-raising methods and models for NGO statutes;
- Information activities for minority groups on the possibility of participation and involvement in civic society;
- Advertisement and PR of the NGO-Civic Society Development Programmes in order to ensure that both centrally placed NGOs and those placed in the periphery can apply for funding.

### ***2. Grant-aid for training activities***

990 000 ECU will be allocated to training activities to increase the knowledge and skills of NGO staff and activists, and to strengthen the organisational capacity of both formal, informal, and newly established NGOs. The training will mainly take place inside the

CSFR but will include training sessions and internships in EC countries. The curriculum will be very varied, and will cover subjects such as management, long-term planning, accounting systems and so on. Candidates proposed through a cooperative effort of two or several organisations will have priority.

### 3. Grants to specific projects

2.06 MECU will be available to offer grants allowing NGOs to cofinance specific projects or pilot schemes. Grants will include support of core costs like infrastructure and initial running costs. They will only be offered on a cofinancing basis: a minimum of 30% own contribution is required. Applications for grants shall be submitted by established NGOs which are legally constituted, open to inspection and audit, and can demonstrate the capacity to be self-sustaining.

## 3. IMPLEMENTATION

### *Programme management*

For the implementation of the programme, Foundations will be created in both Republics, each of which will consist of the following interrelated units:

- The Board of Foundation which will consist of seven representatives meeting when necessary and responsible for policy guidelines, decisions on applications, approving budgets, supervising the work of the PMU and other strategic decisions.
- Two Programme Management Units located in Prague and in Bratislava will be created and will collaborate closely. In the initial phase, each PMU will be assisted by an external expert. They will be responsible for effective and timely implementation of the programme and transparent financial management, for serving the Board by forwarding suitable applications that include the Panel of experts' opinion, for preparing working plans and budgets, for launching the programme as widely as possible, for identifying potential donors inside and outside the CSFR, for contractual arrangements with the external experts and the evaluation teams, and for reporting to the republican authorities and to the EC Commission.
- A Panel of experts will ensure that applications are assessed properly. This will be complemented by evaluation teams and a strict mechanism of control. The accounts and operations of the Funds will be checked at regular intervals by an outside auditor hired for the purpose by the Commission.

### *Procurement*

In each of the two Republics, a foundation will be created to be legally registered as "The NGO-Civic Society Development Programme Foundation". Separate, interest-bearing bank accounts will be opened by the two foundations and managed by the PMUs. All interest on the accounts will be reinvested in the programmes.

Equipment procurement by the PMU or grant-aided by the programme will only concern items of less than 100 000 ECU.

Technical assistance and training services will be recruited either by restricted consultation or direct agreement depending on the cost and specialist nature of the services. Smaller expenditure of minor importance may be the subject of direct agreement.

# CSFR



# CIVIC SOCIETY



## SME Support Programme

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken on 16/10/1992 at Management Committee meeting N° 19.*

Country:	Republic of Hungary
Programme:	SME Support Programme
Year:	1992
EC Contribution:	11 MECU <sup>23</sup>
Sector classification:	Small & Medium-Sized Enterprises
Responsible authority:	Hungarian Foundation for Enterprise Promotion (HFEP)

### 2. SUMMARY

#### *Background*

In order to facilitate the transition of the Hungarian economy to a market economy, the Government adopted a three-year programme of economic recovery in 1987. The main goals include containing the growth of foreign debt, whilst bringing about a major structural adjustment by moving the economy from one with ineffective central planning to one with a clear market focus.

SMEs are playing a significant role in the economic reform process and are particularly well placed to create new jobs and thus resorb some of the growing unemployment problem. This is particularly true in the less developed regions of the country.

The HFEP established a local enterprise agency network (LEAN) to tackle the joint task of dealing with structural adjustment problems and promoting regional development. HFEP considered that it could also influence banks' lending policies by using PHARE funds as lending resources. To achieve maximum benefits, it was decided to provide this service only in a limited number of areas. The parallel improvement of SME support infrastructure implicit in the LEAN made the choice of the six pilot enterprises areas inevitable. It was then determined that one bank branch would be selected in each of the six areas. These branches are termed SME Services Branches (SSBs).

Several vital areas cannot sensibly be delegated to regional agencies, however. Activities such as the development and production of training programmes and materials for entrepreneurs or the undertaking of research on issues of national significance to SMEs are best tackled in a centralised framework.

Other donors also play key roles in various components of this programme. Alternative sources of funding which will supplement and gradually take over from PHARE contributions are expected to come from, amongst others, the Government of Hungary, local government, international funding agencies, other national governments and the private sector. The Hungarian Government will ultimately be expected to take over the primary role of funding development of the SME sector.

#### *Programme Objectives*

The approach is to support the emerging, but still fragile, SME sector by creating and strengthening regional SME support networks and banking structures. The programme is itself a transitional measure and has a strong promotional element, aimed at attracting

<sup>23</sup> million European Currency Units



further support from other potential donors. The programme aims to provide a two tier response to the problem of inadequate financial provision to SMEs.

On the national level, the programme will aim to:

- strengthen the commercial banking system through the expansion of the SSB Network to provide standard financial instruments to SMEs in a professional and responsive manner;
- expand the existing national Credit Guarantee Fund to allow it to provide coverage in every county in Hungary. This will be achieved through training and technical assistance for institution building for the SSB network; and
- establish a national Interest Rebate and Repayment Scheme to be operated through the SSBs.

On the regional level, the programme will aim to:

- expand the LEA Network to provide the necessary expertise, training and know-how transfer to small entrepreneurs; and
- expand the microcredit scheme managed by the LEAs to every county.

### ***Programme Description***

The Programme will comprise the following components :

#### ***1. LEAs***

The six PHARE-funded Local Enterprise Agencies will continue to receive funding for their operations to a maximum of 330 000 ECU each. Around a quarter of the total allocation of 7.45 MECU will be allocated to this operation. Applications will be invited from other counties to establish or continue to operate a County Enterprise Agency in accordance with the approved Operational Guidelines. PHARE will fund these by providing up to 75% of the total funding required. The initial funding would be raised from the Government of Hungary, bilateral aid donors and local contributors.

#### ***2. Financial Instruments***

The Micro Credit Scheme will be expanded to cover all 19 County LEAs. Under the current scheme, small loans of less than 3 000 ECU are disbursed to small starter enterprises for a maximum of three years at a rate fixed at the current national bank rate. The establishment and institutional strengthening of a further 13 SSBs will be encouraged in the counties not currently represented in the network. Around 500 000 ECU will be allocated to this activity which will consist only of training and short term technical assistance.

Around 1.25 MECU will be allocated to the establishment of a national Interest Rebate and Repayment Scheme which will address the transitional problem of high interest rates which discourage SMEs from accepting credit for investment purposes.

#### ***3. National SME Support***

This component includes the elaboration of a national training programmes as well as the provision of funds and technical assistance to launch a countrywide promotional campaign, to finance publications and to carry out research. It will also cover the establishment and operational costs of the EIC Correspondence Centre.

#### ***4. Evaluation/National CGF***

Funds are being reserved to carry out regular independent evaluations of the SME PHARE Programme.

#### ***5. Technical Assistance Unit***

The TAU has undergone significant change in July 1992 and the improved TAU will continue to be in place for the duration of this programme. Their funding until the end of 1993 was allowed for in the 1990 Programme. The TAU is currently undertaking research to establish the most effective way to expand the LEA network to all 19 counties. It is also researching a "Training and Development Needs Analysis" review of all counterpart staff and is planning a detailed programme accordingly.

# HUNGARY



# SMEs



### 3. IMPLEMENTATION

#### *Programme management*

The first Commission payment into the HFEP account will comprise an advance based on the six-monthly outline work programme. Any subsequent advances will be made on the basis of six-monthly estimates and work programmes accompanied by reports on the use of previous advances, by accounts and other supporting documents.

#### *Procurement*

Technical assistance will be recruited by restricted consultation or direct agreement, depending on the cost or specialised nature of the services.

Procurement of equipment for the HFEP, participating banks, institutions and agencies, will be by international tender or restricted consultation on the basis of the cost or specialised characteristics of the equipment. Small expenditures of minor importance may be the subject of direct agreement.

## Regional Development Programme

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 14/12/92 at Management Committee meeting N° 21*

Country:	Hungary
Programme:	Regional Development Programme
Duration (years)	until 30/6/96
Year:	1992
EC Contribution:	10 MECU <sup>24</sup>
Sector classification:	Regional development
Responsible authority:	Ministry for Environment and Regional Policy

### 2. SUMMARY

#### *Background*

The main instrument of regional policy in Hungary is the support provided by the Government through the Regional Development Fund (RDF) to regions experiencing structural difficulties. Since 1990, the role and effectiveness of the RDF has been considerably widened and in 1992 legislation was adopted to give it legal status as a fund with its own budget. The RDF supports regions which have a higher than average unemployment rate and are generally the most adversely affected by the restructuring process the country is undergoing.

The RDF provides grant-assistance on a co-financing basis to the public and the private sector for individual projects, mainly for infrastructure programmes and for job-generating investment projects. However, a lack of co-ordination means that projects submitted for assistance are not integrated into a regional development approach displaying clear strategies and priorities. This has proven to be unsatisfactory, reducing the effectiveness of RDF support.

The Hungarian government is consequently seeking to improve the impact of the RDF by reforming operational procedures and decentralising the decision-making process as well as by adopting an approach designed to channel assistance through specific development programmes prepared at local level. Regional Development Agencies, the local implementing bodies of the policy for integrated regional development, are to be established starting with the counties of Borsod and Szalbec in the crisis region of the North East.

<sup>24</sup> million European Currency Units

# HUNGARY



# REGIONAL DEVELOPMENT



### *Programme Objectives*

The programme aims to :

- maximise the impact of Government funding on the process of regional development by increasing the effectiveness of the Regional Development Funds, clarifying policy objectives and decentralising responsibility;
- develop the understanding and practice of a strategic programme-based approach to regional development actively involving local partners;
- achieve more effective planning and delivery of services at local and regional levels and encourage co-operation and collaboration between local authorities.

### *Programme Description*

The programme comprises three main elements.

#### 1. Support for the development of Regional Policy and of the RDF 2.5 MECU

This component will provide a range of support measures to the Ministry of Environment and Regional Policy for the preparation of a Government strategy paper on regional policy and the RDF. Issues to be covered in the strategy paper include a review of the definition of areas eligible for RDF support; a review of the impact of sectoral policies on regional development; a review of the interaction with regional development policy of other policies; the definition of criteria applicable when taking decisions about applications for State Aids from enterprises; and a review of the types of measures to be supported by the RDF and the financing mechanisms involved.

The decentralisation of decision-making is to be started off through the setting up of Regional Development Agencies (RDAs) which will ensure cohesion with regional priorities. Councils to be set up at County level will allow all local interests to be represented.

The programme will also finance short and long term technical assistance, training seminars and study visits for the staff of the RDAs covering development issues such as programme design and management. PHARE will cover the initial launching costs of RDAs and also studies and information activities on regional development issues.

#### 2. Pilot development programmes in the North East 5 MECU

PHARE funds will support two pilot regional development programmes in the counties of Borsod and Szabolc in the North East which will serve as models for other regions. The RDAs will be responsible for the design, preparation and implementation of the programmes under the guidance of the Councils. PHARE support includes short and long term technical assistance to the RDAs. These should be operational by August 1993 so as to enable them to preview the counties' applications for RDF funding for that year.

Each pilot programme will have a two-year duration. It will start with a detailed analysis of the problems of the area under consideration and will select priorities. It will develop criteria for the selection of projects and set itself indicative targets of achievements so as to allow an effective evaluation of the measures chosen.

The funds will be allocated to cofinance activities when these complement existing PHARE programmes, in particular in the area of SME and infrastructures.

The PHARE programme will provide technical assistance and a grant giving fund to support the design and organisation of new forms of co-operation between municipalities. This will allow economic and social development projects of common interest to be undertaken. The programme will offer support for the preparation and implementation of such projects.

A long-term advisor will assist the Ministry for Environment and Regional Development in drawing up model arrangements between municipalities for planning, in providing guidance to local governments for drawing up rules and regulations for specific co-operation purposes, and in organising the local expertise needed to properly prepare and implement joint projects.

The grant-aid fund, amounting to 1.8 MECU, is to be established to support both detailed feasibility studies for joint projects and the actual implementation of joint projects.

### 3. IMPLEMENTATION

#### *Programme management*

The Ministry of the Environment and Regional Policy has the full responsibility for this programme. A Programme Implementation Unit will be set up within the Ministry, supported by technical assistance, responsible for day-to-day management of the Programme and insuring the liaison with the PHARE Operational Services.

An outside auditor contracted by the Commission will check the accounts and operations of the Funds at regular intervals.

#### *Procurement*

Technical assistance will be recruited either by restricted consultation or by direct agreement depending on the cost and specialist nature of the services. Procurement of equipment will be by international tender or restricted consultation, if justified on the basis of the cost or special characteristics of the equipment.

# HUNGARY



# REGIONAL DEVELOPMENT



## Hungarian Statistical Information System

- a PHARE assistance programme -

### 1. IDENTIFICATION

Country:	Hungary
Programme:	Hungarian Statistical Information System
Duration (years)	3
Year:	1992
EC Contribution:	9.5 MECU <sup>25</sup>
Sector classification:	Information Infrastructure
Responsible authority:	Hungarian Central Statistical Office

### 2. SUMMARY

#### *Background*

The Hungarian economy is undergoing rapid structural change as the country is adopting an increasingly liberal, market oriented outlook. The former system of social-economic management has largely been dismantled. This is leading to entirely new data requirements for both the government and the public. Experience over the last 12 months has shown that the Hungarian Central Statistical Office (HCSO) has increasing difficulty to operate for various reasons.

The government and the private sector require ever more statistical information with very tight deadlines. These cannot be met. The register of business organisations is no longer able to cope with the changes to be entered, resulting in delayed and unreliable data processing. Questionnaires as well as classifications and statistical methods must be altered and modern statistical workplaces with direct access to databases set up. The regional statistical offices are even worse off: they lack the basic hardware & software necessary to satisfy the information demands of local governments. This means that HCSO is currently in dire need of a deep restructuring effort.

#### *Programme Objectives*

The overall objective of the HCSO support programme is to enable the HCSO to become the main supplier of the much needed social and economic information that will help Hungary to accelerate its modernisation. Three immediate objectives present themselves:

- ensuring users' easy access to reliable information;
- increasing the flexibility of data processing systems to match increasingly complex requirements; and
- assisting the Hungarian statistical information system's integration into the European statistical system while maintaining the basic principles of data protection laid down by the Council of Europe.

The project will provide the HCSO with the necessary resources to enable a major upgrading of the existing data processing system, and at the same time, pass on and develop within the HCSO the necessary skills to maintain and develop the system.

<sup>25</sup> million European Currency Units

### ***Programme Description***

The HCSO needs fundamental changes to its hardware to be able to handle three different types of user environments. It will need:

- a mainframe suitable for 200 to 300 simultaneous users;
- this mainframe needs to be fully integrated through a client/server network to statisticians' individual PC work stations;
- the regional offices' systems must be able to handle data entry, local data processing and must be linked to the mainframe;
- a software system able to handle the different requirements.

## **3. IMPLEMENTATION**

### ***Programme management***

The implementing authority for the proposed project will be the Hungarian Central Statistical Office which will set up a special project management unit that will itself operate under the guidance of a steering committee chaired by the head of the HCSO department of informatics.

For the first 18 to 24 months, an external project management adviser will assist the project. Technical assistance will also be necessary to install the hardware and to train its users.

Apart from the hardware & software implementation, external consultancies are envisaged for the development of basic concepts and for the design of a range of new statistical projects and subsystems.

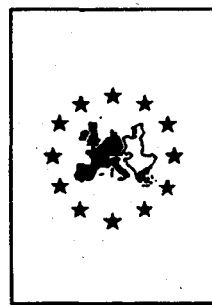
A special ECU bank account will be opened in the name of the Hungarian Central Statistical Office. Any interest accrued on the account will be reinvested in the programme.

### ***Procurement***

Purchases of equipment will be made through international invitations to tender. Restricted invitations to tender may be used if justified by the cost or technical specifications of the equipment.

Technical assistance staff and consultants will be recruited either by restricted consultation or by direct agreement depending on the cost and specialist nature of the services. The cost of training operator will be included in the price of the equipment.

# HUNGARY



# STATISTICS



## Social Policy Development

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 14/12/92 at Management Committee meeting N° 21*

Country:	Hungary
Programme:	Social Policy Development
Duration (years)	1
Year:	1992
EC Contribution:	6 MECU <sup>26</sup>
Sector classification:	Social Welfare
Responsible authority:	Ministry of Welfare

### 2. SUMMARY

#### *Background*

The restructuring of the Hungarian economy is resulting in growing burdens being placed on Hungarian society. Inflation is currently at 20% while unemployment has increased rapidly to over 10%, and an estimated one-third of the population is now living below the poverty line. These factors are placing immense pressure on the Government to provide quality social services, for the responsibility for the provision of basic social services lies with local governments which number over three thousand and which lack expertise and resources. There are also over 10 000 NGOs active in providing social services in Hungary, but as their actions are largely independent, there is little or no co-ordination with local government.

The Government of Hungary is currently involved in a reform of its social policy. The Act on Social Administration and Assistance is shortly to be presented to Parliament. The Act aims to regulate social administration and the division of responsibilities between central and local governments in the areas of cash and non-cash benefits for those in need. However, the lack of applied research, data and co-operation opportunities make the task of social policy formulation both complicated and difficult.

The PHARE programme has been providing assistance since 1990 to the Foundation for the Development of Local Social Networks (FDLSN) which encourages co-operation between NGOs and local governments in promoting self-help initiatives in social welfare, employment and economic development by making a series of grants available. The FDLSN would be a suitable operating agent for the network of regional resource centres proposed in this programme. The sector also benefits from a wide variety of assistance programmes from many G-24 countries, and the World Bank is preparing a Pensions Administration and Health Insurance project in order to strengthen the financial management capacity of the self-governing Pensions Fund and Health Insurance Fund.

<sup>26</sup> million European Currency Units



## Programme Objectives

The main objective of the programme is to support the process of reform and decentralisation of Social Policy in Hungary and in particular :

- to enhance the capacity of local government to assume effectively its new responsibilities in the field of social welfare and to provide cost-effective social services designed to support community development, promote self reliance and respond to the needs and preferences of the local population;
- to enhance co-operation among local authorities and between these and NGOs in local social welfare and community development initiatives;
- to contribute towards the development of national guidelines for the administration of social services, particularly regarding care and assistance for the elderly and other target groups;
- to develop greater understanding and knowledge on social trends and policy issues during the period of economic and political reform.

## Programme Description

The programme consists of three main components :

### 1. Support for a network of regional welfare "resource centres" 1.1 MECU

The resource centres will provide advice and training to local government. There will be 10 of them, in principle to be built up from existing family support centres or their equivalent in the larger municipalities. At each centre two professionals will be trained, one to deal with the managerial and financial aspects of social administration and the other to deal with technical and sociological aspects. As they will also receive training as instructors, they will be able to act as multipliers and train others to provide support services. The programme will finance technical assistance to support and monitor the centres' development as they try to meet the needs and priorities of the participating local authorities. Local expertise from Hungarian associations and foundations active in this field can also be used including the new social welfare training centre at Salgotarjan.

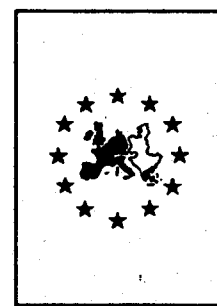
### 2. Social Innovation Fund 3.9 MECU

The programme will provide co-financing for an initial series of ten innovative projects selected from submissions by NGOs acting in partnership with local authorities and focusing in particular on the development of integrated social services for the elderly and young people. Such services include, for instance, peripatetic nursing and adapted housing for the elderly, counselling and community support services for younger people and combined facilities to help disabled individuals to live independent lives. External technical assistants will be provided to work in liaison with local experts on developing survey work, identifying needs and monitoring the projects. The programme will also support the development of links with networks and participants in relevant EC programmes which can offer relevant advice and assistance.

### 3. Complementary measures 1 MECU

Support will be given to a programme of independent social research and policy seminars to be carried out by academics and experts. Building on a pilot survey carried out by the Hungarian statistical office in 1991, financial support will be available to ensure the completion of a full survey of 40 000 households and the analysis of the obtained data. The result will be included in the yearly report to Parliament. The programme will also support the development of a local government database on social policy to aid local decision making.

The Hungarian Association of Social Workers will receive support to run a programme of information activities and to set up a documentation centre.





### 3. IMPLEMENTATION

#### *Programme management*

The programme will be managed in a decentralised manner. A Programme Management Unit (PMU) will be set up in the Ministry of Welfare, to be staffed by a qualified programme director and an administrative team. The PMU will provide the overall co-ordination of the programme and will ensure appropriate complementarity with the actions of other donors.

An independent body such as the FDLSN will be contracted to set up the network of regional resource centres and select innovatory projects, while the complementary measures will be contracted out to appropriate agents such as the Foundation for Social Policy Research or the Central Statistics Office.

An independent Social Policy Advisory Group will be set up to give advice on, and approve the direction of, the overall programme and each of its components. The Government of Hungary in co-operation with the associations of local governments, relevant professional associations and NGOs will ensure the effective operation of the organisation. Technical assistance will be financed by PHARE to assist the members of the Group.

#### *Procurement*

The procurement of equipment will be international tender or restricted consultation if justified on the basis of the cost or special characteristics of the equipment. Technical assistance will be engaged either by restricted consultation or direct agreement, depending on the cost and specialist nature of the services.

## Employment and social development

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 30/7/92 at Management Committee meeting N° 18*

Country:	Hungary
Programme:	Employment and social development
Duration (years)	3
Year:	1992
EC Contribution:	20 MECU <sup>27</sup>
Sector classification:	Employment & education
Responsible authority:	Ministry of Labour

### 2. SUMMARY

#### *Background*

The economic changes are leading to a rapid increase in unemployment, particularly amongst blue-collar workers and the young. The 1991 Employment Act includes provisions for unemployment benefits and a range of related measures. The present system of specialised vocational education, designed to generate manpower for heavy industry, is unresponsive and unable to produce the flexible skilled labour that new conditions demand. This leads to a strong imbalance in the demand and supply of skills, particularly in Budapest.

The authorities are encouraging employers, employees and other social partners to act together to develop an employment and training policy acceptable to all. To this effect, tripartite bodies such as the National Council for Conciliation (NCC) have been set up or thoroughly reformed. The regulatory framework of bipartite industrial relations bodies has been created. However, the lack of an industrial relations strategy and organisational weaknesses are hampering progress.

The other major donor in this area is the World Bank, with its US\$ 150 million loan on a wide range of human resource development activities. Other donors are active with micro projects.

#### *Programme objectives*

Attention will be paid to policy reform assistance in the following areas:

- the introduction of a decentralised approach to labour market policy, so as to increase the efficiency of services. Within this objective, a pilot programme of intervention in Budapest will be supported.
- the modernisation of secondary vocational education and the development of complementary activities for disadvantaged youngsters; and
- the development of structures for social dialogue.

<sup>27</sup> million European Currency Units

# HUNGARY



# EMPLOYMENT & EDUCATION



### *Programme description*

#### *1. LIP: Budapest Labour Market Intervention Programme (10 MECU)*

This component aims to achieve consensus about effective measures between the various concerned groups; to promote innovation in labour market policies; and to contribute to the development of those skills which are in demand, such as foreign languages, management and IT. It also aims to improve disadvantaged groups' access to the labour market, to contribute to employment growth and to develop labour market intervention structures.

*Labour market intervention structures* will be supported in Budapest through technical assistance, management training, equipment and certain operational costs. In particular, support will be provided to the overseeing body (the Steering Council) and the executive body (the Labour Development and Training Centre) of the LIP coordination structures.

*The Central Training Services Unit* will be assisted in developing training methods, programmes and materials; in establishing training facilities; and in providing specialist training to trainers (2.5 MECU).

An *Action Projects Network Unit* will be supported (5.15 MECU). Initially, it will include about 50 selected training and employment organisations. The network will be used as the basis for the provision of a decentralised quality service. PHARE will support network animation activities such as advice, information and technical support. PHARE will also finance three separate pump-priming funds for:

- investment in innovative training programmes;
- actions complementary to mainstream programmes targeted at disadvantaged groups;
- studies designed to enhance effectiveness and participation in national and international networks.

*The Monitoring and Information Unit* will also receive support (1.3 MECU). In addition, provision is also made for coordination activities and technical assistance for the whole LIP (1.05 MECU).

#### *2. Youth Education and Training (7.6 MECU)*

A two-pronged approach will be followed for this component. The first goal is to reform and develop the curricula of secondary vocational education in 20 selected schools. Assistance will be provided to develop the integration of theoretical and practical education, to promote language learning, to establish guidance and counselling services for pupils and to encourage the multifunctional use of existing training capacity (6.0 MECU).

The second part will concentrate on disadvantaged young people. A support centre with a coordinating role will be established, and technical assistance, staff training and other resources will be provided to selected local projects (1.6 MECU).

#### *3. Social Dialogue (1 MECU)*

This component will follow a three-pronged approach.

Reform, extension and strengthening of the NCC, the emergent branch committees and the county-level tripartite dialogue structures will be supported. The NCC's progress will be assisted by the provision of additional training, staffing and information management skills and technology. Working practices between the NCC and the branches and county structures will be coordinated. In-service training facilities will be developed and training will be provided for the representatives of the social partners involved.

The establishment of an arbitration and advisory service will be supported through the provision of technical assistance, training and information and equipment.

Lastly, the programme will support the creation of a Commission of Inquiry whose remit will be to study the future legislative, regulatory and structural base for industrial relation processes.

#### 4. *Programme management and policy coordination (1.4 MECU)*

Although the responsibility for overall coordination of the programme rests with the Ministry of Labour, the management of individual components will be decentralised. Financial administration, procurement and overall coordination will be assured by the Programme Management Unit to be set up in the International Department of the Ministry of Labour. The PMU will also organise a support programme for various departments of the Ministry so as to strengthen management, strategic planning and financial administration. It will also liaise with other relevant programmes, notably the World Bank-financed operations.

### 3. IMPLEMENTATION

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the document.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

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# EMPLOYMENT & EDUCATION



## Agricultural Credit Channels support

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 30/7/92 at Management Committee meeting N° 18*

Country:	Hungary
Programme:	Agricultural Credit Channels
Duration (years)	2½
Year:	1992
EC Contribution:	5 MECU <sup>28</sup>
Sector classification:	Agriculture
Responsible authority:	Ministry of Agriculture (National Federation of Savings co-operatives)

### 2. SUMMARY

#### *Background*

Most Hungarian villages do not have access to financial services. Likewise, credit facilities are not available to rural agricultural entrepreneurs. Nevertheless, the restructuring of co-operatives, the increase in private farming enterprises and the land fragmentation effect of compensation claims are leading to a rapid increase in the demand for such financial services.

This problem can be alleviated by restructuring and strengthening the existing savings co-operative network. There are currently 260 savings co-operatives with 1800 branches grouped in a National federation (NFSC). In addition there is a large, private sector Apex Bank, the Takarekbank, controlling 20% of the deposit market. The Takarekbank and the NFSC have set up a Joint Committee to produce a credit strategy.

The NFSC requested PHARE assistance to its restructuring and development efforts. This request forms the basis of the present programme.

#### *Programme Objectives*

The Programme aims to:

- strengthen agricultural and rural retail credit channels; and
- promote the development of rural financial services.

#### *Programme description*

This is a programme which can be of very high potential benefit for the Hungarian rural community and one which enjoys much support from international and national institutions. It benefits from highly visible progress monitoring indicators, notably the movements in the savings co-operatives.

This programme is a good example of the way that PHARE funds can pave the way for other international financing institutions. The EBRD is planning a loan for rural restructuring which will use the co-operative banking channels for disbursement of agricultural credit and contribute to the enhanced capitalisation of the savings co-operatives through the PHARE capital development facility. Additionally, the proposal

<sup>28</sup> million European Currency Units

itself works on the recommendations of the Joint International Mission on Savings Co-operatives and their importance to rural finance.

The PHARE programme will support the establishment of an efficient banking network by assisting capital mobilisation efforts and the development of agricultural and rural lending capacity. The programme will consist of technical assistance of 2MECU and a revolving capital assistance of 3MECU.

#### 1. *Technical Assistance (2 MECU)*

The Technical Assistance component will provide three experts to

- produce a plan of action for the NFSC.
- screen and advise the stronger savings co-operatives on their ability to disburse EBRD or other IFI<sup>29</sup> credit.
- prepare implementation of the PHARE 1992 programme in two stages:
  1. set up and administer the capital assistance mechanism; and
  2. develop human resources and training; and computerise loan operations.

#### 2. *Capital Assistance (3 MECU)*

Capital assistance from PHARE will be delivered through the Capital Development Facility (CDF) which should attract other institutions to use the co-operatives as credit channels. The National Steering Committee of the CDF will use objective criteria for the selection of beneficiary savings co-operatives. Preconditions for qualification include a commitment to the integrated savings co-operative network, compliance with minimum equity holding criteria in the other tier of the network, adequate levels of own financial contribution and a reasonable assistance-to-deposits ratio. The CDF will provide capital through quasi-equity holdings in either individual savings co-operatives or in groups such as regional apex banks. The beneficiaries will repay the capital contribution once they are profit making, either by buying back the equity held by the development facility or by converting the equity into a medium-term bond or loan repayable at not more than commercial rates.

More specifically, PHARE will provide the basic capital:

- for the Savings Co-operatives to meet the legal minimum capital requirements<sup>30</sup> and to increase their equity bases;
- for the establishment of a Common Deposit Insurance Scheme, which will spread risks and thus reduce the minimum capital requirement by 50%, which should in turn reduce the number of Savings co-operatives which require capital contribution from the Capital Development Facility; and
- for the restructuring of the Savings Co-operatives network: for example, by setting up regional apex banks.

The responsibility for raising proprietary capital will rest with the savings co-operatives which will be obliged to take action such as recruiting additional members, converting deposits to capital and allocating a proportion of each loan to capital wherever possible in order to repay the capital contribution made by the CDF.

The training component of the programme will be institutionalised at the Training Centre for Consumer and Savings Co-operatives. It will be closely co-ordinated with other PHARE training programmes, notably in the SME and financial sectors.

<sup>29</sup> International financing Institutions

<sup>30</sup> legal requirements for minimum capital defined in Act 69/1991

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# AGRICULTURE

# HUNGARY



# AGRICULTURE

### 3. IMPLEMENTATION

The implementation of the programme is governed by the Framework Agreement concluded between the Commission and the Hungarian Government in September 1990.

Overall co-ordination and financial responsibility for the programme will rest with the Ministry of Agriculture. The existing PHARE PMU in the Ministry of Agriculture will assist the Ministry and deal with interim measures in advance of tenders for the Technical Assistance component.

Short term technical assistance is available to call on experts when needed. World Bank expertise will also be used. Co-operation with other institutions is encouraged.

The programme will be implemented under the guidance of the National Steering Committee of the CDF, supported by the CDF Secretariat. Disbursement proposals will be prepared by the Secretariat.

Complementary agreements with bilateral donors are encouraged. Agreements for the provision of additional expertise have already been completed with the Dejardins co-operative banking network of Canada and the Caisse Centrale de la Coopération Economique of France.

Technical Assistance will be recruited through the usual PHARE restricted tender procedures. Procurement tenders will be open and international. Minor expenditures may be dealt with by direct agreement.



## Environment sector programme

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 30/7/1992 at Management Committee meeting N° 18*

Country:	Hungary
Programme:	Environmental Sector Programme Part III
Duration (years)	36 Months
Year:	1992
EC Contribution:	10 MECU <sup>31</sup>
Sector classification:	Environment
Responsible authority:	Ministry for Environment and Regional Policy

### 2. SUMMARY

#### *Background*

The command economy has left Hungary with a catastrophic environmental legacy which will take years to right. Various aspects of past policies directly contributed to severe environmental degradation, notably the forced development of large input-intensive industries like metallurgy, chemical plants and engineering in a poorly planned regulatory environment. The artificially low price of energy and other industrial inputs encouraged waste and inefficiency.

As a result, industrialized areas suffer from very high levels of air, water and soil contamination leading to severe hazards to human health. The average life span is reducing and pollution-linked child disease are spreading. 93 plant and animal species have become extinct and a further 1130 are threatened. Furthermore, the state of Hungary's environment may affect its competitiveness in international markets.

Progress has been made over the last two years and enactment of a law based on the "watchdog concept" is expected at the end of 1992. Laws on the "Polluter Pays" principle are being considered. However, the domestic revenue available is small in comparison to the tasks in hand and the whole system of current fines (through which the CEPF is funded) will have to be reviewed. In addition, levies may be imposed based on the concept of environmental factors being used as resources: this could take the form of emission, product or user charges. A fuel tax bill has been passed, earmarking the raised funds to air pollution control programmes.

#### *Programme Objectives*

The 1992 PHARE Environmental Sector support programme comes about as the fruit of a steady transition from the "shopping list" approach of 1990 (25 MECU) and the classic short- and medium-term technical assistance approach of 1991 (10 MECU) to a proposal which is designed to channel external support directly into the Hungarian Environmental protection scheme. The programme is to be implemented by the Central Environmental Protection Fund (CEPF) which was established under the 1990 programme. Grants and loans are to be awarded by the Ministry of Environment and Regional Policy through a special account administered by the CEPF according to published criteria. This represents a transitional stage before a more efficient system of government mobilisation of domestic and external resources is evolved. During this transitional phase, PHARE funds will be limited to some pilot projects. Particular emphasis will be given to those projects which concentrate on improving human health by regulating industrial processes; input

<sup>31</sup> million European Currency Units

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# ENVIRONMENT

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# ENVIRONMENT

efficiency, liquid, solid, gaseous and particulate waste management and transportation problems.

The overall objective is to assist the Government of Hungary in implementing a policy of sustainable development taking into account relevant environmental factors. This will be achieved by supporting:

- the implementation of its Environmental Action Programme; and
- the integration of sustainable development objectives in industrial sectoral policies.

Specifically, the 1992 programme will:

- support specific projects to assist the CEPF's institutional abilities in the selection, implementation and evaluation of projects;
- assist the raising of environmental awareness in the Administration and the general public;
- assist the CEPF in finding both local and foreign resources;
- develop policies aimed at limiting the harmful effects on human health of production processes, consumption and transport, with a particular emphasis placed on air pollution, waste management and water resource protection;
- promote energy efficiency measures;
- promote sustainable management practices in selected biotopes; and
- assist the Government's implementation of international conventions and commitments pertaining to the environment.

#### *Programme description:*

PHARE funds will be made available via the CEPF in three action windows.

#### *Window I: Environmental Protection*

The support here will be provided by the CEPF as a grant to the final beneficiary. Support will be given to governmental, public and non-profit making private sector initiatives such as:

- environmental education, increasing public awareness;
- development of monitoring and enforcement tools and bodies, including the development of new legislation to meet new private sector ownership structure, definition of the roles of the relevant government officials and developing effective working procedures;
- development of CEPF policy and management methods (including project selection, cost-benefit analysis; environmental audit, impact assessment, and contractual procedures);
- nature conservation and watershed protection;
- policy formation; and
- investment preparation (including feasibility studies).

#### *Window II: Environmental investments*

PHARE can finance up to 30% of the total costs of the project proposed and then only as part of a total financing package in selected sectors. In the case of non-profit making investments (public or private) the facility may be provided as either a grant or a loan, depending on the potential environmental benefits. Concessionary loan terms can be accepted if justified. Interest and capital payments on loans are to be retained by the CEPF. Sectors especially worthy of support include:

- energy saving (focusing on buildings and district heating systems);
- reduction of emissions from transport (following the 1991 transport sector programme);
- protection of water resources by the development of policy instruments and improvement of drinking water through restrictions on the private sector, and financial, technical and legal measures for its improvement;

- solid and hazardous waste management (complementary to the household solid waste projects run under the PHARE 1991 environmental programme);
- reduction of VOC<sup>32</sup> and CFC<sup>33</sup> (policy formulation, pilot project to monitor the effects on health)

*Window III: Commercial loan support*

For a transitional period, this facility will be used to support commercial loans to those firms able to absorb the full costs of investment in pollution abatement measures. PHARE may finance up to 30% of total project costs as part of a complete financing package. Market rates will be charged. This facility's maximum outlay may not exceed 1 MECU.

### 3. IMPLEMENTATION

The Ministry for Environment and Regional Policy is responsible to Parliament for the CEPF. An inter-ministerial Committee will select projects according to the criteria applied by the CEPF and acting on the advice of the Ministry of the Environment and Regional Policy. Evaluation criteria shall be:

- technical and economic feasibility;
- environmental impact;
- consistency with Government policies;
- applicant's financial viability;
- economic and social impact; and
- institutional feasibility.

The Ministry shall be the implementing authority until the CEPF is up and running. Both the Ministry and the CEPF will rely on the expertise, assistance and administrative skills provided by the PHARE Management Department (PMD) set up in 1990.

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# ENVIRONMENT

<sup>32</sup> volatile organic compounds

<sup>33</sup> chlorofluorocarbons



## PUBLIC ADMINISTRATION REFORM

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 2/12/92 at Management Committee meeting N° 20*

Country:	Hungary
Programme:	Public Administration Reform and Training
Duration (years)	3
Year:	1992
EC Contribution:	5 MECU <sup>34</sup>
Sector classification:	Public Administration
Responsible authority:	Ministry of Interior

### 2. SUMMARY

#### *Background*

The new political and economic structure of Hungary has fundamentally changed the scope and agenda of public administration. The civil service must be developed to strengthen the capabilities of central and local administrations with a corresponding reform of structures and procedures to ensure a cost-effective approach. This programme is designed to support the reform process which has already started. So far, the SIGMA regional programme has yielded relevant studies and other inputs about administrative reform and human resources development.

#### *Programme Objectives*

The overall objective of the programme is to assist the reform of the public administration system in a way that will serve the needs of a democratic society based on a mixed economy and which will contribute to the continuing process of economic transition.

Specifically, this involves :

- developing the reform management capacity needed by those departments which play a crucial role in the economy;
- developing the necessary training competence so as to provide the civil service with the skills, knowledge and attitudes necessary to fulfil new functions as policy makers and regulators in a market economy; and
- developing the basis for an effective and co-ordinated information system which meets the needs of central and local government.

<sup>34</sup> million European Currency Units

## *Programme Description*

There are three main components to the programme:

### 1. Civil Service Management and training 1.8 MECU

The main agency responsible for training and the development of training activities for the civil service is the Department of Development of the Public Administration within the Ministry of the Interior. In the field of Human Resource Management, the programme will provide technical assistance for:

- the strategic and organisational development of the Department;
- the training of the staff within the Department;
- training for the staff at the Training Centre for Public Administration (to be found in the Hungarian Institute of Public Administration);
- training for staff in the offices of the Commissioners of the Republic in key areas of Human Resource Management.

At local government level, selected staff will be trained to form a corps of specialists in training needs analysis and course design who in turn will be able to provide assistance to the local governments.

There will also be a training programme for civil servants covering financial management, systems of control and public procurement procedures. Technical assistance will be provided for the design of the curriculum for a series of appropriate programmes in financial management and public procurement. The programme will also provide assistance in selecting and training a core group of trainers.

### 2. Development of central and local government structures 1.6 MECU

The programme will provide technical assistance for the reorganisation of those departments of the Ministry of the Interior in charge of local and central government structural reform. Staff will be trained in methodology and in the development of administrative procedures.

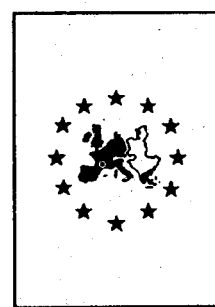
At local levels, development networks will be created to support the process of decentralisation and administrative reform. The programme will promote the creation of voluntary groups at local level where reform-minded practitioners from local governments can design and develop innovative projects. Experts will be provided to participate in seminars of the working groups which will also benefit from training and study tour opportunities for their members.

Practical experience is necessary to maximise the process of decentralisation at different levels. The programme will therefore contribute to financing pilot projects within selected areas of local government administration. Up to 70% of the total cost of a project may be financed (with a ceiling of 20 000 ECU per project). The areas selected for support include personnel management, asset management, financial management, local administration and information technology.

### 3. Development of information technology 0.7 MECU

The inter ministerial Committee established in 1991 is responsible for developing and establishing information systems for central government users. This programme component will provide technical assistance to the Committee to facilitate the analysis of existing systems and to assess the needs of different governmental departments, thereby assisting the Committee in its task of preparing an IT strategy. It will also suggest novel ways of reforming and implementing the information strategy of the central government. Training will be provided to develop the capacities of the Committee, its secretariat and the Co-ordination Office for Governmental Information. This training will provide courses and didactic

# HUNGARY



# PUBLIC ADMINISTRATION



material to staff whose tasks are to develop strategies, agree on standards, develop systems and doing procurement work.

### 3. IMPLEMENTATION

#### *Programme management*

A Programme Management Unit will be set up within the Ministry of the Interior to manage the programme and facilitate its integration with other related activities. The PMU will also co-ordinate the programme with offers from other G-24 sources involved in public administration reform. The Ministry will provide three qualified staff members, office space and supporting services to the PMU which will also receive long-term technical assistance from the Programme. Total management funding will be in the order of 0.4 MECU.

#### *Procurement*

Equipment procurement will be made by international tender or by restricted consultation if justified by the cost or special technical characteristics of the equipment. Technical assistance will be recruited by restricted consultation or direct agreement depending on the cost or specific nature of the services. Small expenditure of minor importance may be the subject of direct agreement.

# Assistance for the Implementation of the Europe Agreement

- a PHARE assistance programme -

## 1. IDENTIFICATION

*Decision taken 14/12/92 at Management Committee meeting N° 21*

Country:	Hungary
Programme:	General Technical Assistance Facility for the Implementation of the Europe Agreement (EURO-GTAF)
Duration (years)	3
Year:	1992
EC Contribution:	5 MECU <sup>35</sup>
Sector classification:	Multidisciplinary
Responsible authority:	Ministry of International Economic Relations

## 2. SUMMARY

### *Background*

The Europe Agreement is a treaty of association between the European Communities and Hungary. The Agreement will contribute to the consolidation of the democratic order and the market economy within Hungary, thus creating a solid basis for the gradual integration of Hungary within the Community.

The Europe Agreement was signed in 1991. It recognises Hungary's legitimate aim of joining the European Union and lays the foundations of a free trade regime. It has an asymmetrical basis: during a 10-year transitional period, preferential market access is granted to Hungarian products. Steps for the liberalisation of the movement of services, goods, capital and persons are laid out as are the conditions for financial assistance during the transition phase. Political dialogue, cultural co-operation and legal harmonisation are identified as integral to the Agreement. The Hungarian Government has set up an Interministerial Committee for European Integration (IMCEI) which in turn has set up a number of sub-committees dealing with specific sectoral issues. The IMCEI is being chaired by the Ministers of International Economic Relations and of Foreign Affairs.

### *Programme Objectives*

The general aim of the programme is to support measures by the Hungarian Government to implement the Europe Agreement and prepare Hungary for her gradual integration

<sup>35</sup> million European Currency Units

# HUNGARY



# EURO-GTAF



into what will then be the European Union. It will provide financial and technical support related to the implementation of the Agreement which is unavailable under other PHARE programmes. In particular it seeks to :

- facilitate the approximation of Hungarian laws to the *acquis communautaire* and their implementation;
- identify and dismantle the economic and financial barriers to integration with the EC;
- improve the Hungarian administration and NGO officials' technical understanding and know-how of Hungarian-EC relations;
- enhance the quality and effectiveness of public education and information activities about the EC;
- contribute to the effective monitoring of the process of implementation of the Europe Agreement.

## ***Programme Description***

This programme is divided into three separate elements and a management unit.

### **1. Technical Assistance, studies and training on sector specific issues**

The programme will finance technical assistance, the preparation of studies and reports, advisory services, the exchange of experts, support for the organisation of seminars, training activities and study visits and help with the translation of Community texts.

The programme will also provide assistance in the preparation and implementation of legislation compatible with EC legislation in a number of fields such as company law, customs law, financial and fiscal laws, consumer protection laws and others.

### **2. General training activities for public officials in EC matters**

Assistance will be provided to prepare a training programme for public officials at both central and local levels on general matters connected with the EC and the process of European integration. The training programme will be co-ordinated with the broader training strategy for the Hungarian public administration supported by PHARE in the 1992 Indicative Programme, focusing on the development of a cadre of Hungarian trainers.

### **3. Public information and education matters**

A programme of activities is to be worked out in liaison with the EC Commission's Information Services. This will include information campaigns, radio and TV programmes, the production of school material, the training of journalists and initiatives to promote the teaching of European studies in universities.



### 3. IMPLEMENTATION

#### *Programme management*

A Programme Management Unit will be set up to operate under the authority of the Secretary General of the Ministry of International Economic Relations. The unit will ensure the close liaison between this Programme and the European Integration aspects of other PHARE and bilateral assistance programmes.

The Office for European Affairs (OEA) within the Ministry of International and Economic Relations will be responsible for the overall management of the EURO-GTAF.

The Commission's services will monitor the implementation of the programme on the basis of the regular reports by the relevant authorities and sign contracts with independent consultants to follow the progress of the programme and its components and carry out an ex-post evaluation after completion of the projects.

#### *Procurement*

Equipment procurement by the PMU or grant-aided by the programme will only concern items of less than 100 000 ECU in value and will be effected by restricted local consultation. Technical assistance and training services will be recruited by either restricted consultation or direct agreement depending on the cost and specialist nature of the services.

# HUNGARY



# EURO-GTAF



## Export Development

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 30/7/92 at Management Committee meeting N° 18*

Country:	Poland
Programme:	Export Development
Duration (years)	1
Year:	1992
EC Contribution:	10 MECU <sup>36</sup>
Sector classification:	Economic Restructuring
Responsible authority:	Polish Chamber of Commerce and the Ministry for Foreign Economic Relations

### 2. SUMMARY

#### *Background*

Polish export trade is facing considerable difficulties as the strong growth experienced in the 1970s (which resulted in an increase in exports of over 100%) could not be sustained in the 1980s. Although a short recovery in 1990 achieved an accumulated trade surplus of 3.4 bn. US\$ in hard currency, the subsequent fast rise in imports resulted in a negative trade balance the following year. The break-up of COMECON and the desintegration of the USSR has also caused major changes in the geographical trading pattern of exports, which means that the European Community has now become the main trading partner absorbing 53% of all exports.

The on-going transition of Poland's economy means that the institutional framework of private sector services and support structures characteristic of market economies are not yet fully developed. The Polish Chamber of Commerce has been re-established while the economic programme of the present Government has assigned a high priority to the support to exporting industries by financial and fiscal measures. However, the financial sector still constitutes a major constraint to export development, as there are no readily available credit facilities, and no operational export insurance or guarantee scheme.

#### *Programme objectives*

In order to increase Polish foreign exchange earnings, export potential must be developed. Specifically, this means:

- assisting in the development of products to international competitive standards;
- modernising and rationalising production techniques;
- improving export management skills;
- assisting with the identification, targeting and penetration of appropriate export markets with high absorption potential.

The programme also aims to strengthen the export sector support framework in Poland by developing the capacities of the Polish Chamber of Commerce, the Polish Institute of Industrial Design and the Polish Packaging Institute. Furthermore, it is also intended to develop the capacity of export-related services such as design, information services and consultancy.

<sup>36</sup> million European Currency Units



### *Programme description*

#### *1. General Technical Assistance component (1.7 MECU)*

This component will help to identify development needs at enterprise level and prepare business or export plans to meet these needs, as well as supervise the implementation of the plans and develop appropriate marketing strategies.

#### *2. EXPROM Fund for export promotion support (4 MECU)*

The Fund will be launched to assist firms (on a cost-sharing basis) to obtain the specific assistance identified in the business or export plans. It will assist both with product development and with export market development by helping 200 firms to address their needs in these areas, using research, consultancy, trade missions and other export-oriented actions.

#### *3. Management training (0.5 MECU)*

The firms involved will in addition be supported by a programme of management training related to the priority issues identified in respect of the firms' specific needs. The training programmes will be conducted by industry specialists and consist of courses and workshops on export management and techniques.

#### *4. Institutional Development Fund (1.7 MECU)*

This component will support the development of the Polish Chamber of Commerce, the Institute for Industrial Design and the Institute for Packaging.

#### *5. Development of service supplies to the export sector (0.5 MECU)*

EXPROM will support private initiatives such as Polish consultancy firms and the private design industry by developing services and furthering their activities in the field of export promotion. It will also provide them with opportunities to gain exposure to international standards, tendencies and competitiveness.

#### *6. Export finance development (0.7 MECU)*

Regarding export finance, PHARE will assist the Polish Export Credit Insurance Corporation (KUKE) to prepare operational policies such as risk assessment and financial control. Training in export insurance techniques will also be provided, and PHARE-funded technical assistance is foreseen for the analysis of the sector's financing needs, particularly in terms of pre-shipment finance. Advice will also be provided to the Ministry of Finance and banking sector.

#### *7. Programme Management Unit funding (0.9 MECU)*

### **3. IMPLEMENTATION**

The programme is to be launched in Warsaw and Gdansk and implemented by the Polish Chamber of Commerce which is host to the Programme Management Unit. The Chamber will be advised in export policy issues by a Programme Council involving representatives of the export sector, the Ministry of Foreign economic relations, the Ministry of Industry, the Polish Chamber of Commerce and related institutions. The programme will be eventually extended on a pilot basis to Regional Chambers of Commerce. The selection of these will be made by the PMU, advised by 3 external long-term advisers who will be co-ordinating the overall programme components and ensure a cost-effective utilisation of the EXPROM Fund. A strong emphasis will be placed on the integration of local talent into the programme which should be facilitated by specific training activities.

Technical Assistance will be recruited by restricted consultation or by direct agreement, while procurement of equipment will be by international tender or restricted consultation. Small expenditure will be subject to direct agreement.



## Tourism Sector Development

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 30/7/1992 at Management Committee meeting N° 18*

Country:	Poland
Programme:	Tourism Development
Duration (years)	to end of 1994
Year:	1992
EC Contribution:	4.5 MECU <sup>37</sup>
Sector classification:	Tourism
Responsible authority:	State Office for Sport and Tourism

### 2. SUMMARY

#### *Background*

Poland offers a wide range of attractions to the visitor, both cultural and natural. The political changes in Poland have brought about a massive increase in the number of visitors over the past two years. This will not continue unless marketing and development strategies are quickly implemented.

The tourist sector is considered important by the Polish authorities because it can make a significant contribution to economic restructuring by creating jobs, earning hard currency, and promoting the growth of new small and medium-sized businesses in addition to accelerating the privatisation of existing tourist infrastructure.

However, the sector faces serious problems. The quality of facilities and services is frequently dreadful. Management and staff skills are inadequate. There is no national tourism policy and no effective international marketing strategy. Furthermore, environmental problems limit the sector's development in many areas.

For all these reasons, PHARE assistance has been solicited by the authorities.

#### *Programme objectives*

PHARE will help foster the rapid development of the sector by providing assistance to:

- strengthen the institutional framework;
- develop and promote tourism in Poland; and
- ensure proper management and staff training.

#### *Programme description*

The programme will be implemented in close co-operation with the national agencies in charge of SMEs and privatisation, as these factors are intimately connected with the tourist industry.

<sup>37</sup> million European Currency Units

# POLAND



# TOURISM

## 1. *institutional strengthening (1.2 MECU)*

Three long-term advisers will be appointed to the State Office for Sport and Tourism. They will be supported by short-term advisers on specific issues. This staff will assist the State Office in:

- the development of a legal and regulatory framework concerning investment and ownership transfer;
- formulating a national tourism policy and regional tourism development programmes;
- establishing relevant institutions such as tourism administrative bodies and trade associations;
- establishing a statistical database; and
- improving transport and environmental conditions.

## 2. *tourism product development (0.9 MECU)*

The long-term development will be promoted by drawing up a master plan taking into account regional policy aspects and all conceivable tourist attractions. A domestic information campaign will be undertaken to increase the population's awareness of the importance of tourism.

## 3. *Management and manpower development (1.0 MECU)*

The following aspects will be promoted *inter alia*:

- a training plan will be established. Designed to establish the training needs of hotels, caterers and agents; it will also develop appropriate curricula.
- a "train the trainer" programme;
- training programmes for all aspects of management; and
- training programmes for officials (civil servants and elected) involved in tourism development.

## 4. *Tourism promotion (1.1 MECU)*

This component will concentrate on international marketing issues by:

- adapting and standardising statistical data;
- formulating a marketing strategy, including the identification of promising markets;
- producing brochures, manuals and other information material;
- studying the possibilities offered by a computerised reservation system; and
- supporting Poland's participation at tourism trade fairs.

## 5. *Programme Management Unit (0.3 MECU)*

The Unit will be headed by an official from the State Office for Sport and Tourism, who will be assisted by a financial administrator. The Unit will be set up within the Tourism Institute of the State Office.



# POLAND

# TOURISM

### 3. IMPLEMENTATION

The State Office for Sport and Tourism will have overall responsibility for the programme which will be implemented by its Tourism institute.

A Steering Group composed of representatives of all involved parties will monitor the programme's implementation.

Procurement of both equipment and services will follow the usual PHARE procedures.

# STRUDER: Structural Development in Selected Regions

- a PHARE assistance programme -

## 1. IDENTIFICATION

*Decision taken 2/12/1992 at Management Committee meeting N° 20*

Country:	Poland
Programme:	Structural Development in Selected Regions
Duration :	until 31 <sup>st</sup> December 1995
Year:	1992
EC Contribution:	60 MECU <sup>38</sup>
Sector classification:	Regional Reconversion and Development
Responsible authority:	Ministry for European Integration and Foreign Assistance

## 2. SUMMARY

The STRUDER programme is designed to integrate reconversion and development programmes in four selected regions. Experience gained in this programme will thereafter be applied by the Government to other regions.

### *Background*

The process of economic restructuring in Poland is leading to great disparities in the development of various regions. Industries undergoing restructuring tend to be clustered, leading to a high concentration of problems such as unemployment in specific regions. This negative impact has already struck some regions and is likely to affect others over the next couple of years. Consequently, the Government has decided to develop a regional policy aimed at assisting affected regions.

STRUDER is a cornerstone of this policy. It will adopt an integrated approach designed to maximise the benefits of various sectoral programmes. Methods, structures and processes most appropriate to the targeted regions will be developed. At the request of the Government, STRUDER will pay particular attention to current Community practices of regional development, especially to instruments such as the Structural Fund grant schemes and the procedures of the Community Support Framework<sup>39</sup>. STRUDER will concentrate its activities on schemes designed to support SMEs: the programme will not be used to finance the restructuring of large enterprises.

Regional reconversion and development in Poland is seriously hampered by constraints affecting the SME sector, such as obsolete skills in the available labour force, a lack of non-debt finance and start-up capital, of infrastructure, of entrepreneurial skills and of training and advisory services. The STRUDER package will aim to address all these issues.

Four regions have been selected for support. They all suffer from unemployment rates that are higher than average, yet show a good development potential. Nevertheless, each region's defining characteristics are different and the work undertaken in each will yield useful models for later development programmes in other regions.

<sup>38</sup> million European Currency Units

<sup>39</sup> more information about these instruments may be obtained from the Information Dept. of DG XVI, Commission of the European Communities.

# POLAND



# STRUDER

# POLAND



# STRUDER

## *Voivodship of Walbrzych*

This is an industrial lower Silesian region bordering the Czech and Slovak republics<sup>40</sup>. Large state-owned industrial enterprises dominate the local economy and local pollution levels are very high. Key sectors are coal mining, the manufacture of electric and electronic goods and the production of textiles. The glass and ceramic sector has already undergone restructuring and now shows signs of possible expansion. The region also possesses a number of touristic assets which are to be exploited.

Unemployment in the region was 20.2% in June 1992. Coal mining and other major sectors are about to be restructured, and the unemployment rate is expected to increase substantially (to about 32 % over the next three years) unless successful reconversion strategies are implemented.

Problems facing local development are manifold: poor infrastructure, difficult access to capital, a shortage of skilled middle management personnel and a lack of business services. Nevertheless, the severity of the local problems is widely recognised and a genuine desire for change is present.

The region has two respected development agencies, the Walbrzych Regional development Agency (RDA) and AGROREG.

## *Voivodship of Lodz*

This industrial central region was once Poland's textile centre, but a much more diversified economy is beginning to develop. Key sectors are electromechanical goods, textiles, chemicals and food processing. There is a large number of SMEs, although state-owned enterprises with large workforces are also present. The varied industrial base facilitates the task of regional reconversion, which is nevertheless constrained by the loss of old markets, a lack of entrepreneurial experience, administrative and legal problems with new businesses and the difficulty of accessing capital.

Unemployment, at 26%, is rising, particularly amongst women, unskilled workers and the young. The workforce lacks many of the skills needed to compete in the market. Transport and telecom systems are deficient and there are serious environmental problems.

## *Voivodship of Rzeszów*

Located in the south-east of the country, this manufacturing region is suffering from its location close to former COMECON markets. The area contains many "company towns", with the biggest employers active in the defence sector. As private-sector activity is limited to retailing and food processing, the region's overriding objective is the diversification of the economy. Unemployment, currently at 13.2%, could very rapidly climb above the 50% mark in some towns. It is hitting the young particularly hard, a state of affairs exacerbated by an almost complete lack of training opportunities, although there are good educational and research institutes. However, the region shows potential: communication systems and roads are in good condition, there is a pool of skilled workers, there is evidence of good management in some state enterprise and prime agricultural land is available.

## *Voivodships of Suwalski and Olsztyn*

This rural region is located in the north-east, sharing borders with Lithuania, Belarus and the Kaliningrad enclave of Russia. The economy is dominated by tourism and agriculture. Private business activity is high, with retailing, catering, tourism, agriculture, forestry and limited manufacturing the main sectors of activity. Unemployment stands at 22% and is rising, especially amongst the young. Both voivodships enjoy a rich landscape of forests, lakes and farmland and do not suffer from environmental problems. Throw in the plentiful historical resources and you have a recipe for touristic success. However, both infrastructures and facilities are in poor condition and communications are difficult. But the local authorities of both voivodships are genuinely committed to reform: Suwalski already has both a Regional Development Agency and an economic Consultative Council. An RDA for Olsztyn is in the planning stages. Both regions are trying to develop SMEs, but the lack of finance remains a problem.

<sup>40</sup> The contiguous Czech and Slovak regions of Ostrava and Horné Povazie are benefiting from a broadly similar programme. See the CSFR privatisation & restructuring 1992 programme for details.





### ***Programme objectives***

STRUDER will contribute to regional development by:

- developing measures and structures to achieve regional economic restructuring;
- mobilising local resources to promote employment through new economic activities;
- providing both financial and non-financial support to develop the SME sector;
- developing techniques and methodologies that the Government may use in a general regional development programme.

### ***Programme description***

STRUDER will include the following elements:

- regional development structures and operations;
- training and advisory services;
- regional financial measures; and
- small infrastructural projects.

#### ***Regional development structures and operations (2.5 MECU)***

This aid will be delivered through the Regional Development Agencies (RDAs) and other local organisations under the supervision of the national Foundation for Regional Development (FRD). The FRD is to be established as a public foundation under the control of a supervisory board including all relevant ministers. It will be responsible for the overall coordination of STRUDER and will cooperate with financial institutions, public administrations, trade unions and others. It will also be responsible for evaluating applications for the SME Grant Scheme.

The existing RDAs of the four regions will be strengthened. They will be the planning, coordinating and implementing agencies and will therefore act as the programme's regional PMUs<sup>41</sup>. They will formulate reconversion strategies taking into account the support available from both STRUDER and other programmes. Mobilising local resources, they will support a network of regional public and private sector organisations. They will initiate, disburse and monitor funds awarded by the SME Grant Scheme.

The RDAs will be provided with technical assistance in the form of regional twinning with appropriate Community counterparts and/or medium and short term experts. The FDR will receive technical assistance from short and medium-term experts on regional reconversion.

#### ***Training and advisory services (5.5 MECU)***

STRUDER will concentrate on small scale actions. Under consideration are generic skills training, specialist training, projects for the unemployed and other priority groups (the young, workers in large enterprises facing redundancies), labour market initiatives and other projects.

As far as business advisory services are concerned, STRUDER will remedy specific deficiencies in existing schemes rather than provide new services. Close cooperation with the PHARE SME programme and other programmes will be maintained. Enterprise awareness campaigns, counselling, business planning and training, the promotion of networks and joint ventures and regional promotion campaigns are all actions the programme will support.

<sup>41</sup> Project Management Unit

# POLAND



# STRUDER

## *Regional Financial Measures (42 MECU)*

There will be three types of financial measures: the SME Grant Scheme, the Guarantee Scheme and the Regional Investment Funds.

### SME Grant Scheme (indicative allocation: 35 MECU)

This component will provide investment grants to selected SMEs. These grants may be worth up to 25% of the total investment sum. The following eligibility criteria will be applied:

- the SME may not employ more than 50 people;
- the investment value must be between 5,000 and 100,000 ECU (70% of available funds will be reserved to investments in the 5,000 to 50,000 ECU range);
- the grant will be 25% of the total investment. The balance must consist of non-subsidised finance of which at least 20% must be the entrepreneurs' own contribution. Proof of the availability of this finance must be presented;
- the grant money is to be used for the acquisition of tangible assets;
- the project must be economically viable and supported by a full business plan; and
- eligible enterprises must have no financial or shareholding ties to the RDAs.

Trade activities and certain non-productive expenditures will be excluded from support. Applications for aid will be submitted to the RDAs, which will forward them to the FDR. The FDR's SME Grant Panel will take the funding decision. The outcome will be communicated to the applicant by the RDA.

The final terms and conditions will be elaborated by the FDR and are subject to Commission approval. The average grant size is expected to be 10,000 ECU. It is further expected that these funds will lever out credits worth about 70 MECU from banks, leading to a possible total financial support of roughly 100 MECU to about 3,500 ventures.

The scheme will be extensively reviewed every six months. Such reviews may modify decision-making channels, involve new partners (local banks etc.) and modify the financing methods.

### SME Guarantee Scheme (indicative allocation: 5 MECU)

The SME Grant Scheme will be complemented by an SME Guarantee Scheme designed to support entrepreneurs with sound ideas but limited assets. Details of the scheme will be agreed between the Polish Development Bank, the government and the Commission.

### RIFs: Regional Investment Funds (indicative allocation: 2 MECU)

During the first year of operations, preliminary work will be carried out with a view to establish RIFs in the two most promising regions. The scheme may subsequently be extended to the other two regions. RIFs, which will be independent entities run on a profit-making basis, will provide SMEs with capital through non-debt instruments such as subordinated loans or minority shareholdings.

An appropriate institution will be selected (with Commission approval) to promote RIFs and act as the holding company or principal shareholder.

## *Small infrastructure projects (10.0 MECU)*

STRUDER will support infrastructure projects in accordance with the following criteria:

- average project expenditure by STRUDER to stay below 100 000 ECU;
- maximum STRUDER involvement to be 500 000 ECU;
- Polish co-financing to exceed 30%;
- Domains covered will be business or technology centres, roads, local telecoms, site preparation, environmental actions.

The indicative financial allocations per region can be summarised as follows:

*million ECU*

REGION:	Walbrzych	Lodz	Reszów	Suwalki & Olazyna	FDR, reserve	TOT AL
COMPONENT:						
Regional development structures & operations	0.4	0.4	0.6	0.6	0.5	2.5
Training & Advisory Services	1.4	1.4	1.3	1.4	0	5.5
Regional Financial Measures, of which:						42.0
SME Grant Scheme	11.0	11.0	6.5	6.5	0	35.0
Guarantee Scheme	0	0	0	0	5.0	5.0
RIFs	1.0	1.0	0	0	0	2.0
Small infrastructure projects	2.5	2.5	2.5	2.5	0	10.0
TOTAL	16.3	16.3	10.9	11.0	5.5	60.0

### 3. IMPLEMENTATION

#### *Programme management*

The Project Management Unit will be located within the central agency for regional development of the Ministry for European Integration and Foreign Assistance. As the name of the game is decentralisation, all the components of STRUDER will be operated through Regional Operational Programmes. The various regional components will be implemented under the authority of regional bodies, with the RDAs assuming overall coordination.

A Regional PMU will be located within the RDA of each region. The RPMUs will be headed by the Presidents of the RDAs or their nominees.

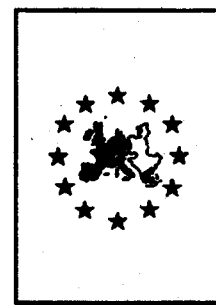
The operational programmes will be prepared by the RDAs and will be submitted to the FDR and the Commission for approval. The RDAs will thereafter prepare progress reports, budgets etc. to be presented to the FDR and the Commission every six months. Decision-making powers generally rest with the RDAs, except when budgets and work programmes differ from the agreed financial allocations, there are inconsistencies with other PHARE programmes or national policies, or a general reallocation of funds between components or regions is necessary.

#### *Procurement*

Technical assistance and training services will be recruited through the usual Commission procedures: either through restricted consultation or by direct agreement, depending on the cost and specialist nature of the services.

Equipment procurement will be through international open tender or through restricted consultation, depending on the cost or nature of the goods. Small expenditures of minor importance may be the subject of direct agreements.

# POLAND



# STRUDER



## Modernisation of Vocational Education (MOVE) and Training and Education in Strategically Significant Areas (TESSA)

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 2/12/92 at Management Committee meeting N° 20*

Country:	Poland
Programme:	Education Reform: MOVE and TESSA
Duration (years)	until 31 December 1995
Year:	1992
EC Contribution:	9 MECU <sup>42</sup>
Sector classification:	Education
Responsible authority:	Ministry of National Education

### 2. SUMMARY

#### *Background*

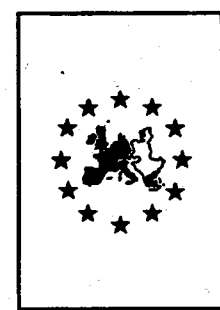
Since 1990, the Government of Poland has been working at re-establishing relevance and quality in the educational system. At secondary level, the focus has been the restructuring of the large number of over-specialised technical and vocational schools. Universities and higher-education institutes have been given considerable autonomy and are encouraged to adapt and change to meet more contemporary needs.

Some initial EC assistance was provided in 1990 and 1991 for the development of training policies as well as for a small project for equipment and supplies in connection with the establishment of three Language Training Centres. More recent assistance has included the participation of PHARE-funded expert in a World Bank team and the provision of technical advisers on special topics when requested by the Ministry of National Education (MONE).

#### *Programme Objectives*

The Education Reform programme (ER) aims to support the efforts of the Government to reform education and training by assisting the MONE in improving the relevance and quality of vocational education and training at secondary level, and encouraging post-secondary institutions to offer new or re-vitalised short-cycle programmes linked to the labour market and the economic reform programme. There are two programmes involved, one of which covers the modernisation of vocational education (MOVE) and the second of which targets Training and Education in Strategically Significant Areas (TESSA).

<sup>42</sup> million European Currency Units



The objectives of MOVE include :

- the promotion of innovation and reform in technical and vocational secondary schools through the provision of modernised curricula for five core subjects and the associated resources to 60 schools identified as existing leaders of the reform programme of the MONE;
- assisting head teachers in those 60 schools to manage both their schools and the reform process;
- promoting the enhanced management of educational resources in the 10 Kuratoria from which the 60 schools are to be selected; and
- establishing a network in Poland linking participants in the programme with each other and with relevant institutions within the EC Member States.

The immediate objectives of TESSA are :

- to encourage the development of short cycle programmes which will act as a bridge between formal education and employment. These programmes will aim to develop those skills needed by the economy and will be linked to the reform programme of the Government;
- to review the legal, financial and administrative basis of post-secondary education with a view to improving its relevance and efficiency.

### *Programme Description*

#### MOVE

4.3 MECU

MOVE will consist of a schools programme concerning a modernised curriculum in five priority subjects, including the new subject of "introduction to the world of work". The Schools Programme will cover the costs of design, preparation and introduction of the modernised curricula, in-service training programmes for teachers, course handbooks and other equipment (3.6 MECU). The programme will also finance an intensive training and development programme for the 120 Head teachers and Deputies of the 60 participating schools, including visits to schools in EC Member States and one-month training programmes (0.2 MECU). An intensive in-house consultancy and training programme will be supported to cover the management of resources and the development of information systems in the 10 from which the participating schools are drawn (0.2 MECU). Furthermore, networks will be established to permit an exchange of ideas and experience as well as to facilitate on-going evaluation (0.1 MECU). The programme will also cover the cost of meetings in Poland, the production of newsletters, study visits to schools and education administrations in the EC Member States and relevant EC institutions such as CEDEFOP. It will be managed by a PMU (0.5 MECU plus a reserve of 0.3 MECU).

#### TESSA

4 MECU

TESSA will involve an Innovation Fund to finance the costs of the development of new short-cycle programmes. Priority will be given to programmes which address critical skills shortages and areas linked to the Government's economic reform programme. As the programmes will be financed on a competitive basis, criteria will be used to evaluate proposals reflecting MONE's intention of directing post-secondary institutions towards more responsive, efficient and relevant use of public resources. Grants to successful applicants will initially be set at less than ECU 100 000. This is to be reviewed in the light of implementation. The grants will support the costs of preparation of new programmes, study visits, new textbook development, education materials and equipment.

Evaluation

0.1 MECU

The Education Reform programme will support an independent external evaluation of MOVE and TESSA. The evaluation of MOVE will focus on its impact on qualitative aspects of education in the participating schools and on its effect on the implementation of the reform process. The evaluation of TESSA will focus on the effectiveness of the criteria used to assess grant applications to support the Government's reform programme.

### 3. IMPLEMENTATION

*Programme management*

The programme will be under the overall responsibility of MONE. The MOVE project will be managed by the Task Force for Training and Human Resources in the Co-operation Fund, known as the BKKK. The TESSA project will be managed by a PMU set up in MONE.

*Procurement*

Equipment procurement by the PMUs or grant aided by the programme will only concern items of less than 100 000 ECU in value and will be undertaken through restricted local consultation. Technical assistance and training services will be recruited by either restricted consultation or direct agreement, depending on the cost and specialist nature of the services. Small expenditures of minor importance may be the subject of direct agreements.

## Public Sector Management Coordination and Decentralisation Programme (OMEGA II)

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 2/12/92 at Management Committee meeting N° 20*

Country:	Poland
Programme:	Public Sector Management Coordination and Decentralisation Programme OMEGA II
Duration (years)	3
Year:	1992
EC Contribution:	8.5 MECU <sup>43</sup>
Sector classification:	Public Administration
Responsible authority:	Office of the Council of Ministers

### 2. SUMMARY

#### *Background*

Poland faces formidable challenges in its economic transformation programme as the Government struggles to bring inflation under control and reduce the government's budget deficit while at the same time providing more incentives for economic growth. There is at present no single co-ordinating body or ministry in charge of micro-economic policy and management: a multitude of institutions are involved.

Since the launch of the economic transformation programme in 1990, the Government has mostly relied either upon a central and regional state administration or upon newly-created institutions, neither of which are co-ordinated at a budgetary or policy-making level. Decentralised decision-making at local government level has worsened the problem as municipalities and voivodships are now delivering more public services such as training programmes in partnership with NGOs.

The Government of Poland intends to continue the process of decentralisation. It will introduce a second tier of local government as well as a number of other changes. The reforms considered so far are:

- the establishment of a civil service, working out conditions of service and reforming public administration management;
- demarcation of the role of the state;
- reorganisation and/or merger of departments and ministries; and
- continuation of the reform of the territorial administrative landscape.

Such reforms will provide significant economic benefits. Nevertheless, the process involves important budgetary risks as further decentralisation could lead to unexpected demands on the central government budget. Although the financial management of local government has so far been prudent, there are important problems relating to complicated financing mechanisms, delays, weak reporting procedures, no procurement systems or auditing rules and confusion regarding the separation of power between the various levels of government in deciding taxation, spending or regulatory policies.

<sup>43</sup> million European Currency Units

# POLAND



# PUBLIC ADMINISTRATION



### *Programme Objectives*

The new OMEGA programme will extend the work carried out by the 1991 OMEGA programme. It also complements EC assistance already being provided to reform Polish public administration by the regional SIGMA programme, which is being run jointly with the OECD. The new programme will also complement the EC Municipal Development and Training programme financed in 1991 which is funding training activities directed at local officials through 16 Regional Training Centres, for which the Foundation in Support of Local Democracy (FSLD) is the executive agency.

The main objective of the OMEGA programme is to help develop institutional and administrative structures to support policy reforms in those sectors which play a central role in the process of transition. Specifically, this involves :

- helping to introduce reforms in the central state administration to achieve a better co-ordination of public sector management;
- improving the skills and methods of public managers and policy-makers in the field of economic analysis, policy and decision-making;
- contributing to the development and implementation of a decentralisation policy in line with fiscal constraints and the objectives of the economic transformation programme; and
- increasing local governments' capabilities to assume new managerial tasks and responsibilities in a decentralised government structure.

### *Programme Description*

#### 1. Support for Public Sector Management Co-ordination

##### *Assistance for structural reforms :*

**0.9 MECU**

This programme will provide technical assistance to restructure and modernise the Ministries of Planning, Privatisation, Industry and Construction. The programme will be implemented in close co-ordination with the existing OMEGA and SIGMA programmes. This is intended to create a horizontal institutional framework performing functions equivalent to those of integrated ministries and agencies in charge of micro-economic policy making, co-ordination and implementation. This will be achieved by external reviews and audits of the departments and agencies concerned as well as by legislative advice, training and infrastructural planning. As part of the restructuring of the Offices of the Council of Ministers (URM), technical assistance will also be provided for the development and restructuring of the Economic Cabinet Committee and its secretariat.

##### *Staff training :*

**0.8 MECU**

Staff of the restructured departments and agencies will receive training in micro-economic policy making and planning. This component will be based on an analysis of training needs.

##### *Equipment support :*

**0.7 MECU**

Support will be provided to purchase equipment for the new departments and agencies concerned. Under consideration are information and communication systems to be used to collect and analyse data and produce forecasting and planning papers.





## 2. Support for the Decentralisation of Public Administration

### *Strategy development*

1.2 MECU

Technical assistance will be funded to enable the Office for Public Administration Reform to establish a strategy and an action plan for the development of a new, decentralised administrative organisation of the country. This will involve feasibility studies about the economic benefits and organisational requirements of a second tier of local government (the so-called powiats). The assistance will permit the Government to produce a white paper concerning decentralisation priorities based on consultations with local authorities and associations. Technical assistance will also be provided for the preparation and review of the relevant legislation, for management reform and the preparatory work required for the introduction of the powiat system for selected cities in the country.

### *Local Authorities Agency*

1.5 MECU

The programme will fund the provision of technical assistance to help prepare the statutes and management structures of a new local authorities agency; It will also help with the provision of management information systems and equipment support to run a database about local governments.

### *Local authorities' staff training programme*

2 MECU

A staff training programme offering both short and long-term training activities will be set up for civil servants and officials at provincial, municipal and other levels of local government. The training should be carried out as much as possible by using existing regional and local training institutes and centres. Current issues of concern include financial management and revenue policies; expenditure planning and control; procurement and contracting; and management and regulatory functions.

## 3. Management Support

0.6 MECU

The programme will be managed and implemented by the existing Programme Management Unit (PMU) of the OMEGA Programme. The PMU will co-ordinate the programme with other sources of foreign assistance, as envisaged in connection with certain programme components. Two external advisors will be provided for one year each. The first will offer considerable experience of both decentralisation issues and the territorial administrative organisation of government in the EC, while the other will have experience in training logistics as it relates to training programmes for local governments.

A further 0.8 MECU will be held back as a reserve for contingencies.

## 3. IMPLEMENTATION

Equipment procurement by the PMU or grant-aided by the PMU will only concern items of less than 100 000 ECU in value and will be effected as a general rule by restricted local consultation. Technical assistance and training services will be contracted either by restricted consultation or direct agreement depending on the cost and specialist nature of the services. Smaller expenditure of minor importance may be the subject of direct agreement.



## Science & Technology Programme

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 2/12/92 at Management Committee meeting N° 20*

Country:	Poland
Programme:	SCI-TECH Programme
Duration (years)	3 years
Year:	1992
EC Contribution:	7 MECU <sup>44</sup>
Sector classification:	Public Administration
Responsible authority:	State Committee for Scientific Research
PHOS project manager:	Anthony Gribben

### 2. SUMMARY

#### *Background*

There is currently little demand for science and technology (S&T) in Poland. This is explained by a more or less general indifference to technological progress and competitive innovation, coupled with very low or non-existent investment in in-house research and development (R&D). The S&T landscape is characterised by a fragmented institutional framework: there are too many institutions (430 of them), many of which are of rather low quality. Although there are efforts underway to achieve a better targeting of available national S&T funds, funding is still heavily biased towards basic research which has little economic applications. Furthermore, the present cash crisis is resulting in a large loss of qualified research workers.

Funding for S&T suffered a 34% cut in the 1991 budget (to US\$ 600 million). The estimated budget for 1992 will provide roughly the same amount. Funding is distributed in a haphazard way across university research units, governmental research institutes and the Polish Academy of Sciences.

#### *Programme Objectives*

The aim of the programme is to promote Poland's scientific and research potential with a view to strengthening the scientific output in a manner supportive of the country's requirements and economic potential. Two core areas will be concentrated on - institutional reform and strategy development. Specifically, the objectives include :

- rationalising the S&T funding processes by reducing and eliminating all badly targeted grants;
- streamlining research institutes and restructuring science's institutional framework ;
- cushioning the effects of rationalisation through redeployment and re-training schemes;
- creating an information system to analyse the performance of research work;
- strengthening the international links of both research management and personnel;

<sup>44</sup> million European Currency Units

- stimulating industrial interest in research and technology and promoting awareness of its importance for industrial competitiveness.

## ***Programme description***

### **Institutional Reform**

**0.81 MECU**

State financing of S&T requires immediate attention, and therefore, the measures funded by SCI-TECH will act as exemplars and are designed to have a catalytic effect. Technical assistance will be provided to the State Committee for Scientific Research (KBN) to help with the reorganisation, management and control of funding schemes. This will include the development of a computer-based project management system, the establishment of an industrial fellowship programme, a pilot scheme to cover the costs of feasibility studies and the sourcing of new technologies. Potential licenses will be identified in order to cover patent, legal and related consultancy fees. Funding will also be provided to enable the KBN to obtain inputs of foreign expertise in the institutional assessment process. This component's an indicative allocation is 0.63 MECU.

In the field of Statistics, the SCI-TECH programme will finance setting up an Indicators Unit in the KBN which will have access to all data relevant to S&T policy-making in Poland and will be given the resources needed to carry out the necessary research. Short term fellowships to the OECD will be introduced for S&T statisticians in the Central Statistics Office (CSO) and possibly also for the staff of the Indicators Unit in the KBN). Fellows will thereby acquire the methodology of S&T statistics. An external expert will be appointed to act as a consultant to the CSO. He will advise staff on the reform of the current S&T statistics system. This component's an indicative allocation is 0.18 MECU.

### **Reform Strategy and Actions**

**2.75 MECU**

Some research institutes now in the public sector are nearing the point of commercial viability and would welcome the opportunity of privatisation, while others would prefer to remain in the public domain and to become more effective by merging or combining forces with related institutes. Technical assistance will be required to develop a clear strategy for the rationalisation and restructuring of the S&T framework. The resulting measures will have top priority in the overall programme. A Privatisation Assistance Fund and a Rationalisation Fund will be set up to help institutes prepare for both privatisation and rationalisation. Beneficiary institutes will be selected according to carefully defined eligibility criteria. As regards the Polish Academy of Sciences, an independent organisation which controls a significant share of S&T infrastructure and has some 80 research institutes, an International Review Panel will be set up to review decisions of policy and strategy and to formulate an action plan.

### **Human Resources**

**0.76 MECU**

A Training and Retraining Advisory Service will be established. This will disseminate information about training opportunities, offer a counselling service and offer advice on individual needs. Technical assistance will be required to draw up an action plan for the training and redeployment of redundant staff. Retraining opportunities and job opportunities in the private sector will be explored and encouraged. A reorientation programme offering both an advisory service and core training programmes will be run by a small team of four or five external specialists established at the KBN to provide information and assistance to S&T personnel seeking positions in industry and to develop a structured "start-your-own-business" programme. The demand for retraining in certain core areas will lead to special training programmes drawn up by the Advisory Service.

### **International Cooperation**

**0.90 MECU**

Contributions from SCI-TECH will support Polish participation in EC-based S&T programmes. The funds will also promote international networking. Experience, skills,

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# SCI-TECH



management techniques and know-how in key research areas will thus be transferred. A fund will be established on a competitive basis to help Polish researchers find partners and networks and to pay part of the Polish obligation in projects which have succeeded in obtaining EC Programme support. Laboratory twinning projects, research management support and bursaries for post doctoral researchers will be provided.

#### Management Support

0.63 MECU

The programme will be managed and implemented by a Programme Implementation Unit under the aegis of the Foundation for Polish Science (FNP), a sister agency of the KBN. The FNP will be responsible for overall co-ordination and supervision of the execution of the programme. It will also coordinate the SCI-TECH programme with S&T programmes funded by other agencies. Technical Assistance will be provided to the PIU.

A reserve fund of 0.70 MECU is also available to meet cost overruns and unforeseen needs.

### 3. IMPLEMENTATION

Equipment procurement by the PMU or grant-aided by the PMU will only concern items of less than 100 000 ECU in value and will be effected as a general rule by restricted local consultation. Technical assistance and training services will be contracted either by restricted consultation or direct agreement depending on the cost and specialist nature of the services. Smaller expenditure of minor importance may be the subject of direct agreement.

**Agricultural and Rural development**  
*- a PHARE assistance programme -*

## 1. IDENTIFICATION

*Decision taken 16/10/92 at Management Committee meeting N° 19*

Country:	Poland
Programme:	Agricultural and Rural Development
Duration (years):	
Year:	1992
EC Contribution:	18 MECU <sup>45</sup>
Sector classification:	Agriculture
Responsible authority:	Ministry of Agriculture and Food Economy

## 2. SUMMARY

### *Background*

Agriculture and the rural economy are high on the list of priorities of the Government's Economic Transformation Programme. In June 1992, the Government announced its intention to develop and implement a Medium-Term Agricultural Adjustment Programme (MTSAP) redefining the role of Government in relation to the agricultural sector and helping agriculture to adjust from a command economy to a more market-oriented economy.

### *Programme Objectives*

The objectives of the 1992 PHARE programme build on the achievements of the 1991 programme in areas such as the co-ordination of aid and support to rural co-operatives, while initiating support to elements of the MTSAP, particularly the privatisation of state farms. In 1992, assistance will be focused on four main areas :

- the development of a dynamic private sector in the rural economy through the support of new and/or adapted forms of member-controlled agricultural, rural and banking co-operatives;
- supporting an effective transition to a market-based economy in the agricultural and rural sectors by facilitating the privatisation and structural adjustment of state-owned farms;
- helping the Ministry of Agriculture and Food Economy to implement and monitor general sectoral strategies; and
- coordinating the assistance provided by others donors at both national and local levels.

<sup>45</sup> million European Currency Units

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AGRICULTURE

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# AGRICULTURE

## *Programme Description*

In 1991, an agreement was reached between the Polish Government and the Commission that support to the rural co-operative sector would be provided through successive annual EC-financed programmes up to 1994. The 1992 has the following structure:

### 1. Aid to Co-operative Enterprises 4.25 MECU

The programme is to be implemented through the independent Co-operative Development Unit Foundation (CDU). The CDU has recently established a network of Regional Co-operative Service Units (RCSUs). This network is to be extended further with EC support: there will eventually be 12 such units. Each unit will be able to support up to 200 co-operative enterprises. The CDU will supplement the regional units by directly supporting co-operatives that are too large or complicated for the RCSUs. The CDU main role, however, will be to assist the central Government and the Parliament by drafting the relevant legislation and supporting the implementation of co-operative restructuring programmes.

The RCSUs will provide information services for members, training for staff and managers as well as advice on issues of management, legislation, finance and organisation. Short-term technical advisers will be provided when the need arises.

### 2. Co-operative Banks 5 MECU

There are currently about 1665 co-operative banks in Poland, some of which have formed regional co-operative groups or have been licensed as Regional Co-operative Banks (RCBs). The PHARE programme is providing them with training and technical support to help the Government meet its obligations to the World Bank under the conditions of the Agricultural Development Project loan. The PHARE-funded training programmes for regional and local banks will help them meet licensing criteria and will support the emergence of regional co-operative banking groups. Technical assistance will also be provided for programme implementation to the national co-operative association (the National Union of Co-operative Banks, KZBS) in the form of long- and short-term experts.

### 3. Privatisation of State Agribusinesses 3 MECU

The Government is attempting to privatise 1400 State farms controlling 3.5 million hectares of land. To tackle the wide range of associated problems, the Agricultural Property Agency (APA) was set up. The APA has established 14 regional offices. The PHARE programme will help the APA at both central and regional level to develop procedures to meet the logistical, financial, legal and human resources problems. Strategies for dealing with the social consequences of privatisation, including the development of alternative employment options, will be developed. Training and direct assistance will be provided to APA staff handling topics such as the development of purchase or leasing criteria and the development of management information systems. External experts will be recruited to provide help with training programmes.

### 4. Extension service training 1 MECU

The reform and the improvement of extension services is an important component of the MTSAP. Assistance at national level and for local projects will be progressively oriented towards implementation of the 3-year national action plan adopted by the Government. Where necessary, assistance will also be provided to local pilot projects which will produce experience relevant for the development of national programmes.

This component will follow a three-pronged approach

- *Foundation for Assistance Programmes for Agriculture (FAPA)*

The Ministry of Agriculture and Food Economy (MAFE) has an on-going requirement for assistance in coordinating independent aid. A mixed Polish/foreign expert unit, the FAPA, was established in 1991 to do the job. The 1992 PHARE will continue supporting the Foundation. No significant changes in the existing numbers of foreign experts are envisaged, although the balance may be subject to some minor alterations.

- *Assistance for policy development for agricultural reform*

Building onto the 1991 programme, which provided assistance for a range of studies on subjects such as restructuring policy, the 1992 programme will continue to provide support in the form of external experts seconded to MAFE. They will help with the development of policies and implementation strategies.

- *Regional Assistance and co-ordination*

Assistance from the 1991 programme helped to establish local implementation units (LIUs) to run pilot rural development projects and provide feedback. The LIUs established so far have acted as catalysts for the mobilisation and integration of Polish and foreign resources. They have stimulated local initiatives and provided major contributions to the development of private enterprise. The 1992 programme, to be run by FAPA, will support the existing LIUs and establish four more.

### 3. IMPLEMENTATION

#### *Programme management*

FAPA, will have overall responsibility for all practical aspects of programme implementation on behalf of the Minister of Agriculture and Food Economy. this includes contractual powers. The financial responsibility for payments made to implement the overall programme will be exercised by the Project Authorising Officer appointed by the MAFE after consultations with the Commission. Within this overall framework, sectoral implementation units will exercise delegated responsibilities for their relevant programme or sub-programme budgets, including responsibilities for payments and contractual commitments within agreed limits.

At the request of MAFE and with the prior agreement of the Commission and the implementing agencies, financial allocations may be reallocated between the different components by MAFE.

#### *Procurement*

Technical assistance and training services will be recruited through the usual Commission procedures: either through restricted consultation or by direct agreement, depending on the cost and specialist nature of the services.

Equipment procurement will be through international open tender or through restricted consultation, depending on the cost or nature of the goods. Small expenditures of minor importance may be the subject of direct agreements.

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## Environmental Sector Programme

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 16/10/92 at Management Committee meeting N° 19*

Country:	Poland
Programme:	Environmental Sector Programme
Duration (years)	3
Year:	1992
EC Contribution:	18 MECU <sup>46</sup>
Sector classification:	Environment
Responsible authority:	Ministry of Environmental Protection, Natural Resources and Forestry

### 2. SUMMARY

#### *Background*

The state of the environment in Poland is extremely serious with major problems of air pollution, inadequate water treatment and contaminated soils. The worst air and water pollution sources are found in hot spots confined to a small number of locations, but nevertheless affect a significant proportion of the population. Untreated industrial discharges, unmarked toxic waste dumps and unacceptable water supplies are to be found throughout the country. Poland's low life expectancy and high rate of childhood mortality are both attributed to environmental problems. Pollution originating in Poland also has far-reaching consequences internationally: it is responsible for 40% of Baltic Sea pollution.

These environmental problems are intimately linked to the process of economic restructuring currently taking place. Some sources of pollution are disappearing as factories close or reduce production. Raised energy prices have reduced waste: nevertheless, energy input per unit of GDP is still higher in Poland than anywhere in the West. Long term planning is essential to avoid the reappearance of some problems as economic conditions improve.

The PHARE programme for environmental aid in Poland began by focusing on specific projects in disaster areas, such as upgrading waste water treatment plants, transferring technology for flue gas de-sulphurisation and reducing contaminated water emissions from coal mines. The Environment programme then moved to a more integrated approach, establishing a Regional Implementation Unit in Upper Silesia and running sectoral programmes. Emergency actions have also been identified that can be tackled with PHARE funds, although it is clear that PHARE aid should be targeted to be most effective: after all, a single waste water treatment plant costs 250 MECU. PHARE involvement is thus geared towards institution-building, public awareness campaigns, legislative policy and feasibility studies. In 1991, donor finance amounted to 5% of Polish expenditure on the environment. Thus any monies committed must achieve the highest possible leverage from national finance sources. The aim therefore is to focus PHARE funds in the most cost-effective way by working through existing and developing structures.

A key part of the Polish National Environmental Policy is the development of economic instruments as a means of pollution control. Like many other CEECs, Poland had a

<sup>46</sup> million European Currency Units



system of charges and fines for permitted pollution discharges and emissions under its Environmental Law which were very low and frequently not levied. However, in 1990, it was decided to raise charges and fines to an effective level and channel the money levied to a fund dedicated to environmental investment and improvement. In this way, funds amounting to 4.3 billion zlotys were raised in 1991.

Both the Fund and a Bank<sup>47</sup> created in 1990 to help channel the Fund's revenues into commercial environmental investment are the subject of a PHARE-financed study designed to help provide both institutions with efficient management and a commercially and environmentally sound strategy. The PHARE 1991 programme is also supporting a study of economic instruments such as tradable pollution permits within the Ministry.

### *Programme Objectives*

Building on the 1990 and 1991 Environmental sector programmes, the 1992 programme will aim towards a policy designed to maximise the use of PHARE and other donor resources by channelling external support into investment and institutional building. The overall objective is to assist the Polish government with the implementation of its National Environmental Policy which is committed to encouraging sustainable development in the short, medium and long term. Specifically, the programme will support both investment in projects that improve the environmental infrastructure in the transition period and projects that aim to raise the administration's capacity for environmental management.

The short-term priorities (3-4 years) are devoted to solving problems affecting human health or life, such as reducing dust and gaseous emissions, improving drinking water quality, tackling waste disposal and alleviating air and water pollution from industrial and commercial activities.

The medium-term priorities (~10 years) are aimed at strategic environmental management and protection, enabling Poland's assimilation of European environmental standards as it draws closer to the EC. This includes attaining specific targets for SO<sub>2</sub>, NO<sub>x</sub>, particulates and volatile organic substances; developing proper storage methods for hazardous waste, and reducing polluting discharges into rivers by industry and municipalities.

The long-term priorities (25-30 years) aim to introduce sustainable development principles into the economy so that safe and stable environmental conditions can be attained. Projected actions include the introduction of clean technology, support for environmental values and consolidating sustainable development through national, regional and local self-governing bodies.

### *Programme Description*

The 1992 programme will provide follow-up to specific projects initiated in the 1990 and 1991 programmes such as education and training at state, regional and national level; pollution-reducing projects in the sectors of air, water, soil, hazardous and toxic waste; projects leading to optimal use of land and other resources in rural areas, such as low-pollution agricultural methods; and technology transfer to help any of the above.

The PHARE funds will be made available to support a limited number of interventions selected according to pre-defined criteria, with a special focus on projects involving investment preparation and implementation. Disbursement will be undertaken through two sub-funds (Window 1 and 2) in accordance with the rules applied by the Fund.

Window 1 will support Government tasks and public and non-profit-making private sector activities in the field of environmental protection including policy formulation; investment preparation; the development of tools for monitoring and enforcement of

<sup>47</sup> the Bank has a credit line of 100 MECU from the EBRD.

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environmental regulations; the development of policy and management tools for nature conservation and watershed protection; and staff training at both national and regional level.

Window 1 support will not be in excess of 5 MECU and will be provided as a grant to the final beneficiary under certain conditions, although in some cases loans may be considered.

Window 2 will receive a minimum of 12 MECU and will provide support for environmental investments in selected sectors, particularly for the reduction of air emissions; watershed and forest protection and other areas of nature conservation; water management; solid and hazardous waste management and mine emission desalination.

The form this support will take depends on the environmental benefit of the investment and on the existing legal and regulatory framework and will not exceed 3 MECU per project.

Technical assistance to the Fund and the Environmental Coordination and Management Unit (ECMU) will receive an allocation of 1 MECU, as the programme will support long-term technical assistance to the Fund and the ECMU until 1994. The staff development component will receive 0.2 MECU for the implementation of the programme.

### 3. IMPLEMENTATION

#### *Programme management*

The implementing authority will be the Ministry of Environmental Protection, Natural Resources and Forestry. ECMU will be the coordinating body responsible for keeping the Ministry, the Fund and the Commission involved. The Commission will inspect and supervise the programme, receiving regular progress reports from the ECMU.

The Ministry will delegate the day-to-day running of the programme to the Environment Co-ordination and Management Unit (ECMU) who will in turn work through the Fund. The Fund will rely on the services of the ECMU for preparation, administration and implementation of PHARE funds used for financing and co-financing projects.

The Ministry will be responsible for selecting projects, based on established criteria applied by the Fund. Applications for assistance shall be evaluated according to the following criteria :

- technical and economic feasibility;
- environmental impact;
- consistency with government policies and commitments;
- financial viability of applicant;
- economic and social impact; and
- institutional feasibility.

A major criteria for both loans and grants will be the correct choice of technology appropriate to the needs of the situation, while another will be the planned timetable for cost recovery implementation.

#### *Procurement*

The procurement procedures of the Fund will be used.

## FIESTA/SIERRA

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 14/12/92 at Management Committee meeting N° 21*

Country:	Poland
Programme:	FIESTA: Facility for Implementation of Sectoral and technical Assistance
Effective	SIERRA: Support for Implementation of the Europe Agreement
Duration (years)	3
Year:	1992
EC Contribution:	34 MECU <sup>48</sup>
Sector classification:	Multisectorial
Responsible authority:	Minister for European Integration and Foreign Assistance

### 2. SUMMARY

#### *Background*

The changing economic and political climate in Poland has underlined the need for more responsive methods of providing foreign assistance. Together with the Europe Agreement, signed in 1991, which demands that the Polish Government make the adjustments necessary to apply the economic provisions of the Agreement, the situation demands a multidisciplinary approach for the resolution of some of the country's most crucial needs. Two multi-sectoral programmes, FIESTA and SIERRA, target institutional and economic reform in a manner taking into account the integration aspects of the Europe Agreement.

#### *Programme Objectives :*

The FIESTA programme complements actions undertaken in response to the Indicative Programmes of 1990, 1991, and 1992 by providing technical assistance to support policy reforms principally in the sectors of finance, social policy and energy. It will provide advice to the Government on the development of appropriate reform policies. It will also provide institutional support in those sectors which are closely linked to the economic and social transformation process and where the development of appropriate strategies and measures is needed to create a legislative and/or institutional environment supportive of a market oriented economy.

The SIERRA programme (Support for Implementation of the Europe Agreement) aims to support the Polish Government in taking measures to implement the Europe

<sup>48</sup> million European Currency Units

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Agreement and prepare Poland for her gradual integration into the European Union. Its principal objective is to facilitate the approximation of Polish legislation to the *acquis communautaire*. It will also identify the main barriers to further integration with the EC. In addition, it aims to improve the Polish administration's know-how in matters relating to relations with the EC and will contribute to the effective monitoring of a Free Trade Area and of those provisions concerning freedom of movement.

## *Programme Description*

Both programmes tackle a number of sectors by financing short and long-term technical assistance measures and providing training. While some of these measures are sector-specific others, such as those for administrative support, are more general in scope.

### FIESTA

The three key sectors targeted by FIESTA are finance, social policy and energy. Funds will go towards specific technical assistance, such as cost-effective Polish-speaking technical assistance and management support for existing sector programmes, as well as purchasing equipment necessary to support the measures.

- *Financial Sector*

Technical assistance to the Division for Budget Matters in the Ministry of Finance will be provided to strengthen the Division and the budgetary control process, thus complementing the support provided to the public accounting division in the PHARE Financial Sector Development Programme (FSDP). Assistance will be also be given to establish a development framework for public procurement and investment systems, thus helping the Ministry of Finance to revise procurement regulations and procedures in the context of public administration reforms supported by the PHARE SIGMA and OMEGA programmes. Fiesta Funds will also provide training for the emerging small banking sector in tune with the elaboration of a global training strategy foreseen under the reform of the banking sector covered by the FSDP.

- *Social Policy*

FIESTA aims to support the process or policy reform by assisting progress towards a modern system of industrial relations. A key part of this element is the development of a collective disputes settlement system.

In the field of occupational health and safety, experts will be working with the Central Institute for Labour Protection which aims to upgrade working conditions to meet EC standards. This means providing training as well as essential equipment to improve monitoring, testing inspection and enforcement. A co-ordinated programme of assistance for social security reform and computerisation, including the introduction of health insurance will also receive financing for technical assistance. FIESTA will be supporting the new National Labour Office which has been set up with other bilateral and multilateral assistance to develop an integrated employment service. Specifically, this entails providing training, technical assistance and initial equipment for the head office.

- *Energy Sector :*

EC-funded studies have identified a framework for the development of the oil sector which is being restructured as part of the country's energy complex. FIESTA will concentrate on the technical assistance component required to implement the restructuring programme and establish regulatory and financial control authorities. The EC 1991 Energy Sector Programme will be receiving further support through FIESTA to cover operational expenses as it is currently providing assistance in the form of the Energy Restructuring Group. In addition, support will be forthcoming for the National Energy Preservation Agency (NEPA) which is being set up by the Government to promote energy conservation measures by individuals. FIESTA is making available the funds needed to establish the agency and undertake specific studies.

There is also a general technical assistance component which foresees additional training and support to help the Polish authorities implement the various PHARE sectoral programmes, as well as a financial reserve to provide for rapid inputs of technical assistance as and when the need arises.

### SIERRA

SIERRA has three separate components designed to support the transition required by the Europe Agreement.

- *General and sector-specific technical assistance and training for the administration*

SIERRA will finance the necessary technical assistance and training measures to implement those areas of policy mentioned in the Europe Agreement not already covered by other PHARE sectoral programmes. Training is a key element: this component consists essentially of a series of tailor-made one-week courses for all senior public servants. There will also be courses for officials from legal departments as well as training for translators and interpreters in co-operation with the Polish Society of Economic, Court and Legal translators (TEPIS).

- *Public information and education including APPLE*

SIERRA will be financing four multi-media information campaigns on the Europe Agreement and the EC. Training programmes for Polish journalists are envisaged to acquaint them with EC affairs and techniques for reporting the EC to non-specialised audiences. The European Journalist Training Association (EJTA) will be invited to assist in the organisation of the training programme together with the European Association of Journalists.

SIERRA will offer a financial contribution towards the establishment of a self-sustaining, independent EC news service tailored to Polish needs. This will include an information service for the Polish administration which will run for an initial 18 months.

SIERRA will be working with the Ministry of National Education and selected external experts to develop a teacher's pack about the EC.

SIERRA will provide *ad hoc* financing for the training of documentalists and the procurement of ancillary equipment. It will also help selected users link up their computers to the whole network of European Documentation Centres.

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Grant aid will be provided through the new APPLE programme (Approach and Learn Europe) to develop new courses at all levels as well as to finance fellowships.

### 3. IMPLEMENTATION

#### *Programme management*

A Programme Implementation Unit will be set up and will report to the Minister for European Integration and Foreign Assistance. The PIU will be responsible for general management and financial administration of both FIESTA and SIERRA.

The accounts and operations of the funds will be checked at regular intervals by an outside auditor contracted by the Commission.

The Government of Poland is responsible for the effective operation of the programme.

#### *Procurement*

Equipment procurement by the PMU or grant-aided by the programme will only concern items of less than 100 000 ECU in value and will be dealt with by restricted local consultation. Technical assistance and training services will be recruited by either restricted consultation or direct agreement, depending on the cost and specialist nature of the services.

## Land Information System (LIS)-Phase I

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 2/12/1992 at Management Committee meeting N° 20*

Country:	Poland
Programme:	Land Information System (LIS)-Phase I
Duration (years)	5 years
Year:	1992
EC Contribution:	5 MECU
Sector classification:	Public administration/infrastructure
Responsible authority:	Surveyor general of Poland

### 2. SUMMARY

#### **Background**

The Land Information System (LIS) is part of the national infrastructure interlinking all bodies whose purpose it is to collect land information. LIS ensures that such information reaches those bodies which are best able to use it for the benefit of the economy. Obviously, the essence of the matter is to use the available finance frugally, by the most rational division of tasks when collecting the richest possible data resources.

Land Information System should play a substantial role in at least the following areas:

- tax and fees assessment;
- maintaining legal order in land management;
- economic management and physical planning;
- design of civil engineering projects;
- financial real-estate surety (mortgage);
- ensuring that the existing infrastructure and networks of urban land are kept efficient;
- marketing in real-estate business; and
- farm structural adjustment reforms.

The Polish Land Information System is in the initial stage of development. Its targets, philosophy and information resources have not yet adapted to the far-reaching economic and political changes. In particular it is characterised by:

- the insufficient credibility of the information, compounded by the rapid degradation of primary sources such as maps, registers, etc.;
- the unsatisfactory adaptation of the system's information service to the current conditions (property, market);
- the continuing low value of system investments;
- the poor automation level of the information processes;
- the poor organisational level of integration of basic subsystems; and
- the dissipation of efforts to introduce digital methods and information technology to the system;

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# LAND INFORMATION



The general responsibility for this and subsequent stages of modernising, maintaining the basic cells and continuously developing the land information system lies in the hands of the national geodetic and cartographic service, the NGCS. It is headed by the Surveyor General and cooperates with departments such as the Ministry of Agriculture, the Ministry of Justice and the Ministry of Finance.

### ***Programme Objectives***

This programme will help the authorities to modernise the LIS through activities related to:

- the consolidation of the operations of the Surveyor General. In particular, the programme must accelerate the implementation of the already undertaken pilot system within the area of one voivodship;
- preparing an aerial photographic record of the whole country, thereby creating the necessary initial conditions for the development of photogrammetric technologies, the introduction of permanent systems of photogrammetric updating of data bases into the national LIS structure and the initiating of an orthophotomap (aerial photographs) programme;
- improving data transmission between existing centres and public administration offices;
- economising on resource utilisation by providing topographical maps only for selected areas of Poland and providing orthophotomaps for each region.

### ***Programme Description***

The programme provides support for the establishment of a comprehensive, flexible and up-to-date mapping database, using well-known technology. The programme will build on the substantial technical identification work already undertaken by the Surveyor-General of Poland in the Ministry of Physical Planning and Construction. Five main components are envisaged:

1. external review of the technical actions undertaken by the Surveyor-General and their usefulness for LIS development;
2. support for the foreign currency costs of establishing the aerial photo resources over a 5-year planning period;
3. technical and equipment assistance to strengthen the data processing and distribution systems involved in LIS;
4. support for the development of subsequent reforms of existing land use and information systems, and
5. establishment of suitable arrangements to implement the programme.

Independent external specialists will prepare cost-benefit analyses and recommendations on the most suitable methods for using the aerial photos taken in the first phase of the Programme and will review the assumptions made by the Surveyor-General in estimating the data transmission and data-processing requirements associated with setting up the LIS cells.



### 3. IMPLEMENTATION

#### *Programme management*

Acting under the authority of the Minister of Physical Planning and Construction, the Surveyor-General of Poland will be responsible for implementation and financial accountability. He will establish and chair a committee representing all existing and potential users of the LIS to exchange information and discuss potential future developments.

The day-to-day operational and financial responsibility for the programme may be delegated by the Surveyor-General to the Programme Director. The task of managing the programme will be subcontracted to the existing Project Implementation Unit, assisted by two local experts who would be responsible in particular for planning flights and for coordination, administrative work, accounting, procurement, and EC financial procedures. Financial responsibility for payments made to implement the overall programme will be vested in the Surveyor-General as the Project Authorising Officer (PAO). This responsibility may be delegated within agreed limits to the Director of the PIU. The accounts and operations of the LIS programme will be checked at regular intervals by an outside auditor contracted by the Commission and, in the last instance, by the Communities' Court of Auditors.

#### *Procurement*

Technical assistance will be provided to the Surveyor-General who will use it to establish the proper initial conditions to modernise and develop the LIS. This will include a real estate cadaster and other sub-systems using information concerning land management.

Technical assistance and training services will be recruited either by restricted consultation or direct agreement depending on the cost and specialist nature of the services. Smaller expenditure of minor importance may be the subject of direct agreement.

POLAND



LAND INFORMATION



## SME development programme

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 3/7/92 at Management Committee meeting N° 18*

Country:	Romania
Programme:	SME development programme
Duration (years)	3
Year:	1992
EC Contribution:	10 MECU <sup>49</sup>
Sector classification:	Small & mediumsized enterprises
Responsible authority:	Romanian SME Centre

### 2. SUMMARY

#### *Background*

The necessary restructuring of the collectivist economy is expected to lead to a large fall in employment, as this economy was characterised by reliance on large, inefficient and dirty manufacturing plants and a microscopic SME sector. The development of SMEs is expected to improve the employment situation significantly in all sectors. It will also serve to strengthen the economic foundations essential for a prosperous, stable democracy.

The proportion of the labour force employed by SMEs is still below 10% despite the boom in private business creation that followed the revolution<sup>50</sup>. The quality of this growth, however, gives rise to concern and plenty of constraints still hamper SME development. These include fuzzy and inefficient administration; a lack of capital, premises and raw materials; an opposition to entrepreneurs by the general population fed by a lack of understanding of their role and a shortage of decent advisory and other business services.

The Government is fully aware of the importance of SMEs. Accordingly, their promotion forms the cornerstone of its economic policy and a three-year programme identifying a series of measures to be taken to favour the sector has been adopted. The autonomous Romanian SME Centre will be in charge of implementing the programme and administering donated funds. International support is forthcoming: the UNDP and USAID are jointly setting up 8-10 Advisory Centres spread all over the country. The Canadian Federal Business Development Bank will support this component. The UK's Know-How Fund and the Austrian Burges Förderungsbank will provide technical assistance to the design of appropriate financial instruments and start-up funds for a loan guarantee scheme respectively. Other donors are being sought.

<sup>49</sup> million European Currency Units

<sup>50</sup> over 200.000 private businesses and almost 100.000 companies, mostly of the limited liability type.

### ***Programme objectives***

The PHARE programme will form the core of the Government's Three-Year Programme for SME promotion. Basic components of the frame will be:

- to design and propose new laws and regulations affecting SMEs;
- to set up SME promotion, development and advisory centres;
- to create a favourable environment for SMEs;
- to implement structural economic policies to improve the environment of SMEs; and
- to set up financial facilities for SMEs.

### ***Programme description***

The programme has four basic frames:

1. Institutional support to the SME Romanian Centre;
2. shaping of an environment favourable to entrepreneurs;
3. pilot project design and implementation; and
4. the creation of a Programme Management Unit (PMU).

#### ***1. Institutional support to the SME Romanian Centre: 2.7 MECU***

The Centre's work will be supported by the provision of expertise, training and financial assistance. The Centre will foster the growth of a countrywide network of business advisory centres (called the "Enterprise Consultants and Business Centres"). In addition, the Centre will:

- assist relevant institutions in designing laws affecting SMEs;
- co-ordinate the various actions of the three-year programme;
- monitor the growth of the SME sector;
- collect and pass on relevant data and statistics;
- support the emergence of a country network devoted to SMEs and training its experts;
- prepare studies on SME-directed financial instruments to be set up;
- promote the establishment of SME-directed credit lines, including training loan specialists in interested banks;
- upgrade the skills of the public officials involved;
- speak in favour of SMEs in public fora so as to minimise regulatory and administrative constraints.

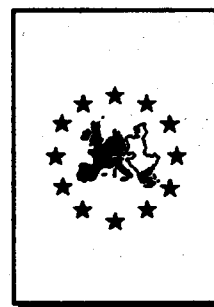
Assistance will be provided by external experts hired on a retainer basis as well as by the PMU. Office equipment costs, technical assistance, external training and some running costs are covered.

#### ***2. Shaping of an environment favourable to entrepreneurs: 1.5 MECU***

As there is no entrepreneurial tradition in Romania, this frame will aim to nurture a consensus about both the economic and social roles of SMEs. The following activities will be supported:

- a media and public-relations exercise will promote media coverage, workshops, congresses, etc. and produce promotional material. A key aim is to get the distinction between entrepreneurial and speculative activities across to the public;
- associations of entrepreneurs, artisans and businessmen will be supported in their aims to expand and to link up with foreign associations;
- preparing the reforms to school and university curricula in order to stimulate students' entrepreneurial spirit; and
- create training programmes for managers of large industries so as to promote co-operation between SMEs and such industries.

# ROMANIA



# SMEs

# ROMANIA



# SMEs

### 3. *Pilot project design and implementation: 4.8 MECU*

At least four Business Centres will be set up and activated and actions for the promotion of others will be taken. Half the funds for this frame are allocated for this purpose. Business centres will be a combination of available industrial premises and specialised consultancy services. Their location will be selected to assure as much synergy as possible with other PHARE programmes. The remaining half of the funds will finance the provision of essential financial tools for newly starting SMEs. Pilot projects will be selected by tender from interested enterprises and local authorities. Co-operative projects involving western companies will be favoured so as to maximise available expertise and cofinancing opportunities. Short training periods in western enterprises for Romanian entrepreneurs will be considered. The money will be made available as conditional cost-sharing grants dependent upon an approved business plan.

### 4. *Programme Management Unit (PMU): 1 MECU*

This will be set up to implement, monitor and supervise the programme's implementation and follow the evolution of the Romanian SMEs' environment. Located at the SME Romanian Centre, it will report to its general manager and will co-ordinate closely with involved ministries and other agencies. It will be assisted by two full-time experts, one being a credit specialist. Sectoral experts will be hired on an *ad hoc* basis to supplement their work. It will liaise and co-ordinate closely with other donors and assist in setting up the SME Romanian Centre. Quarterly progress reports will be prepared and issued to the Government and the Commission.

## 3. IMPLEMENTATION

The implementing body is the SME Romanian Centre. The different components of the programme will either be run by the Centre with the assistance of the PMU or assigned to outside bodies under the supervision of the Centre.

Technical assistance will be obtained either by restricted tendering or by direct agreement with the Commission, depending on cost and nature of the services.

Procurement of goods will be by international open tender. Minor purchases may be made by direct agreement.

The Romanian Government undertakes to supply the Centre with adequate premises and running finance. The Government also undertakes to present pro-SME legislation in Parliament and generally improve the institutional and regulatory environment in favour of SMEs.

## Environmental Sector Programme

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken at Management Committee meeting N°*

Country:	Romania
Programme:	Environmental Sector Programme
Duration (years)	3
Year:	1992
EC Contribution:	5 MECU <sup>51</sup>
Sector classification:	Environment
Responsible authority:	Ministry of the Environment

### 2. SUMMARY

#### *Background*

The command economy has left Romania with a catastrophic environmental legacy which will take years to right. Various aspects of past policies directly contributed to severe environmental degradation, notably the forced development of large input-intensive industries like metallurgy, chemical plants and engineering. Relying almost solely on local resources, the authorities ignored environmental considerations in a misguided attempt to pursue a form of economic isolationism. The artificially low price of energy and other industrial inputs encouraged waste and inefficiency.

As a result, industrialized areas suffer from very high levels of air, water and soil contamination leading to severe hazards to human health. Emission levels of gases, although the greatest source of air pollution, do not pose the same level of danger as the emission of particulates and heavy metals whose effects on pregnant women and children have been well documented. Rivers and ground water tables have been extensively polluted by industrial waste and agricultural run-off. Hazardous waste has commonly been disposed of at unregulated sites, while poorly planned development created serious problems in many areas, notably in the Danube Delta and the Black Sea.

The revolution led to an immediate recognition of the seriousness of the environmental problems affecting the country. The Government, also aware of the economic costs of environmental degradation, recognised that the current transition to a market economy provided an excellent opportunity to formulate new policies and include environmental measures at every step of the privatisation and restructuring processes currently under way.

#### *Institutions, strategies and objectives*

The Ministry of the Environment is responsible for national strategic planning and the enforcement of regulations covering forestry, water resources, nuclear safety and meteorology. In addition, it uses 41 subordinate Environmental Control and Protection Agencies (ECPA) to monitor indicators, implement projects and enforce legislation at local levels. The Ministry, aware of the need to upgrade institutional tools, plans to follow modern integrated environmental management techniques within the framework of new environmental legislation that should be in place by the end of this year.

The Government's Environment Strategy aims to firstly reduce both the actual and likely human health impact of environmental devastation in the most economic manner possible and

<sup>51</sup> million European Currency Units

# ROMANIA



# ENVIRONMENT



secondly to build the framework leading to environmentally sustainable economic growth. As a result, the Government has pledged to achieve the following objectives by the end of 1992:

- enact general environmental legislation;
- reduce to safe levels the most hazardous emissions, discharges and wastes;
- introduce environmental audits in industry and ensure that least cost environmental measures are included in all restructuring and privatisation processes;
- upgrade existing environmental institutions;
- set maximum permitted emission targets for all pollutants at a level similar to those in use in the EC. Enforce adherence according to specific completion schedules with full countrywide compliance to be reached by 2005 (except for SO<sub>2</sub>);
- ensure that environmental matters are properly published;
- include non-governmental organisations and the public in environmental management;

The following aims will be achieved by late 1993:

- remove all remaining environmentally destructive subsidies and price support measures;
- include environmental measures in agricultural policies;
- prepare management strategies for ecologically sensitive areas; and
- prepare a detailed mix of priority measures for environmental management.

#### *Assistance in previous years*

The 1991 GTAF<sup>52</sup> provided support to enhance the Ministry's role and capabilities and to establish a national environmental monitoring system. Both Assistance projects produced results in August 1992.

#### *Objectives*

The 1992 programme builds on the conclusions drawn from the two 1991 projects. Its overall objective is to assist the Government in the implementation of its two-pronged environmental strategy. Based on governmental objectives, it will focus the limited funds available on selected high priority issues whose aim is to improve the country's skills in environmental management. It will also create a programme framework for all future Group of 24 aid to this sector.

Specific objectives are:

- to strengthen institutional and administrative aptitudes for policy formulation, implementation, policing and management; and
- to enhance the environmental monitoring and analysis capacities in order to base strategies upon sound data.

#### *Project description*

The programme will be run via three separate modules.

##### *Strengthening of environmental management*

Short and long term technical assistance will be provided by a long-term technical advisor who will also support the Ministry by co-ordinating G 24 assistance. The project will support the national environmental management strategy. It will focus on the development of strategies for all environmental sectors, including the stipulation of new emission and discharge standards and the formulation of economic incentives to environmental responsibility. The 41 ECPAs will receive support to bolster their regulatory and enforcement roles according to their proximity to hot spots of degradation.

##### *Development of a National Environmental Monitoring System (NEMS)*

Support for the establishment of the NEMS will focus on the monitoring of air pollution. Priority will be given to the worst of the hot spots, such as Baia Mare, Zlatna and Copșa Mica. Both assistance and equipment may be provided by this module. However, procurement of supplies will only start after the conclusion of the 1991 monitoring project so as to avoid duplication.

<sup>52</sup>General Technical Assistance Facility

#### *Training in environmental management*

Target audiences are staff of the Ministry, of the ECPAs and of the Ministry of Industry. Training will take place in Romania, although selected study tours abroad are possible. Training will be both technical and managerial, and will focus on:

- strengthening the environmental impact assessment capabilities;
- strengthening environmental audit capabilities;
- monitoring and data analysis;
- regulatory and economic incentives to environmental care; and
- the selection of proper emission & discharge standards.

Co-financing proposals from other IFOs will be considered, both as direct funding contributions and as parallel financing of specific components of the project.

### **3. IMPLEMENTATION**

Procurement of both equipment and services will follow the usual PHARE procedures.

# ROMANIA



# ENVIRONMENT

## Privatisation & restructuring of the state sector

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken March 1992 at Management Committee meeting N° 15*

Country:	Romania
Programme:	Privatisation & restructuring
Duration (years)	3
Year:	1992
EC Contribution:	30 MECU <sup>53</sup>
Sector classification:	privatisation & restructuring
Responsible authority:	Ministry of Industry (MoI), National Privatisation Agency (NPA) and Romanian Development Agency (RDA)

### 2. SUMMARY

#### *Background*

Under the 1991 GTAF 4.9 MECU was used to define guidelines for privatisation of the state sector in Romania. This 1992 PHARE programme works on the results of these studies. Company law reform has led to a distinction between state "commercial" companies (of which there are 6000) and independent Regio-Autonomie (Public service) Enterprises such as electricity, gas and water which will remain under government supervision.

With guidance from PHARE, equitable ownership of 30% of State "commercial" companies will be transferred (free of charge) to Romanian citizens between the ages of 18 and 65. Ownership certificates were flown over and distributed by PHARE to 17.5 million eligible adults during April and May 1992. The control of the companies will be divided over five Private Ownership Funds (POF). The remaining 70% will remain state controlled commercial companies under the aegis of the State Ownership Fund (SOF). The new laws oblige the government to privatise the remaining state commercial companies at a rate of 10% per annum. The final roles and separation of function between the POF and SOF are still not definitively confirmed.

#### *Programme description*

The programme will comprise the following six components:

- Technical Assistance for the Ministry of Industry;
- Technical Assistance for the National Privatisation Agency, the 5 Private Ownership Funds and the State Ownership Fund;
- the provision of a revolving privatisation and restructuring fund from the NPA;
- financial assistance for the promotion of investment;
- pilot projects for Integrated Regional Restructuring; and
- general management of the privatisation programme.

<sup>53</sup> million European Currency Units



## a) *Technical Assistance for the Ministry of Industry*

The Ministry of Industry will undergo a radical review of its role since the management of state commercial companies will no longer be under its direct control. It will nevertheless be responsible for the national business incentives programme and the promotion and training measures concerning them.

The Ministry will need to co-operate with the POF and communicate to them results of sectoral analyses and future regulations of the sector. In this way, a cohesive policy identifying which state commercial companies are suitable for privatisation in the future will be developed.

Under the 1991 GTAF, from a list of over 100 candidates provided by individual ministries, 30 commercial companies were considered for privatisation. PHARE will be managing the privatisation of eleven commercial companies. (companies in the industrial and consumer goods sectors have been selected).

Management of the independent state sector enterprises will also alter since the Mol will have to develop a form of management responsive to national and international competition which still safeguards the public interest.

## b) *Technical Assistance for the National Privatisation Agency, the 5 Private Ownership Funds and the State Ownership Fund*

Under the 1991 GTAF programme, the National Privatisation Agency ran two studies, one on the establishment of operating procedures for the sale of shares and assets, and the other on the setting-up of the property funds.

In order to accurately evaluate undertakings for privatisation, the 1992 programme will fund technical assistance to train local independent assessors and leave a reserve for the engagement of merchant banks where required.

Expertise will be also put at the disposition of the NPA for legal, industrial and financial privatisation techniques on a retainer basis as well as to develop a public relations policy in the country which will alert national and foreign buyers to investment prospects and motivate the management of the staff of the companies concerned.

The Private Ownership Funds will each have the difficult task of managing some thousands of emergent privatised state commercial companies. Each of the five Funds will be allocated a high level PHARE policy consultant for the long term. Other Romanian managers of the Funds will receive management training through the PHARE programme.



## c) *the provision of a revolving privatisation and restructuring fund from the NPA*

Once the Private Ownership Funds are established, the initiative to privatise state commercial companies will come from them rather than the NPA. As mentioned in point b), the Privatisation Law sets the State Property Fund the task of providing initial advice or assessment costs for restructuring companies which it wishes to sell. Clearly, until a number of successful Privatisations have taken place the State Property Fund will have no hard currency. The NPA will advance funds to the SPF which should be reimbursed to the NPA in hard currency. If the reimbursement to the NPA is in Lei, the money will be paid into a counterpart fund to pay for the services of local consultants. The rules for this operation will be laid down in agreement with the Commission.

The revolving mechanism will be available to privatisation projects proposed either by the NPA, the SPF or the POF. Preferential access to them is likely to be given to the privatisation of those firms with serious social or environmental problems.



*d) financial assistance for the promotion of investment*

The 1991 GTAF programme funded a strategic study on the promotion of foreign investment in Romania. Building on this technical assistance, the following services will be provided by the programme:

- i) investment promotion specialists;
- ii) training abroad and at home for the managers and staff of the Romanian Development Agency which is responsible for the promotion of foreign investment;
- iii) promotion of the self employed (home and abroad);
- iv) RDA branches to be established in certain key areas; and
- v) technical promotional equipment such as video/ duplicating equipment is foreseen.

*e) pilot projects for Integrated Regional Restructuring*

A PHARE-funded feasibility study will be set up which details the selection of appropriate regions to be involved in industrial regional restructuring and considers the role of institutions to be involved therein<sup>54</sup>. The target regions will be industrial areas where it is expected that the privatisation process will hit hardest in terms of job losses. Once identified, the PHARE privatisation programme will initiate pilot projects in industrial restructuring, retraining the unemployed, developing SME and promoting foreign investment in those areas.

*f) general management of the privatisation programme*

The PHARE 92 Privatisation programme will be managed by the NPA, the Ministry of Industry and the RDA. A project team will be created in each mentioned institution. PHARE consultants will be present in the Ministry of Industry, the RDA and the NPA (see below) to assist with contractual matters.

### 3. IMPLEMENTATION

The NPA will co-ordinate the overall administrative management of the programme with the Commission via a high level PHARE-financed programme leader who will work very closely with the NPA.

A PHARE-financed Financial Administrator placed within the NPA will be responsible for the accounts of the programme, invitations to tender and procurement on behalf of the NPA.

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

<sup>54</sup> trade unions, chambers of commerce, RDA, Ministry of Labour.

## General Technical Assistance Facility

- a PHARE assistance programme -

# ROMANIA

### 1. IDENTIFICATION

*Decision taken 20 May 1992 at Management Committee meeting N° 16*

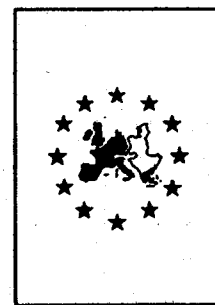
Country:	Romania
Programme:	General Technical Assistance Facility part II
Duration (years)	
Year:	1992
EC Contribution:	15 MECU <sup>55</sup>
Sector classification:	Multidisciplinary
Responsible authority:	Romanian Development Agency (RDA)

### 2. SUMMARY

#### *Programme Objectives*

The general objective of the Romanian General Technical Assistance Facility part II is to assist the authorities to develop appropriate sectoral reforms in areas where market-oriented legislative policies and appropriate institutions are required and where the necessary amount of PHARE support does not justify a separate system of management.

GTAF II is a flexible fund which will be used for financing short and medium term technical assistance measures in the areas of infrastructure (energy, telecommunications and transport), tourism, local government and scientific research. The funds may also be used to cover the foreign exchange costs of equipment required by the projects.



#### *Programme Description*

##### **Infrastructure: Energy, Transport and Telecommunications (6.5 MECU)**

##### *Energy*

The dismantling of COMECON and the breaking of trade contacts with Iraq during the Gulf War have led to dramatic increases in the price of fuels, heating oil and electricity. The generating equipment and unavailability of spare parts have also made the power shortage more acute. Furthermore a new outlook on the conservation of hitherto freely available energy is necessary.

GTAF II will:

- set up a resident consultancy unit to explore possible energy saving measures, based on the PHARE 1991 GTAF. This will be subordinated to the Romanian Agency for Energy saving;
- jointly-finance (with the Romanian environmental budget) a study on the environmental impact of power generation; and
- consider problems of urban heating (especially in Bucharest).

A regional training programme in the field of energy is currently under consideration as a possible forum for PHARE support in teaching and education.

# GTAF

<sup>55</sup> million European Currency Units

# ROMANIA



# GTAF

## *Transport*

Lack of consistency in former communist investment policies has left Romania's location as the gateway to The CEEC as yet unexploited. Air, road and inland waterway transport facilities (especially the future use of The Danube as a waterway between the CEEC) require planning, adaptation and modernisation.

GTAF II will provide know-how (based on Community experience), technical assistance and training in the reorganisation of the Ministry of Transport, influencing the formation of national policy and strategy, reforming management and organisation, harmonising legislation and training personnel.

## *Telecommunications*

Technical assistance will be provided for the key areas of sectoral policy and institutional reform so as to assist the operators and authorities in speeding up the reform process. Assistance may cover legislation and standards formulation, tariff policy, legal reorganisation, management rationalisation and transfer of technical knowledge.

## **Tourism (4.5 MECU)**

Romania has a rich cultural heritage and remarkable natural attractions which would be tourist friendly if its hotel and transport infrastructures were developed and training infrastructures for operators and other staff set up. Hard currency would circulate as well as jobs being created so stimulating economic development. Environmental problems exist which currently limit development.

GTAF II will provide a long-term specialist to advise the Ministry of Tourism on the development of a national strategy, re-organise training centres and develop and promote tourist products on certain target markets.

## **Scientific Research (1.0 MECU)**

The re-definition and future methods of financing Romania's research centres will be considered under GTAF II, as will the modernisation of university system.

## **Local Government Training (1.5 MECU)**

Training programmes will be set up in order to guide local administrations through the decentralisation process.

GTAF II provides short-term on-the-spot technical expertise which will pave the way for long-term measures such as training centres and materials.

Co-operation with the World Bank programme of support to municipal services is planned.

## **Policy Development, Programme Implementation and Co-ordination (1.5 MECU)**

The Romanian Development Agency (RDA) the body responsible for investment promotion and the co-ordination of external aid in Romania, will continue the planning and monitoring of the various PHARE programmes (and G-24 assistance) assisted by a team of external experts. GTAF II will continue to finance this highly effective team.

Strategy planning to be undertaken by the National Institute for Economic Research under the Romanian Academy who will also plan seminars with the RDA and other foreign experts on the subject of the development of the Romanian economy.

An International Management Foundation is to be founded to identify management training needs. Foreign Technical Assistance will concentrate mainly on curriculum development and in service training, in particular for public administration (SIGMA links), public enterprises and utilities.

### **3. IMPLEMENTATION**

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

ROMANIA



GIAF

## Privatisation of agriculture & agroindustries

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 12 May 1992 at Management Committee meeting N° 16*

Country:	Romania
Programme:	Privatisation of agriculture and agroindustries
Duration (years)	
Year:	1992
EC Contribution:	12 MECU <sup>56</sup>
Sector classification:	Agriculture
Responsible authority:	Ministry of Agriculture

### 2. SUMMARY

#### *Background*

This programme considers the resolution of the infrastructural problems which are part of the current systems of farming and processing of agricultural products in Romania and present a serious hurdle to an efficient exploitation of her very rich agricultural potential.

Before restructuring and privatisation could begin in these sectors action had to be taken on two levels. Firstly, a legislative framework had to be set up which was capable of initiating the de collectivisation of the Co-operatives of Agricultural Producers (CAPs), the restructuring of State Farms and the parcelling and redistribution of land: hence the Land Act of Feb. 20th, 1991, the Privatisation Law and the Law on Commercial Societies. Before structural reform could be addressed, urgent intervention of the EC had to be sought simply to keep the sector afloat. Consequently, PHARE implemented a series of emergency measures in 1991: supplies of animal proteins and equipment for the production of animal feed in April 1991 (25 MECU), and import supply of consumables and spare parts for agro-industry in November 1991 (9 MECU).

Dominant issues inherent in the agro-processing sector included the creation of non-state marketing channels and price liberalisation

#### *Programme objectives*

Specific objectives are to develop a coherent agricultural strategy while providing support for its implementation; to establish private-sector markets, retail and distribution channels of both inputs and outputs; and to build the necessary institutional and physical infrastructure for the development of the private sector.

EC PHARE Action will focus on four core activities in 1992:

- assistance to the Ministry of Agriculture;
- technical, financial and legal assistance to private-sector farmers.
- assistance to establish private-sector distribution networks; and
- assistance to the reorganisation of agroindustrial units.

#### *Programme description*

<sup>56</sup> million European Currency Units



**Assistance to the Ministry of Agriculture (3 MECU)**

This component will assist the Ministry in developing an agricultural policy and in implementing the land reform programme in accordance with the Land Act.

The Policy Unit set up under the 1991 PHARE GTAF (5MECU) programme will consider in particular price policy and price and trade liberalisation issues.

The Land measurement and registration process assisted by PHARE in 1991 will be expanded by providing further training, by computerising data management, by providing equipment (plotters and topographic equipment) and by supplying legal technical assistance to prepare and interpret the vast body of new data and land legislation.

**Technical, Financial and Legal Assistance to private-sector farmers (3 MECU)**

This component will shift emphasis away from the large scale production advice currently imparted to farmers and give greater importance to economics (accounting, management, development of investment plans). On the whole Romanian farmers are well educated specialists but have little if any individual farming experience. There will be special linkage with the Market Information System pilot project (*see below*) for those farmers in hilly and mountainous areas who were never collectivised<sup>57</sup>.

Legal Technical Assistance is envisaged to elaborate the Law on Agricultural Co-operatives, the establishment of credit and guarantee facilities and an agricultural insurance system.

**Assistance to establish private-sector distribution networks (4 MECU).**

Although the government has lifted official price control on freely available agricultural products (i.e. not on bread, sugar, edible oils etc.) it still has plenty of *de facto* monopolies, especially in distribution. The need for alternative marketing channels is thus acute. The Ministry of Trade has developed a distribution Master Plan focusing on the small scale farmer. PHARE financed expertise will give technical advice on how to realise its aims. Wholesalers and retailers will receive technical assistance, including information on cold storage, freezing, handling of foodstuffs and shopfitting.

A *Market Information System* will also be established. The Ministry of Trade currently produces a weekly journal giving prices for key agricultural commodities in selected provinces. This component foresees the development of a MIS via a network of computers which will gather data and transmit information to Romania's 41 districts and distribute the information to the media daily in a way which will be accessible to the farmers and agricultural industry as a whole.

**Assistance to the reorganisation of agroindustrial units (2 MECU)**

A programme, financed by the 1991 GTAF programme, is currently under way to determine the best way to restructure the agroindustrial sector in such a way that possibilities of co-financing by other International Financing Institutions be maximised. It concentrates on the key food processing industries of meat, dairy products, edible oils, fruits, vegetables and animal feed.

This component will organise a seminar to present the results of the 1991 study to an international audience of potential investors. It will also consider in detail the delivery system, company auditing, and the reorganisation and re-training of management.

This will be implemented in cooperation with the Department for Food Processing Industries and the National Privatisation Agency. The scope could in the future be extended to cover Fisheries.



<sup>57</sup> accounting for 0.5 million ha of the 15 million ha of total land under cultivation, involving 600,000 households of 2.8 million people.



### 3. IMPLEMENTATION

A Project Management Unit is to be attached to the Ministry of Agriculture, which has overall responsibility for this programme..

Other donors involved in this sector include the World Bank's Critical Imports Programme and bilateral aid measures from France, the United Kingdom, the Netherlands and Denmark.

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.



## Development of the Financial Sector

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 12 May 1992 at Management Committee meeting N° 16*

Country:	Romania
Programme:	Development of the Financial Sector
Duration (years)	3
Year:	1992
EC Contribution:	5 MECU <sup>58</sup>
Sector classification:	Banking & Finance
Responsible authority:	National Bank of Romania, Ministry of Finance

### 2. SUMMARY

#### **Background**

Since the performance of the banking sector has direct impact on the growth of the economy, on the development of the private sector, on foreign investment and on the efficient use of domestic savings a *de facto* two-tier banking system has been up and running (complete with legislation) in Romania since May 1991. This means that the National Bank of Romania functions now as a Central Bank which determines monetary policy, manages external and domestic debt, develops capital markets, introduces a national payments system and supervises retail banks, while the portfolios of the former State Bank have been transferred to independent (non state owned) commercial banks.

#### **Programme objectives**

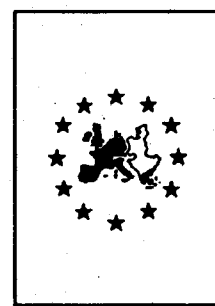
The programme follows on from the preliminary steps undertaken under the 1991 GTAF programme which concentrated on strategic needs studies for the most essential legislative and institutional structures in the field. Together with the Romanian authorities a programme has been drawn up which will catalyse reforms in banking, taxation, governmental budget and treasury. It is hoped that this will lead to the development of the private sector, the mobilising of domestic systems and ultimately foreign investment.

The four components of the programme will be divided as follows

- Technical Assistance to the National Bank of Romania;
- Technical Assistance to commercial banks; and
- Technical Assistance to the Ministry of Economy and Finance.

<sup>58</sup> million European Currency Units

# ROMANIA



# FINANCE



### *Programme description*

#### **Technical Assistance to the National Bank (0.4 MECU)**

In accordance with the conclusions of the strategic study under in 1991, the National Bank of Romania will receive technical assistance to perform its new functions in the form of expertise, consultancy services and training.

Further Strategic studies to restructure the Savings Bank and Co-operative banking systems are foreseen.

#### **Technical Assistance to commercial banks (2.1 MECU)**

The aim of this component is to restructure the banks so that their formerly specialist activities are transformed into universal banking with a client base extended to both individuals and enterprises. PHARE GTAF 1991 provided for operational audits of four of the major commercial and co-operative banks. The ensuing institutional and strategic diagnoses will provide an outline for PHARE technical assistance over the next three years. Bank training, strategic advice and the development of information systems are on the agenda for this programme. It is to be coordinated with the World Bank.

#### **Technical Assistance to the Ministry of Economy and Finance (2.5 MECU)**

PHARE GTAF 1991 financed a study outlining a reorganisation plan for the Ministry. It was also intended to predict areas of future need for technical assistance. The 1992 programme will in particular provide expertise to resolve needs in planning and management of government budget, treasury and macro-economics. PHARE will also develop departmental information systems within the Ministry which will improve internal communications and management.

A comprehensive Accountancy Act is due to come into force in January 1993. It lays down rules for reporting, book keeping, disclosure, publication, auditing and provides for the establishment of an autonomous regulatory body of expert accountants. Based on a PHARE strategic study, technical assistance will complete the legislative framework, establish the necessary training structures, develop the existing profession and provide some equipment and supplies in order to meet the January deadline.

### **3. IMPLEMENTATION**

The PMUs set up under the 1991 GTAF in both the National Bank and the MoF will continue to be responsible for the day to day running of the programme, including the preparation of invitations to tender.

Both units are staffed by Romanian counterparts and a PHARE funded programme administrator.

Procurement of equipment will be by international open tender or by restricted tender if justified on the basis of the cost or the special characteristics of the supplies required.

Technical Assistance will be engaged either by restricted tender or by direct agreement, depending on the costs or the specialist nature of the services required.

Small expenditures of minor importance may be the subject of direct agreements.

## Employment and Social Development

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 16/10/92 at Management Committee meeting N° 19*

Country:	Romania
Programme:	Social Development and Employment
Duration (years)	1
Year:	1992
EC Contribution:	15 MECU <sup>59</sup>
Sector classification:	Social development
Responsible authority:	Romanian Development Agency

### 2. SUMMARY

#### **Background**

Unemployment in Romania was not significant before the 1989 revolution, but is now rising steadily: it has doubled over the last year. To accompany the structural changes needed for the transition to a market economy, a number of social policies have been adopted to support individuals experiencing hardship as a result of the reforms. Unemployment benefit policies have been set up, paying out benefits for a limited period.

The Government's policy has three strands to combat unemployment and its deleterious effects:

- a macro-economic reform programme which is a pre-requisite for a healthy economy capable of supporting productive employment;
- a raft of policies to encourage the growth of small and medium sized enterprises (SMEs) through dismantling institutional barriers, offering advice and financing subsidised credit programmes; and
- policies and programmes to mitigate the impact of unemployment.

There are no clearly defined governmental structures of industrial relations, and the trade union movement is divided despite its strong influence. However, the Government has passed a series of laws that create the legislative framework for industrial relations, as it is keen to establish a social dialogue and establish processes and structures for national reconciliation.

<sup>59</sup> million European Currency Units

# ROMANIA



# SOCIAL DEVELOPMENT



### *Programme Objectives*

The programme aims to promote a voluntary policy of limited decentralisation and set up the structures for an expanding social dialogue. This includes the following:

- measures to reduce unemployment by promoting a national programme of active employment and training;
- measures to strengthen the capacity for social dialogue of the Ministry of Labour and Social Policy and the other social partners;
- measures to strengthen the management of resident care institutions for the socially underprivileged; and
- support the restructuring and other reforms in the health sector

### *Programme Description*

The programme is composed of four components which will have an impact at both local and national level.

#### • Sub-programme on active measures 10 MECU

At local level, the programme will support measures to promote constructive responses to unemployment among local communities. These include:

- training for alternative employment;
- training in skills likely to be useful in a market economy;
- training in self-employment;
- community-based job creation projects; and
- programmes to assist those looking for work with information, such as job clubs and newsletters.

Twenty pilot areas will be selected for assistance, each with a specially recruited Local Development Agent (LDA) who will establish a Local Consortium (LC). The LC will prepare a Programme of Active Employment Measures as a basis for an agreement with the Management Team (MT) who will be working at national level to oversee and monitor the programme. The MT will also provide training, curriculum development and resources including a database. It will also mount a public information campaign.

#### • Sub-programme on Social Dialogue 2 MECU

This element will provide assistance in four different areas :

- to the government for the creation or the improvement of a legal base for a social dialogue;
- for the creation of a tri-partite secretariat based at the Ministry of Labour and Social protection to act as a resource base for trade unions and employer's federations;
- for the organisation and professional development of the Employers' Federations; and
- to raise the status and professionalism of economic and industrial journalism through the provision of technical assistance and training in relevant issues such as macro-economic policy making, industrial relations and social reconversion as well as study trips.

#### • Sub-programme to improve institutional placement services 1.5 MECU

This element is to be undertaken in two phases.

Firstly, priorities will be set favouring specific actions such as preventive actions to control the influx of the underprivileged into residential institutions; personnel training in the areas of administration and management; and a review of the current administrative procedures to identify ways in which the current management of the institutions can be improved.

Secondly, actions will be implemented according to the priorities identified. These will complement the next phase of humanitarian aid provisions which is characterised by the following elements:

- establishing a policy for the protection of children that goes beyond institutionalised care;
- establishing a policy of prevention and de-institutionalisation from the social care of children; and
- humanising the physical conditions of institutionalised care.

• Sub-programme for the health sector

1.5 MECU

The programme will support the definition of a health-care strategy targeting the underprivileged which will complement the technical assistance provided by the World Bank to the programme for health and social security. Primary health care will also receive support through funding for the National Vaccination Programme, which amongst others will improve the distribution system for vaccines (which need to be transported at low temperatures). Technical assistance will also be provided to set up a series of reforms in the health sector which will create the conditions for further bilateral co-operation.

### 3. IMPLEMENTATION

#### *Programme management*

The four sub-programmes will be managed in different ways : sub-programmes 1 and 2 will be under the responsibility of the Romanian Development Agency, while the supervision of sub-programmes 3 and 4 will be given to the inter-ministerial co-ordination committee for humanitarian aid. The general co-ordination will be undertaken by the RDA who will create a programme management unit.

#### *Procurement*

The purchase of equipment and supplies will be carried out on the basis of international calls for tender, or restricted calls if justified by the cost and technical characteristics of the subjects concerned. Technical assistance and service contracts will be awarded on the basis of restricted tenders or direct agreement if justified by cost and specific characteristics.

# ROMANIA



# SOCIAL DEVELOPMENT



## Privatisation of Agriculture and Agro-industries

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 14/12/92 at Management Committee meeting N° 21*

Country:	Romania
Programme:	Privatisation of Agriculture and Agro-Industry
Duration (years)	3
Year:	1992
EC Contribution:	20 MECU <sup>60</sup>
Sector classification:	Agriculture
Responsible authority:	Ministry of Agriculture and Food Industry

### 2. SUMMARY

#### *Background*

Under the 1992 and 1992 programmes PHARE took a series of initiatives to assist the Government with the reform of the agricultural sector. This includes assistance to agro-industries, food-processing and agricultural input industries as well as assistance to achieve a smooth transition to a market-oriented economy. The new programme complements the activities already under way.

Two import programmes are under way which provide critical import supplies such as consumables, spare parts, replacement machinery, equipment, animal feed components and additives. The technical assistance which is currently being provided to the government involves four core activities:

- continuing support to the land reform process by accelerating the land title registration system;
- the establishment of private distribution channels;
- corporate reviews of the agro-industries and technical assistance to private farmers;
- privatisation of the agricultural supply network.

#### *Programme Objectives*

The main objective of the programme is to promote the potential of private agriculture and to accelerate the reform process by encouraging the development of the private sector and the privatisation of all types of rural enterprises.

<sup>60</sup> million European Currency Units

## ***Programme Description***

The programme is made up of the following five components:

### **1. Rural Credit Guarantee Fund (RCGF) 9.0 MECU**

A Rural Credit Guarantee Fund is to be established in order to help provide financial services to rural businesses. The RCGF will encourage banks to lend to private farmers and rural enterprises and will contribute to the disbursement of local, World Bank and EBRD credit lines.

A 9 MECU grant will be used both to establish the RCGF and to provide part of its capital base. Four Romanian banks will contribute to the initial capital. The Fund will be audited by a firm of consultants based in Bucharest. It will be used to spread the risk of new loans. Farmers and farmers' associations, private agro-industrial companies, agri-businesses and the related service enterprises are all eligible for this credit guarantee scheme.

### **2. Training programme 1.0 MECU**

Foundation staff will receive training in all issues of loan management so as to enable the Foundation to assess applications submitted to the Fund by the various banks. Training will also be provided to banks and other financial intermediaries which intend to expand their rural loan portfolios. The training will be complementary to that already being provided to bank staff by other programmes and will concentrate on the rural risk assessment methods, loan recovery methods and other issues related to rural loan portfolios.

### **3. Farming and Agribusiness Consultancy services 3.0 MECU**

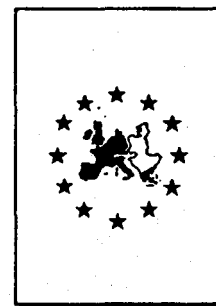
A Farming and Agri-business Consultancy Service (FACS) will complement the existing development initiatives of both the World Bank and the PHARE programme. FACS will provide technical support to the increasing number of privately owned farming and rural businesses. FACS will offer a full range of business advisory services geared to the rural entrepreneur, covering issues of management, cash flow and investment planning, finance, auditing, marketing etc. These services will be available to rural businesses through a network of different offices.

### **4. Supplement to the privatisation programme 6.0 MECU**

As it has already been agreed by the Romanian government that the overriding priority for the privatisation programme is the development of a private agricultural sector, current EC PHARE programmes will continue tackling all related problems: land-reform, the provision of accurate sectoral reviews of rural businesses, the development of effective commodity markets and distribution channels, and further technical assistance for the privatisation of the agricultural supply network.

### **5. Programme Management 1.0 MECU**

# ROMANIA



# AGRICULTURE



# ROMANIA

# AGRICULTURE

### 3. IMPLEMENTATION

#### *Programme management*

The RCGF will be managed by a Board of Trustees composed of representatives of participating institutions assisted by professionals. Technical assistance contracts will be awarded under the responsibility of the Romanian Ministry of Agriculture and Food Industry. The PMU attached to this Ministry will be responsible for co-ordinating all programmes in the field of agriculture and agro-industry.

#### *Procurement*

Technical assistance contracts will be awarded in accordance with the usual PHARE tendering procedures. The procurement of equipment will be under the responsibility of the Ministry of Agriculture and Food, assisted by the Programme Management Unit and will use open tenders. Restricted tendering procedures may be used if justified by the cost or special characteristics of the equipment.



## General Technical Assistance Facility (GTAF)

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 20 May 1992 at Management Committee meeting N° 16*

Country:	Romania
Programme:	General Technical Assistance Facility
Duration (years)	3 years
Year:	1992
EC Contribution:	15 MECU
Sector classification:	Multisectoral
Responsible authority:	Romanian Development Agency

### 2. SUMMARY

#### *Background*

Over the last two years Romania has pursued an ambitious policy to transform its planned economy into a market economy and become a pluralist democracy. A new Constitution was adopted in late 1991 and local elections were organised in February 1992. An economic cooperation and trade agreement with the EEC was signed in October 1991, and an Association (or Europe) Agreement, currently awaiting ratification, was signed on 1<sup>st</sup> February 1993. Drastic macroeconomic reforms have been implemented since 1990, leading to a devaluation of the leu. Legislation privatising trading companies was adopted in July 1991.

Serious problems remain: energy, transport and telecommunications are in very bad shape and need great help. The dismantling of Comecon and the breaking of trade contracts with Iraq have led to a significant increase in the prices of fuels, heating oil and electricity resulting in acute power shortages. Air, road and inland waterway transport facilities are not always suited to the needs of the economy, especially considering the favourable geographical location of the country: it is the natural gateway to the other countries of central and eastern Europe, notably via the Danube. Telecommunications, the general modernisation of the administration, tourism facilities, and scientific research are also a prerequisite not only for insuring the transition to a market economy, but also to increase popular support for the reforms.

#### *Programme Objectives*

The programme sets out to:

- surmount serious material obstacles hindering the development of an effective market economy;
- develop certain intellectual and natural assets; and
- promote the transition to a pluralistic society.

It covers four main sectors :

- infrastructure (energy, telecommunications and transport);
- tourism;
- local government; and
- scientific research.

The programme will run for a duration of three years.

# ROMANIA



# GTAF



### *Programme Description*

The general technical assistance programme is intended to finance short and medium-term technical assistance and will, if necessary, be expanded to cover expenditure on equipment needed to achieve the programme's objectives.

#### • *Infrastructure*

As regards telecommunications, technical assistance will be provided in the key areas of sectoral policy and institutional reform, so as to assist the regulatory authorities and the operators in speeding up the reform process. Assistance may cover technical and legal aspects, commercial aspects, the legal reorganisation of undertakings (licences, management contracts, privatisation), soft restructuring measures via the rationalisation of business management (financial, accounting, planning), and the updating of technical knowledge, in particular in the running of multi-exchange networks. Training will be provided to key personnel.

In the energy sector, technical assistance will follow the strategic study about energy savings measures financed under the 1991 general technical assistance programme. A resident consultancy unit, attached to the Romanian Agency for Energy Saving, will be set up. A study on the links between energy use and environmental degradation will be realised and will be partly financed by the programme's budget. Training and education will also receive support. Lastly, the problem of urban heating, particularly serious in Bucharest, will be given careful consideration under the programme.

As regards transport, the programme will provide know-how, technical assistance and training to strengthen administrative capacities and back-up services. Essentially the programme will be concerned with :

- the reorganisation of the Transport ministry;
- the formulation of national policy and strategy;
- reform of the sector's economic and financial organisation and management;
- the preparation of regulatory measures and harmonisation of legislation; and
- training administrative and planning personnel. Particular attention will be given to know-how transfer based on Community experience in the field of transport.

#### • *Tourism*

The key objective of this part of the programme is to organise official bodies and human resource management properly so as to provide a favourable climate for the development of private undertakings and promote Romania as a holiday destination for certain target markets. The combination of trained personnel and appropriate institutional provisions, supported by a national policy to promote tourism, should attract investment and the attention of travel agents.

The programme will cover, among other things :

- the long-term recruitment of a specialist in tourism policy to advise the Ministry, and
- technical assistance to reorganise the national training centre, to develop marketable products (capitalising in particular on the country's cultural heritage) and to promote the Romanian tourism in certain target markets.

#### • *Local government*

Following local elections and the devolution of substantial responsibilities to local authorities, urgent institutional support will be required to assist the local leadership. Training programmes will be made available and strategic guidelines provided to accompany the transfer of responsibilities from central to local level. This part of the programme will essentially offer assistance:

- with the training of local government managers and officials;
- in devising a strategy for personnel development; and
- to local authorities' organisations.

The GTAF Programme will provide on-the-spot short-term technical expertise to set up accelerated training programmes and to pave the way for the long-term development of training centres and teaching material. These activities will be supplemented by the World Bank operation in support of municipal services, currently being planned.

- **Scientific Research**

The Ministry for Science and Education has formulated a general research programme covering the environment, power generation, the exploitation of natural resources, applied technological development, informatics, biotechnology, agriculture, seismology and social sciences.

Research centres are, however, expected to redirect their activities in line with the need to develop human resources, improve the integration of Romanian research with the European scientific community and support national industry as it undergoes radical restructuring. In that regard, the assistance provided under the programme will include a full audit of research centres to assess whether they fit in with the new economic system. The study will focus in particular on available technology, the relevance of research programmes, the competitiveness of the sectors at international level, the potential for funding and the links with higher education and industry.

### 3. IMPLEMENTATION

#### *Programme management*

The Romanian development agency is officially responsible for the administration of external aid. In this capacity, it will be responsible for the administrative coordination of the 1992 general technical assistance programme in close cooperation with the Ministries and Agencies concerned as well as with the various other donors. It will be assisted by a team of experts. For those components of the programme administered *in situ*, a fund will be set up with a suitable bank and a special interest-bearing account will be opened in the name of the agency. All interest will be credited to the fund. The Commission's payments will be in the form of advances calculated on the basis of the work programmes and disbursement timetables previously submitted to the Commission for approval. The accounts and the operation will be periodically checked by an external accountant.

#### *Procurement*

Purchases of equipment will be made through international invitations to tender. Restricted invitations to tender may be used if justified by the cost or technical specifications of the equipment. Technical assistants will be recruited through restricted invitations to tender or direct contract, depending on the cost or the nature of the services concerned. Direct contracts will be used for minor items of expenditure.

# ROMANIA



# GTA



## General Technical Assistance Facility

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 30/7/92 at Management Committee meeting N° 18*

Country:	Republic of Slovenia
Programme:	General Technical Assistance Facility
Duration (years):	3
Year:	1992
EC Contribution:	6.7 MECU (*)
Sector classification:	GTAF
Responsible authority:	Ministry of Science & Technology

### 2. SUMMARY

#### *Background*

Slovenia became an independent state in June 1991. The new state officially became a beneficiary of the PHARE programme in August 1992 through Council Regulation N° 2334/92, amending Regulation N° 3906/89 that set up the PHARE programme.

The Government's priorities are to achieve a speedy transition to a market economy and to achieve stable and sustainable growth. For these reasons, the objectives listed below are being pursued:

- a stable macroeconomic environment;
- privatisation of the economy;
- promotion of the SME sector (the aim being to create 200,000 new jobs);
- investments in telecoms, IT systems and other infrastructure;
- restructuring of the manufacturing sectors;
- development of the tourist industry.

However, various problems are hampering those processes. The main ones are:

- the country's difficulties in achieving the transition from a command to a market-led economy are compounded by the structural changes linked to Slovenia's recent independence and the war-driven devastation of her main markets in the former Yugoslavia;
- Privatisation processes haven't been defined yet. The risk of uncontrolled privatisation is real;
- accounting standards, ownership structures and management capacity in the Central and commercial banks leave a lot to be desired;
- The lack of communications, networks and IT systems is slowing the technological development that is potentially possible thanks to an advanced research network;
- Infrastructural investments may not be productive without a clear strategic policy formulation;
- Closer trade links with the EC are difficult to achieve because of industry's widespread non-compliance with EC norms;
- the development of the tourist sector doesn't just depend on clever marketing, but on a great improvement in the quality of service.

The General Technical Assistance Facility is urgently needed to develop reform policies and promote institutional reform in these areas. It will finance short- and medium-term measures in the areas of privatisation, restructuring, SMEs, financial sector reform, telecoms, tourism and science and technology.

\* million European Currency Units

**Enterprise restructuring, privatisation and SMEs (est. cost: 2.5 MECU)**

**Enterprise restructuring:** Because of its size, the textile industry has been designated as a priority sector in the restructuring process. Assistance will focus on the preparation of proposals on technological, marketing and economic strategies and will include management audits of a representative sample of companies in the sector.

**Privatisation:** Two long-term advisors will be supported by short-term experts to assist the Privatisation Agency on the following points:

- the choice of privatisation techniques;
- establishing a mutual fund and training its managers;
- preparing pilot privatisation projects; and
- provide management training to privatisation consultants.

**SMEs:** Assistance will aim to overcome the main problems facing this sector, namely access to finance, business support services and information. An adviser will help to formulate a general SME policy. A feasibility study about the establishment of a pilot Business Innovation Centre will be prepared. Support will be given to the establishment of a pilot advisory network in the Gorenjska region for eventual replication throughout the country. This assistance will help the training of personnel and the design of systems and management structures.

**Banking and the financial sector (est. cost: 1.6 MECU)**

**Ministry of Finance:** the following measures are proposed:

- establishing a Treasury Department by deploying a full package of technical assistance measures;
- to develop a securities market according to EC regulations. The ultimate aim is to allow the listing of Slovenian Government bonds on Euromarkets;
- to develop suitable accounting standards; and, in conjunction with the Central Bank,
- the development of suitable information, statistics and budget monitoring systems.

**Central Bank of Slovenia:** priorities for action are:

- the creation of a statistical information system, mainly for the evaluation of the balance-of-payment situation and of monetary policy;
- the development of suitable personnel policies, including a trainee scheme for graduates.

**Commercial banks:** Assistance will be provided for the development of a banking association. The aim will be to establish training structures. Support will take the form of consultancy work, technical assistance, training and essential equipment. The Agency for the Rehabilitation of Banks, a group operating under the Minister of Finance's responsibility, will have to deal with compromised banks. It will establish bankruptcy & rehabilitation rules and will issue bonds as a counterpart for the take-over of non performing assets. PHARE will provide training in the portfolio management field. PHARE will also support the development and training of accountancy and tax personnel.

**Science and technology (est. cost: 1.6 MECU)**

**The Ministry of Science and Technology** will be assisted in the review of the R&D policy, including its institutional framework. Audits will be performed on the quality of R&D institutions. Proposals for effective technology transfer programmes and for human resource programmes will be prepared.

Regulatory frameworks, linkages to international institutions and a personnel development programme will be used to develop a standardisation system compatible with those in use in the EC. This will form the core of a National Quality Programme designed to assist Slovenian industry in meeting EC norms.

**Infrastructure: telecoms & tourism (est. cost: 1 MECU)**

**Telecommunications:** Assistance will be provided to reorganise the sector; to define an overall strategy on policies, prices and tariffs; to draft the Telecommunications Act, to split postal and telecom services and structure the resulting new organisations and to provide training.

**Tourism:** long-term assistance will aim to provide training of executives and trainers in hotels and catering. Promotion strategies will also be evolved.





SLOVENIA

GTAF

### 3. IMPLEMENTATION

Procurement of equipment will be by international open tender, unless costs or special technical requirements justify a restricted tender process.

Technical assistance will be recruited by restricted tender procedures. Direct agreements may be entered into for expenditures of minor importance or when justified by the services' specific nature. The programme will be reviewed and adjusted on a yearly basis.

## Industrial Property

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 30/7/92 at Management Committee meeting N° 18*

Country:	all PHARE countries
Programme:	regional industrial property (RIPP)
Duration (years)	3
Year:	1992
EC Contribution:	3 MECU <sup>61</sup>
Sector classification:	Industrial property
Responsible authority:	European Patent Office (EPO)

### 2. SUMMARY

#### *Background*

Intellectual property, and particularly industrial property, is of growing importance in modern industrial societies and a major factor in international economic relations. The governments of the PHARE countries are in the process of restoring market-economy systems and have expressed the wish for closer ties to Western Europe and its various institutions. While most countries have started to bring their patent legislation into line with the European Patent Convention (EPC) in order to provide the same level of protection as in Western countries, the CSFR and Romania have already adopted the necessary legislation.

In 1990, the EPO Administrative Council approved proposals for technical co-operation with the CEECs, and as a result the EPO assisted Bulgaria, the CSFR, Hungary and Poland in drawing up five-year modernisation plans linked to detailed investment schedules. The EPO is now helping Romania prepare a similar plan. the RIPP is based on these modernisation plans and includes all projects involving PHARE countries. For those countries which do not have a modernisation plan, the RIPP will cover initial technical assistance.

#### *Programme description*

The RIPP includes 3 main project components to be implemented by a programme management unit at the EPO:

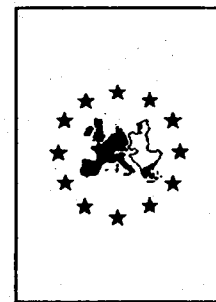
1. *Organisation of training courses and seminars for staff of national authorities and the patent profession (1.42 MECU)*

Training will involve management, documentation, research and analysis techniques enabling 100 persons to be trained a year.

The CEIPI (Centre d'Etudes International de la Propriété Industrielle) will be responsible for professional training. A 2-year training programme for patent attorneys and experts will start at the end of 1992, while licensing, trade marks and judges' seminars will also be organised.

2. *Development of common software to administer patent and trademark procedures (0.56 MECU)*

<sup>61</sup> million European Currency Units





Common software will be developed for the administration of patent applications, trademarks and financial control. The four software modules developed as part of the RIPP will be able to run on various platforms, covering the administrative register of patent applications; financial control and fees; European integration; and trade marks.

### 3. *Modernisation of documentation procedures component (0.88 MECU)*

The documentation on patent and non-patent literature in paper form will be supplemented by CD-ROMs and on-line access to commercial databases to be selected on a competitive basis.

#### *Promotion of awareness of industrial property in the region*

Joint publication of patents granted in PHARE countries is aimed at to answer the need for a patent information dissemination policy such as that run by the EPO. The optical disks will use European ESPACE technology and thus permit international exchange. Two international symposia on industrial property developments in the region will be organised in 1993 and 1994.

#### *Development of regional co-operation through an exchange programme involving the offices in the area*

An examiner exchange programme is envisaged to help the offices of the region to become better acquainted with each other and harmonise their day-to-day practices.

#### *Technical assistance on project specification, tendering and implementation*

To implement the programme and give general institutional advice, the EPO and national patent offices of the Member States will provide technical advice, in particular through expert missions.

### 4. *Project Management Unit (0.14 MECU)*

A separate management unit (PMU) within the Directorate-General of the EPO for Legal and International Affairs will implement the working programmes agreed with the EC and co-ordinate with the RIPP on existing national plans as well as an EPO action plans.

## 3. IMPLEMENTATION

The programme will be implemented by the PMU at the EPO which will draw up a 6-month work programme in consultation with the beneficiary countries. The EPO will be in charge of measuring the effectiveness of the programme in collaboration with the recipient institutions and of reporting regularly to the EC Commission.

Services will be sub-contracted by the EPO to bodies such as EC Member State patent offices as well as private firms. These will be subject to the usual EC tendering procedures, i.e. restricted, except in the case of small contracts which may be awarded by direct agreement.



## Telecommunications

- a PHARE assistance programme -

# REGIONAL

### 1. IDENTIFICATION

*Decision taken 30/7/92 at Management Committee meeting N° 18*

Country:	All Central and Eastern Europe countries (CEECs)
Programme:	Regional telecommunications
Duration (years)	2
Year:	1992
EC Contribution:	7 MECU <sup>62</sup>
Sector classification:	Telecommunications
Responsible authority:	National Authorities of the beneficiary countries in liaison with the European Commission

### 2. SUMMARY

#### *Background*

Over the last few years, the CEECs have been exploring possibilities for closer co-operation in the field of telecommunications. This relates to transborder communications links, harmonisation of standards and procedures and areas of administrative competence. At the European Telecommunications Development Conference, resolutions were adopted on co-operation in respect of investment considerations and the need to develop common networks and services in a competitive environment. Common features of the support identified as necessary to the achievement of these goals referred to the relative lack of experience in the countries concerned of conception and implications of reform measures and their impact.

Programmes have already been started under the national PHARE funds in Poland, the CSFR, Bulgaria and Romania in which assistance is being provided for the liberalisation of regulatory and operational functions and the split between postal and telecommunications services.

#### *Programme objectives :*

- to assist the CEECs in the transformation process in the telecommunications sector;
- to promote harmonised regional approaches and co-ordination as well as information exchange;
- to support the identification and preparation of investment-related projects at regional level; and
- to upgrade the existing knowledge base of staff in selected fields of telecommunications regulations and operation.

#### *Programme description*

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<sup>62</sup> million European Currency Units



# TELECOMS



Assistance will be provided by means of a modular approach to answer to the needs of the principal target groups who will benefit from the programme. The target groups consist primarily of qualified staff actively taking part in activities in the key areas of institutional and legislative reform. Specific actions will be proposed for each defined module involving theoretical and practical aspects which take into account the varying levels of expertise available among the national staff. Particular emphasis is to be laid on the continuity of the impact of the programme after its implementation through on-going training, as well as actions calling for urgent attention in the context of sectoral reforms. Joint teams of foreign and national experts will encourage the involvement of the national staff.

The financial allocations for the component parts of the programme are as follows :

- modules (special case studies and training) 5.6 MECU
- management and co-ordination 0.7 MECU
- evaluation and monitoring 0.1 MECU
- contingencies 0.6 MECU

### 3. IMPLEMENTATION

The programme will be implemented under the overall responsibility of the European Commission which will also ensure co-ordination between this regional programme and the national programmes under implementation or preparation for the telecommunications sectors in the countries concerned.

A steering committee composed of high-level representatives from each beneficiary country and the Community will be set up for the overall co-ordination of the programme, while the day-to-day management of the programme's component parts will be undertaken by a consultancy firm. Technical and logistical support will be provided by a secretariat set up in Sofia.

Contractors for technical assistance will be selected through the normal procedures applicable under the EC-funded PHARE programme. Procurement of equipment will be made by international tender or by direct agreement.

Contracts will be concluded with independent consultants for the monitoring of the programme's progress and for a comprehensive ex-post evaluation of the programme following completion.

## Environment

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 30/7/92 Management Committee meeting N° 18*

Country:	Bulgaria, CSFR, Hungary, Poland, Romania
Programme:	Regional Environmental Sector programme
Duration (years)	3
Year:	1992
EC Contribution:	16 MECU <sup>63</sup>
Sector classification:	Environment
Responsible authority:	PHARE

### 2. SUMMARY

#### *Background*

The magnitude of the environmental crises facing the countries of Central and eastern Europe over the last three years has become increasingly evident. National initiatives have proved to be inadequate to deal with the crises, and it is becoming clear that only a well-co-ordinated and technically sound regional approach stands any chance of success.

The need for regional co-operation is underlined by the fact that CEECs not only receive pollutants from one another but also export these unwittingly to other European states.

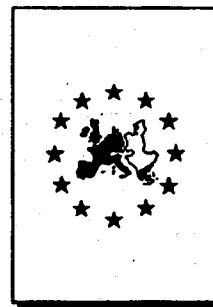
#### *Programme objectives :*

The aim of the programme is to alleviate some of the most critical trans-national environmental problems prevailing in Europe by supporting a number of regional initiatives started up through the 1991 Regional Environmental Programme and by launching two new initiatives. The key objectives are :

- to support two regional and integrated environmental programmes aimed at tackling those critical pollution problems affecting not only pollution source countries but also other European countries. These concern the Danube River Basin and the Black Sea which have been identified as regions deserving priority attention.
- to enhance the availability of reliable and up-to-date data on natural resources and pollution sources. This data will be used as a base for longer-term preventive and curative actions.
- to help develop institutions which can focus, develop and express public opinion as part of the development of a functioning civic society. This support will be provided through the Regional Environment Centre in Budapest.

<sup>63</sup> million European Currency Units

# REGIONAL



# ENVIRONMENT



### *Programme description :*

#### *1. Integrated Environmental Programme for the Danube River Basin (3.9 MECU)*

Following on from the initial phase of the programme which was set up in 1991, a Work Plan has been developed and adopted, resulting in the establishment of a series of key focal points. A Programme Co-ordination Unit has been set up in Brussels under the supervision of the European Commission. The focus of 1992 activities is to provide further support for institutional strengthening, human resource development and improved water quality monitoring and water management. Technical assistance and support will be geared towards providing advice on environmental legislation, management structures as well as the collection and organisation of technical and environmental data. A provision for the purchase of water quality monitoring equipment is also included to ensure that comparable data are produced by the different partners. As many towns and cities along the Danube have either none or only partial sewage treatment facilities, provision will also be made available for identifying sewage plant needs and for performing feasibility studies in order to mobilise resources for investments.

#### *2. Regional Environmental Programme for the Black Sea (1 MECU)*

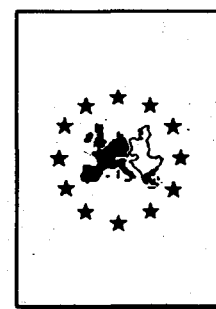
The pollution problems of the Black and Azov Seas, which are closed seas with a largely self-contained eco-system have been exacerbated by the development of the off-shore gas and oil industries. The Black sea has suffered serious environmental damage as a result of pollution from land based sources and is unprotected by any common management regime. The PHARE programme aims to strengthen local institutes to support programme management and implementation and organise a series of fact-finding and human resources activities. These include research on the harmonisation of legislation and standards and the preparation of effluent discharge inventories as well as establishing rational water monitoring regimes. Furthermore, the programme aims to identify specific pollution sources which could be improved by renovation in the short-term.

#### *3. Baltic Sea Integrated Programme (2 MECU)*

The need for a common management regime to control inputs and emissions into the Baltic Sea, which represents a vital marine ecosystem and economic resource, has been recognised as an urgent priority. A Baltic Sea Task Force has been established by the Helsinki Commission which has since released a status report together with recommendation for appropriate actions and investments. The PHARE programme will, within the framework established by the Task Force, support human resource development and institutional strengthening in the three Baltic countries and Poland. The main focus will be to develop appropriate environmental management regimes at central, regional and national level. Support will be provided based on EC standards, while management and technical training seminars and courses will be developed on a regional basis.

#### *4. Black Triangle (2.9 MECU)*

The Black Triangle, covering Northern Bohemia, Lower Silesia and Saxony, is one of the most polluted areas in Europe and responsible for a significant part of the long-range air pollution in Europe. The European Commission has supported the establishment of the Working Group for Neighbourly Co-operation on Environment and their framework plan for environmental rehabilitation, including the Black Triangle Secretariat in Usti Nad Labem and a joint air emission monitoring system. The PHARE programme is aimed at providing support for the preparation and implementation of high effect investments for the reduction of air pollution in the area. Furthermore, support is also envisaged for the development of the longer-term Regional Environment Action Programme for the Black triangle, including sound environmental practices, institutional strengthening, new regulatory and economic instruments for environmental management and technical training.



5. *Remote sensing & use of satellite data (4.9 MECU)*

Remote sensing by satellites is already available for monitoring various environment-related parameters. However, the data obtained can only be fully exploited if it is combined with information from other sources such as geographical information systems. The European Commission has already commissioned a study on the assessment of the potential use of earth observation applications in the CEECs. Based on the recommendations from this study, the PHARE programme will provide technical assistance for selected training and analysis activities as well as essential equipment purchase for a number of areas. These include personnel training for the interpretation of remote sensing data; upgrading the remote sensing capacity for creating the technical basis for various applications; and support for the setting-up of an information system and advisory network within the sub-region with linkages to international organisations and net-works.

6. *Support for Public Participation and Awareness Building - Regional Environmental Centre in Budapest (1 MECU)*

The Regional Environmental Centre (REC) is an independent non-profit making organisation established in 1990 to help develop NGOs and increase public participation in and awareness of environmental issues in the countries of Central and Eastern Europe. The REC is in the process of producing a programme strategy for 1992/93 which will be used as a basis for defining specific PHARE support. The activities include support of core activities involving information collection and dissemination, with education and training as well as strengthening of the Outreach programme. Also covered is the support of specific programme activities which include alternative environmental education, development of environmental legislation, and country profiles designed to consolidate existing information on environmental law and natural resources.

### 3. IMPLEMENTATION

The implementing authority will be the Commission of the European Communities, specifically the PHARE Operational Service under the responsibility of the Directorate-General for External Relations working closely with the Directorate-General for Environment, Nuclear Safety and Civil Protection and the Directorate-General for Science, Research and Development. A Steering Group with representatives from the CEECs will provide overall guidance to the implementation of the activities, being co-ordinated by the Ministry of Environment and Regional Policy in Budapest through a Liaison Office (0.3 MECU). A number of Project Implementation Units and Secretariats have the task of supervising the day-to-day implementation of the various programme components.

Equipment procurement will be by international tender or by restricted procedures, while technical assistance will be recruited either by restricted consultation or direct agreement.



## Regional Quality Assurance

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 30/7/92 at Management Committee meeting N° 18*

Country:	Albania, Estonia, Latvia, Lithuania, Slovenia
Programme:	Quality assurance
Duration (years)	3
Year:	1992
EC Contribution:	2 MECU <sup>64</sup>
Sector classification:	
Responsible authority:	European Committee for Standardisation (CEN)

### 2. SUMMARY

The 1992 regional quality assurance programme is an extension of the 1991 programme for Bulgaria, the CSFR, Hungary, Poland and Romania. Quality assurance is key to economic development as it creates a favourable environment for growth in the fields of production and services and allows for international competition according to common rules of market quality. Quality assurance is an integral vertical element of production as much as it is necessary at a horizontal level in institutional activity, covering areas such as certification and testing, which normally falls under the aegis of national bodies.

Whereas in Western Europe, quality assurance is undertaken at voluntary level, in the Central and Eastern Europe countries (CEECs), quality assurance was enforced by legislative requirements. Standards were thus imposed by the national authorities in the absence of an independent private sector, as a direct consequence of the need to trade with Western countries, with resulting strict administrative controls. Recent economic and political changes have since made a change in approach mandatory, concurrent with the manifest desire of the emerging private sector to opt for a voluntary system based on free market values. As much as anything else, the change in approach demands the abolition of existing quality assurance standards which, although the only ones available, are nevertheless redolent of the original centralised command system

However, the transition to a voluntary system is characterised by a lack of technical know-how and insufficient financial resources which discourage foreign investors and limit domestic trade opportunities.

#### *Programme objectives :*

To help the PHARE countries not covered by the 1991 programme to implement institutional and legislative reform in the field of quality assurance and to make the transition to a voluntary system of standardisation with the setting up of appropriate institutions to offer guidance.

<sup>64</sup> million European Currency Units

***Programme description :***

The programme is structured in the same way as the 1991 programme and is made up of four parts :

- technical assistance for reform of legislation and institutions
- fund for training by western institutions
- fund for promotion of technical exchanges with Western Europe
- technical and financial assistance for interesting economic operators in quality assurance.

Projects will be decided on a country-by-country basis as the programme is implemented. This is in order to ensure that the programme has as much impact as possible with the financial resources available.

### **3. IMPLEMENTATION**

The programme will be run by the Centre Européen de Normalisation. CEN's responsibilities include the identification of operations in cooperation with the beneficiary organisations, administrative costs for organisation of training courses and visits to western organisations as well as monitoring of the programme's effectiveness. Special attention will be paid to institutional problems and areas where changes in legislation are needed.

# REGIONAL



# QUALITY ASSURANCE



## Regional Energy Sector Programme

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 30/7/92 at Management Committee meeting N° 18*

Countries:	Poland, Romania, Hungary, Bulgaria and the Czech and Slovak Federal Republic
Programme:	Regional Energy Sector Programme
Duration (years)	to the end of 1994
Year:	1992
EC Contribution:	7 MECU <sup>65</sup>
Sector classification:	Energy
Responsible authority:	Commission of the European Communities Operational Service PHARE

### 2. SUMMARY

#### *Background*

Energy is a strategically important sector for the economies of all European countries. All the countries in the region are dependent on energy-exporting countries for their supplies, despite some indigenous energy sources. Furthermore, trade and cooperation in energy-related matters is intensifying across Europe; and pollution problems (NO<sub>x</sub>, CO<sub>2</sub>, SO<sub>2</sub> and nuclear safety) concern the entire continent.

Recognising their common interests, fifty European and non-European states signed the European Energy Charter in December 1991 at The Hague. The Charter aims to increase energy-related trade and co-operation throughout the continent. The present programme will directly increase east-west energy cooperation by tackling the main issues identified by the G 24 Energy Working Group, namely:

- policy formulation and planning, including restructuring, pricing strategies, forecasting, regulatory frameworks...
- supply and demand, including efficiency and conservation measures and, in the longer term, improvement of production and distribution methods as well as geographical diversification of supply;
- environmental and other safety measures, with a particular emphasis being laid on nuclear safety and clean coal technology.

Although many of these issues can be addressed with a country approach, the similarities of the problems encountered and the solutions sought argue strongly in favour of a regional component complementing the national energy sector support measures.

#### *Programme objectives*

The programme aims to further the restructuring of the sector towards market criteria and will seek common solutions to common problems so as to avoid duplication of efforts; while giving practical expressions to the ideals embodied in the European Energy Charter. More specifically, the programme will:

- study the possibilities of interconnecting electricity grids;
- study the possibilities of interconnecting natural gas grids;

<sup>65</sup> million European Currency Units



- cofinance a study to identify the options available to transform the oil refining and distribution industries;
- support the training of management personnel; and
- assist the modification of energy legislation in the framework of the Charter.

### *Programme description*

#### *1. Interconnection of eastern & western electricity grids (2 MECU)*

At present, the two European grids (Western and Eastern) are not interconnected in any useful way. To achieve an improved security of supply through an east-west link will mean, first of all, upgrading the eastern frequency-power regulation system run by the ex-USSR, which does not reach western performance levels. Other issues must also be considered. The programme will finance a study analysing the technical parameters and capital expenditure necessary in the short, medium and long term. It will consider various options, such as whether a link-up is better done for the entire region at once or on a country-by-country basis. The results of the study are intended to provide the basic information needed for solving investment and operational problems on a bilateral level. The study will cover the following aspects:

- estimations of international power exchanges in different scenarios;
- study of the technical feasibility of a pan-European synchronous operation of grids;
- long term analysis of various possible technical options;
- medium-term identification of various lines needing to be built; and
- formulating short-term recommendations.

#### *2. Natural gas interconnections (2 MECU)*

Most of the natural gas in Central and Eastern Europe comes from the Soviet Union. Their pipeline grids also sometimes serve as transit lines for supplies to Western Europe. All the countries concerned are interested in diversifying their energy supplies. A study will approach this problem from the technical, economic and security viewpoints.

#### *3. Oil refining and transportation (1 MECU)*

The refining industry in the PHARE countries is inefficient, outdated, inflexible and environmentally dangerous in addition to being unable to respond to fluctuations in demand. Transport facilities are limited, leading to supply security risks and limiting oil product trade. The study is intended to analyse the current state of the oil refining industry and suggest strategies for the enhancement of its effectiveness. The study should help Governments to identify strategies for development and help donors to target assistance most effectively.

#### *4. Management training & twinning (1 MECU)*

The implementation of the European Energy Charter depends in a major way on shared attitudes by energy managers in all countries concerned. To achieve this will mean extended training programmes. The Programme will support twinning measures through which key personnel can spend extended periods of time in counterpart organisations.

#### *5. Legislation, regulation and strategy (1 MECU)*

Legislative and regulatory environments must be adapted to the demands of a market economy and must be compatible with EC standards. A network of teams will develop energy legislation in the countries concerned in the light of these key points. This project will also contribute to a better implementation of international protocols on NO<sub>x</sub>, CO<sub>2</sub>, and SO<sub>2</sub>.





### 3. IMPLEMENTATION

Overall coordination of the project rests with the Operational Service PHARE in close cooperation with the Ministries responsible for energy policy. Decentralisation will be pursued: the Commission may delegate certain components of this programme to specific countries.

Procurement of equipment will be by international open tender, unless costs or special technical requirements justify a restricted tender process.

Technical assistance will be recruited by restricted tender procedures. Direct agreements may be entered into for expenditures of minor importance or when justified by the services' specific nature.

## Regional Transport Programme

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken at Management Committee meeting N\**

Country:	All PHARE countries
Programme:	Regional Transport Programme
Duration (years)	3
Year:	1992
EC Contribution:	21 MECU <sup>66</sup>
Sector classification:	Transport
Responsible authority:	The Commission in liaison with the national authorities of the beneficiary countries

### 2. SUMMARY

#### *Background*

Traffic on the main link roads in the region has increased massively since the revolutions of 1989 made possible the liberalisation of travel. The import of western second-hand cars led to a steep rise in car ownership figures, clogging inadequate roads. The situation has been further aggravated by the diversion of Greek traffic from Yugoslavia to routes further east. The existing road transport infrastructure is inadequate, and serious problems are the inevitable result - slow travel, frequent tailbacks, high accident rates and growing pollution. Motorways and bypasses are practically unknown, leading to choking traffic through overburdened villages and towns. Customs posts are inadequate, and waiting periods of several days are not uncommon.

These problems only have a chance to be solved in a cooperative effort by all the countries concerned. The present programme grows out of this desire and builds upon the various 1991 PHARE transport programmes.

Some regional initiatives<sup>67</sup> are already under way. The present programme will assist in translating these initiatives into operational plans and will promote the involvement of lending institutions such as the EBRD, the EIB and the World Bank.

#### *Programme objectives*

The programme will assist in the restructuring of the sector and the upgrading of the transport infrastructure. Furthermore, it will promote the ongoing integration of Western and eastern transport networks and will help coordinate the various offers of technical and financial assistance.

#### *Programme description*

There are four components to this programme.

#### *Transit infrastructure & border-crossing project (15 MECU)*

A study on border-crossing bottlenecks at the EC-CEEC borders has been completed and recommended short, medium and long-term solutions. Long term solutions will require

<sup>66</sup> million European Currency Units

<sup>67</sup> TEM: trans-European north-south motorway; TER: trans-European north-south railway

# REGIONAL



# TRANSPORT



large-scale investments. This programme will concentrate on short term measures, comprising technical assistance, equipment and essential investment.

*Trans-European north-south motorway & Trans-European north-south railway (2 MECU)*

A series of studies will be commissioned for the motorway project. These will analyse technical aspects, environmental and socioeconomic aspects, traffic forecasts and financing methods (conventional, toll roads, franchising).

In addition to some studies focusing on management, modernisation and prefeasibility studies, the railway component will also receive support to computerising marshalling yards and to develop a database of existing systems.

*Integrated training and technical assistance programme (2 MECU)*

This component aims to help officials from the relevant ministries to become acquainted with new systems and procedures so they may adapt their countries' transport infrastructure to the requirements of a modern economy. This will be achieved by training trainers, arranging technical visits to EC countries and providing technical assistance after an initial study has identified the main training requirements.

*Sectoral studies (2 MECU)*

The potential for future developments will be studied. In particular, the following points will be investigated:

- what are the existing and future traffic flows? Where will bottlenecks develop?
- How can the use of inland waterways be improved?
- development of transport/RoRo ferry interfaces and other multimodal systems.
- development of logistics, information and communications systems.
- rehabilitation of road transport with emphasis on an intermodal approach.

### 3. IMPLEMENTATION

Investment projects undertaken under the Transit infrastructure component of this programme will be undertaken in close collaboration with the EIB.

Technical Assistance will be recruited by restricted tender. Procurement will be by international tender or by restricted consultation if justified by financial or technical considerations. Direct agreements may be entered into for minor expenditures

# Regional Nuclear Safety Improvement Programme

- a PHARE assistance programme -

## 1. IDENTIFICATION

*Decision taken 16/10/1992 at Management Committee meeting N° 19*

Country:	Regional
Programme:	Nuclear Safety
Duration (years)	18 months
Year:	1992
EC Contribution:	20 MECU
Sector classification:	Nuclear
Responsible authority:	Consultative Committee on Nuclear Safety (CCSN)

## 2. SUMMARY

### *Background*

The nuclear installations in Central and Eastern countries share similar characteristics. A multinational approach to the regulatory as well as to the operational aspects is therefore the most efficient manner to tackle the problem of nuclear safety in these countries. For the same reasons, there is a need to establish links between the nuclear safety interventions funded by the PHARE and TACIS programmes.

The programmes take into account the emerging international consensus on the action to be taken in this field. This refers in particular to the recommendations of the IAEA, the conclusions formulated by the Summit in München, the report of the G7 working groups on Nuclear Safety and the Terms of Reference for Coordination for G-24 Assistance in Nuclear Safety discussed in Brussels on the 15 and 16 of July 1992.

In this context a distinction is made between immediate measures and longer-term work. Immediate measures include

- operational safety improvements;
- near term technical improvements; and
- enhancing regulatory regimes;

while creating the basis for longer term safety improvements involves the examination of:

- the scope for replacing less safe plants by the development of alternative energy sources and the more efficient use of energy;
- the potential for upgrading plants of more recent design.

The conclusions of the G7 meeting provides the frame of reference of the present programme. This guarantees the coherence of the overall approach, allows new methods to be developed for existing components, provides orientations for new activities and facilitates the cooperation with other donors.

### *Programme Objectives*

The general objectives of the programme are :

- the reduction of risk of unacceptable consequences, risk linked to the operation of nuclear power plants in the PHARE countries.

# REGIONAL



# NUCLEAR SAFETY



- the optimal use of resources through regional cooperation and through collaboration with the relevant international institutions
- the realisation of the G7 approach to nuclear safety in the region.

More specific objectives of the programme can be defined as follows :

- promotion of an all-European approach to the regulatory and control aspects of nuclear safety;
- identification of the problems and of the possible (regional) approaches to the fuel cycle and decommissioning;
- improvements in the operational safety of some specific reactors;
- improved knowledge of the safety aspects of soviet-design reactors; and
- identification of possible retrofitting and improvement measures on the more recent types of reactors.

### *Programme Description*

In every project outlined here, training plays an important role. This will include the appropriate twinning arrangements between institutions in the Community and institutions in the countries of Central and Eastern Europe.

#### *1. Safety Authorities.*

The programme covers the adoption of safety standards and rules which can be compared to those used in Western countries. This includes the training of specialists responsible for drafting legislation and the training or retraining of the staff of the nuclear safety inspectorates. The programme also provides for the development of technical institutes which are independent of operators or constructors and will support the nuclear safety authorities.

A first safety evaluation will be implemented through the CONCERT group, which brings together the safety authorities of the Community countries and of the countries of Central and Eastern Europe. It will be extended to all countries concerned and hopes to either set up or improve the safety authorities and to increase their ability to carry out safety assessments.

Moreover, this programme component will cover the various aspects of off-site "emergency preparedness" which will call for improved collaboration and coordination between the countries concerned. The rapid availability of relevant data is a prerequisite to allow rapid decisions in case of an emergency. The various authorities and institutions involved in both the EC and CEECs must be encouraged to cooperate fully to achieve agreement about the distribution of responsibilities, the division of tasks and the adequacy of the needed physical components. Cooperation will allow information, knowledge and orders to pass quickly and easily in case of an emergency.

#### *2. Fuel Cycle, Waste Management & Decommissioning.*

The fuel cycle plays an important role in the economic management of NPPs. Its technical implications are even more important because the CIS does not provide any more the services provided by the former USSR. This situation calls for a redefinition of the regional approach to fuel cycle management and waste management, including the organisation of fuel and waste transport.

Moreover, the problem of the dismantling of the oldest units of the VVER 230 reactors is coming on to the agenda and will necessitate detailed preparation.

#### *3. VVER230 - Operational Safety and Near-Term Improvements.*

This component concerns four reactors in Bulgaria and two reactors in the CSFR.

The programme will take into account other international programmes, in particular the actions planned in the CIS on the same type of reactor. It will support investment-related activities aiming to improve their safety parameters. This can include either the financing of pre-investment studies in collaboration with international financing institutions or the

direct financing of some priority improvements, in particular those related to leakages, electricity connections and fire protection.

The programme also covers the improvement of on-site emergency preparedness measures. These are needed to continue operating these reactors under acceptable safety conditions for a short period - until the economic and energy situation of the country concerned has changed and alternative energy sources are available.

4. *VVER213 and VVER1000 Operational Safety: Near-Term Improvements and Upgrading.*

This component concerns two reactors in Bulgaria, four reactors in the CSFR and two reactors in Hungary.

The approach is quite similar to that outlined above. The emphasis is on the VVER1000, of which there are at present 40 units, either operational or still being built in Central and Eastern Europe (including the CIS). Realistically, it is envisaged to close some of the more accident prone VVERs and RBMKs.

5. *RBMK - Operational Safety and Near-Term Improvements.*

This type of reactor constitutes perhaps the most serious risk to global nuclear safety in Europe. It seems appropriate to devote, in coordination with the TACIS programme, some resources to a housekeeping effort, improving conditions of exploitation in the short-run.

### 3. IMPLEMENTATION

#### *Programme management*

Within the Commission the programme is implemented under the overall supervision of the CCSN, chaired by the Director General for Environment, Nuclear Safety and Civil Protection.

In general, for implementation purposes, a distinction will be made between :

- those elements of the programme that have a clear regional dimension and can only be dealt with at a central level by the CONCERT Group and
- the elements of the programme that, although being of regional relevance, can be best managed on the national level

Centralised management will also apply for the study on fuel cycle, waste management and decommissioning. The contract for the implementation of this study will be awarded after a tendering process involving the countries directly concerned. The contract will be concluded by the Commission on behalf of the beneficiary countries.

Decentralised management, through existing (or new) implementation units applies to the safety improvements on the VVERs. Continuation of studies under way in Bulgaria and CSFR will be handled according to normal practice.

#### *Procurement*

In case spare parts or small investments in safety equipment are being considered, direct contracts will be concluded for small amounts, restricted tendering for other operations. Considering the highly specialised nature of the equipment to be provided and the urgency with which the operations have to be carried out, no public tendering is being envisaged.

# REGIONAL



# NUCLEAR SAFETY



## PHARE Democracy Programme

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken May 1992 at Management Committee meeting N° 16*

Country:	Regional
Programme:	PHARE Democracy Programme
Year:	1992
EC Contribution:	5 MECU <sup>68</sup>
Sector classification:	civic society
Responsible authority:	Commission of the European Communities

### 2. SUMMARY

#### *Background*

This Programme is launched in response to the wishes of the European Parliament and will give concrete expression to commitments laid down in the Europe (Association) Agreements and the CSCE conferences.

A fundamental tenet of the Europe Agreements signed with Poland, Hungary and the CSFR in December 1991 is the commitment by all parties to "strengthen the political and economic freedoms which constitute the very basis of the association". Explicit reference is made to the link "between the full implementation of the Association and the actual accomplishment of political, economic and legal reforms"

The Association Agreements make provision for financial co-operation through PHARE to achieve the above ends. To extend the notions of the Helsinki Declaration and the political declarations accompanying the recently signed EC Trade and Co-operation agreements with the Baltic States and Albania to the other PHARE countries is the next logical step. Some legal instruments are therefore available to implement projects designed to strengthen civic society and democracy. Furthermore, the promotion of the concepts of democracy, rule of law, human rights and fundamental freedoms is seen as a fundamental part of Community foreign policy<sup>69</sup>.

To illustrate the point, the effect of an enthusiastic and conscientious government implementing economic reform is considerably limited if the public administration and political system cannot ensure informed debate, timely decision making and appropriate allocation of human and financial resources. Effective and legitimate public administrations and political systems, which are critical to the success of economic reforms, also need to be transparent: a further factor to be taken into account along with new systems of accountability and legal redress accessible to each individual citizen.

It is clear that the difficulties of economic transition are placing strains on democracy - the latest Eurobarometer survey (Jan. 92) reveals a drop in support for democratic structure in all of the CEECs. The complexities of institution building and political reform, of coming to terms with the past, of finding places for extant minorities, of giving rights to the deprived all affect the facility with which the requisite political consensus and stability for a satisfactory base for economic reform can be reached. It is therefore crucial to support and nurture the basis for the democracy programme.

<sup>68</sup> million European Currency Units

<sup>69</sup> see Title V Article J1 in the conclusions of the Maastricht Treaty.



### ***Programme Objectives***

The general aim of the PHARE democracy programme is to contribute to the introduction of pluralist democratic procedures and practices and the rule of law as accepted in the EC with a view to supporting the overall process of economic and political reform in the CEEC.

More specifically, the programme will aim to support:

- the acquisition of knowledge and techniques about democratic practices and the rule of law from relevant bodies and professionals in the EC; and
- the strengthening of local associations and institutions which by their vocation can make a continuing contribution to the promotion of the pluralist democracy.

### ***Programme description***

The project will be run on a pilot basis to provide non reimbursable grants to support micro projects submitted by both private and public bodies in the Member States or the CEEC. The projects should be self-contained operations which indicate a coherent set of activities, clearly defined operational objectives and a specific duration (not exceeding twelve months). Research projects and one-off conferences should normally be excluded. It is estimated that the average grant per project will be about 100,000 ECU. The total granted should not to exceed 70% of the entire cost of the project.

All projects should have an EC dimension, involving partner organisations in at least two Member States or a transnational body based in the EC. In all cases there should be a partner body in the CEEC, whether public or private.

Cross-party political initiatives will be considered.

Examples of the type of project envisaged by DEMOCRACY '92 are techniques in drafting and implementing human rights legislation, training for the legal profession, Technical Assistance to develop internal decentralisation and democratic structures in political parties, trade unions etc., or assistance to develop legislation ensuring the freedom of the press.

Submissions are likely to be requested by the autumn of 1992.

*Background to Civil Democracy Programme;* The initial decision by the EC together with the G 24 countries in 1989 to assist the countries of Poland and Hungary was based on the hypothesis that economic and political reform were inter-dependent.

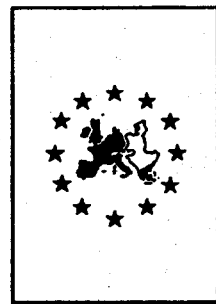
## **3. IMPLEMENTATION**

The Democracy programme is designed to be complementary to various bilateral and multilateral aid operations and also to the PHARE programmes to promote an open society.

It will co-finance projects submitted by both public and private NGO bodies which bring together partner organisations in the CEEC and at least two Member States.

Proposals should be marked "PHARE Democracy programme" and submitted to K. Fogg, PHARE Operational Service 3, Commission of the European Communities, 200 rue de la Loi, B-1049 Brussels.

# REGIONAL



# DEMOCRACY



## TEMPUS

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 20 May 1992 at Management Committee meeting N° 16*

Country:	All PHARE recipient states
Programme:	TEMPUS ( <i>Trans-European Mobility Programme for University Students</i> )
Duration (years)	
Year:	1992
EC Contribution:	102.6 MECU <sup>70</sup>
Sector classification:	Education & training
Responsible authority:	Ministries of Education

### 2. SUMMARY

This is the third year of the five year TEMPUS programme.

The programme is divided into the three following components:

- a national operating budget;
- a regional budget; and
- a budget for the Commission's management of the TEMPUS office in Brussels.

The programme's objective is to modernize higher education in the central and eastern European countries (CEECs) and to promote the interaction between higher education institutions there and suitable Member State bodies in education and industry. Access for CEEC bodies to European associations and youth movements is also encouraged by this programme.

Joint European Projects (JEPP's) between national countries and Member States will continue to review and overhaul curricula, develop library systems and networks, translate course materials and develop distance learning projects.

Exchange programmes will also continue in 1992. These provide teaching or advisory placements to teachers and training staff. They also enable students to either go studying or to go on industrial placements schemes in EC countries.

National operating budget will provide grants for the more seasoned PHARE countries and launch new measures in Albania, Estonia, Latvia, Lithuania and Slovenia.

The regional budget will continue the 1990/91 regional projects and launch new measures in the countries with new national programmes.

TEMPUS in Brussels will continue in its selection role will provide general support in conjunction with the national TEMPUS offices in the beneficiary countries.

<sup>70</sup> million European Currency Units

The national breakdown of allocated funds is as follows:

Country	Albania	Bulgaria	CyPR	Denmark	Hungary	Latvia	Lithuania	Poland	Romania	Slovenia	Regional & reserve
MECU	1.2	8.0	11.0	1.0	16.0	1.5	1.5	26.0	11.0	2.1	10.1

### 3. IMPLEMENTATION

JEPP: to date, TEMPUS has carried out 458 JEPP enabling over 3,100 students and 4,400 teachers to take part in exchanges involving 1250 institutions over the Member States.

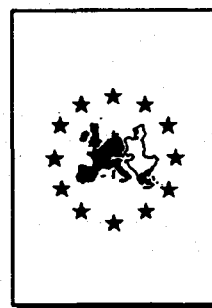
Over 1000 teachers and 700 students have received individual grants from the PHARE TEMPUS programme so far.

The increase in budget in 1991 meant that the average success rate for applicants doubled.

Regional projects: 45 Projects were started up in 1990 (7.7 MECU) and 71 Projects were started up in 1991 (12.1 MECU).

Applications and further information may be obtained from the Project Manager; M Küpper, at TEMPUS' Brussels office (tel (32-2) 504.07.11, fax: 504.07.00)

REGIONAL



TEMPUS



## Environmental Action Plan for Central and Eastern Europe

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 2/12/92 at Management Committee meeting N° 20*

Country:	Central and Eastern Europe
Programme:	Environmental Action Plan
Duration (years)	3
Year:	1992
EC Contribution:	10 MECU <sup>71</sup>
Sector classification:	Environment
Responsible authority:	Commission of the European Communities

### 2. SUMMARY

#### *Background*

Relatively little was known about the exact magnitude of the environmental crises in the Countries of Central and Eastern Europe (CEECs) when the first PHARE and G-24 Environmental Programmes were launched in 1990. It has since become evident that the trans-national nature of pollution and environmental degradation calls for joint action and close co-operation as national initiatives on their own are inadequate to tackle these crises. The experience of the last 26 months has also shown that there is a need for closer co-ordination between the activities financed from domestic resources and those financed by multilateral and bilateral donors. However, conflicting procurement rules and practices as well as the self-interest which influences decision-making among donor governments and donor agencies have made close co-operation between the G-24 donors and co-financing of projects difficult.

These problems were first discussed during the Dublin meeting of European Environment Ministers in 1990 when it was concluded that the protection of the environment was one of the most urgent political priorities in the pan-European dialogue and that the development of environmental policies at national, regional and global levels was of great importance. In June 1991 Western European Environment Ministers met in Dobris with the Environment Ministers of Central and Eastern Europe. The Ministers issued a declaration affirming the importance of the protection of the environment. As a result, the development of regional and sub-regional environmental programmes was endorsed, and the first such regional programmes for the Baltic Sea, the Danube River Basin and the Black Triangle were welcomed.

Specifically, the Ministers of the Environment stressed four main initiatives of carrying forward the spirit of Dobris :

1. the preparation of the "Pan-European State of the Environment Report" which will map existing environmental damage and is intended to be the basis for the effective implementation of environmental policies and strategies.
2. the preparation of a Programme on Nature Conservation which is being co-ordinated by the Council of Europe and focuses on the problems of preserving the natural

<sup>71</sup> million European Currency Units

heritage in the CEECs; the compatibility of tourism and recreational activities with nature conservation; and public attitudes towards the conservation of nature.

3. the preparation of an "Immediate Environmental Action Programme" for the CEECs.
4. the development of an Environmental Action Programme for Europe, to be co-ordinated by the Senior Advisers on Environmental and Water Problems from the Economic Council for Europe.

### ***Programme Objectives***

The 1991 PHARE Regional Environmental Sector Programme (20 MECU) and the PHARE 1992 Regional Environmental Sector Programme (16 MECU) are supporting the implementation of integrated environmental programmes such as the Integrated Environmental Programme for the Black Sea which is being supported by a number of multilateral donors, including the PHARE and TACIS programmes.

The overall objective of the Environmental Plan is to support and enhance the political and technical process towards closer regional co-operation on environmental protection at a pan-European level, as initiated by the Dublin and Dobris process. More specifically, the Plan aims to support the development and implementation of the Environmental Action Programme to be presented by the European Environment Ministers in April 1993.

### ***Programme Description***

The programme will finance the creation of a Project and Investment Preparation Fund linked to the priority areas and projects identified in the Action Programme. The Fund will be used to prepare investment and other projects as well as financing technical assistance and studies. These will be used to support project assessment, pre-investment studies; feasibility studies; detailed design and other technical studies; and financial co-ordination and preparation of co-financing arrangements.

## **3. IMPLEMENTATION**

The implementation authority will be the Commission of the European Communities. The PHARE Operational Service will be responsible for selecting projects in consultation with the national PHARE Environmental Project Implementation Units. The PIUs will be involved in the implementation of the programme, and support may also be channelled through the existing "instruments" for environmental investments in the country in question, such as the National Fund for Environmental Protection in Poland.

Equipment procurement will be by international tender, or by restricted consultation if justified by the cost or special technical characteristics of the equipment. Technical assistance will be recruited either by restricted consultation or direct agreement, depending on the cost and specialist nature of the services. Small expenditure may be subject to direct agreement.

# REGIONAL



# ENVIRONMENT

## Regional Programme for the Fight against Drugs

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 16/10/92 at Management Committee meeting N° 19*

Country:	Regional
Programme:	Fight against drugs in Central and Eastern European countries (CEECs)
Duration (years)	2
Year:	1992
EC Contribution:	2 MECU <sup>72</sup>
Sector classification:	Multidisciplinary
Responsible authority:	European Commission

### 2. SUMMARY

#### *Background*

The problems associated with drug abuse and trade in the CEECs have worsened as a consequence of the opening of the borders. Many Central and Eastern European countries have quickly become major transit routes for drugs attempting to reach the Western European markets from the middle east, central Asia and south Asia. The known numbers of drug addicts in the CEECs is also rising rapidly. Effective action to tackle these problems is impeded by the lack of accurate data on the subject. Furthermore, present efforts to combat drugs are meeting with difficulties arising from the political and economic changes taking place in these countries.

Anti-drugs co-operation with Central and Eastern Europe is part of the overall Community policy against the widespread use of drugs and is based on the European Plan to combat drugs adopted by the European Council in December 1990. The Plan, which provides the framework for co-operation efforts of the Community and its Member States in every phase of the fight against drugs, proposes measures aiming to reduce demand, combat the trade in illicit drugs and promote international co-operation. Both the Pan-European Ministerial Conference on co-operation against drugs in 1991 and the European Agreements signed with Poland, Hungary, and the CSFR include articles on the fight against drugs which offer a basis for future co-operation in this field.

#### *Programme Objectives*

The general objective of the programme is to help the recipient states in their anti-drug efforts and enable them to monitor the increasing problem. The programme is also intended to generate and encourage various means of co-operation between the Community Member States and the CEECs.

<sup>72</sup> million European Currency Units



## Programme Description

The programme includes a pilot phase proposing a set of selected measures which provide assistance in drafting legislation and in developing both services and expertise. Specifically, it will monitor precursors, fight money laundering and set up drug information systems and demand reduction programmes. It will also complement initial measures against drug trafficking taken under PHARE programmes of customs co-operation.

• Measures against the diversion of precursors 0.25 MECU

The programme provides technical assistance to help introduce suitable standards to prevent the diversion of precursor chemicals used to manufacture narcotics, amphetamines and psychoactive substances. The financial assistance will cover the visits of two experts for a period of 12 months and the organisation of a seminar involving all parties concerned with precursor monitoring and related measures. The programme will provide legislative material in order to help the authorities of the countries concerned develop appropriate legislation and procedures. It will also help the recipients to implement a new administrative system.

• Measures against money laundering 0.25 MECU

The programme will finance two qualified specialists to help defend the financial system from persons intent on laundering the proceeds from criminal activities. A seminar will be organised and legislative material provided to help the responsible authorities of the countries concerned to develop new legislation and appropriate procedures against money laundering.

• Development of drug information systems and networking 0.5 MECU

For the general implementation of a three-phase programme, three qualified specialists on demand reduction, the drug trade information systems will be recruited for identification missions to be followed up with technical advisory missions.

At national levels, feasibility studies on integrated drug-abuse information systems will be undertaken to provide the national authorities with more accurate data on which to rest decisions. This includes identifying the most urgent structures and resources needed to improve the national information systems. An inventory will be drawn up at regional level of the sources of drug-related information. A feasibility study will be undertaken to set up a network of the national integrated systems and prepare their future participation in the European Drugs Monitoring Centre (EDMC) network. Short missions are planned as well as a mixed expert group to carry out the regional inventory and improvement programme. A programme will be drawn up including seminars, training courses and other basic resources.

• Assistance and support for demand reduction programmes 0.9 MECU

This component will identify and evaluate the existing structures set up to reduce demand and will identify the needs over the short-, medium-, and long term. This will be coordinated with the drug information systems component. A coherent strategy will be drawn up and demand reduction structures will be reinforced. This action will consist in visits by experts to the recipient states, the development of pilot projects and the organisation of training programmes, including study visits of specialists to Community institutions and seminars for all involved parties.

A financial allocation of 100 000 ECU is foreseen as a reserve.

# REGIONAL



# DRUG CONTROL



### 3. IMPLEMENTATION

#### *Programme management*

The programme will be executed by the Commission in close collaboration with the designated authorities of the recipient states. It will be responsible for general co-ordination and will organise regular meetings and exchanges of information through a steering group set up for the purpose.

Direct cooperation at technical and expert level will be established for the different fields covered by the programme.

#### *Procurement*

The Commission will arrange for specialised expertise to be recruited from the competent authorities in the Member States for the first two elements of the programme. For the last two elements, technical assistance and other staff will be recruited as appropriate by restricted consultation with specialised institutions or by direct agreement, depending on the cost and the specialised nature of the services.



## Statistical Cooperation Programme

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 16/10/92 at Management Committee meeting N° 19*

Country:	Poland and Slovenia
Programme:	Statistical Co-operation
Duration (years)	1
Year:	1992
EC Contribution:	1 MECU <sup>73</sup>
Sector classification:	Statistics
Responsible authority:	EC Commission in liaison with the Central Statistical Offices (CSOs) of the participating countries

### 2. SUMMARY

#### *Background*

The first Regional Statistical Programme was approved in May 1991 and is now being extended to include Slovenia (the most recent member of the PHARE programme) and Poland, which had hitherto benefited from a national programme for statistics which is now nearing completion.

#### *Programme Objectives*

The main objective of the extension of the programme to the two countries is to assist their Statistical Offices in the development of statistical information systems in order to support and monitor the envisaged economic reforms and to provide market operators with sound macro- and micro-economic information to support investment decisions, wage and price management, etc.

Equally important is the need to identify and promote practical opportunities for greater statistical co-operation with the other countries eligible for support under this programme.

#### *Programme Description*

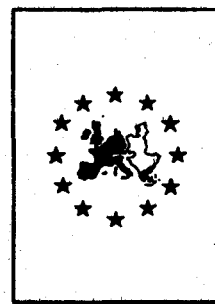
- Slovenia

Statistical cooperation with the Republic of Slovenia started in April 1992 with a visit of the Director of the Slovenian Statistical Office to Eurostat, with whom it had not co-operated since the Yugoslav statistical programme was suspended.

Priority areas will be defined through Eurostat identification missions to Slovenia, taking account of the items covered under the existing PHARE Regional programme. These include concepts and definitions for harmonisation of different

<sup>73</sup> million European Currency Units

POLAND & SLOVENIA



STATISTICS



statistics; data transmission and software, foreign trade statistics; enterprise surveys and implementation of the NACE rev 1 nomenclature.

- Poland

The statistical co-operation programme currently includes two elements, both financed by the PHARE National Programme for Poland. These are a programme for training and technical assistance, and a programme to obtain infrastructure for statistical data processing. In some areas, Poland is now entering the second phase, oriented towards the transformation of the statistical system.

The main objectives for statistical co-operation include classification; registration systems for businesses; the introduction of a system of National Accounts and an improvement in the production of External Trade Statistics based on the Single Administrative Document. Also covered are areas such as social statistics through the preparation of the Household Budget Survey and Living Conditions Survey; an adjustment of environmental statistics to Eurostat standards and information and training on the methodology of Agriculture Statistics.

### 3. IMPLEMENTATION

#### *Programme management*

The activities to be carried out under the programme will be organised by the CESD-Communautaire. The CESD will visit the two countries to identify the specific needs and priorities and prepare country specific work programmes which will form the basis for implementation.

#### *Procurement*

Equipment procurement will be made by international tender or by restricted consultation if justified by the cost or special technical characteristics of the equipment. Technical assistance will be recruited by restricted consultation or direct agreement depending on the cost or specific nature of the services. Small expenditure of minor importance may be the subject of direct agreement.

## ACE: Cooperation in the Field of Economics

- a PHARE assistance programme -

### 1. IDENTIFICATION

*Decision taken 16/10/92 at Management Committee meeting N° 19*

Country:	All PHARE countries
Programme:	ACE: regional Programme of Cooperation in the Field of Economics
Duration (years)	1
Year:	1992
EC Contribution:	6 MECU <sup>74</sup>
Sector classification:	Economics and public and private sector management
Responsible authority:	European Commission in liaison with the aid co-ordinators of the PHARE countries

### 2. SUMMARY

#### *Background*

ACE aims to promote the exchange of knowledge and experiences between professional and academic economists and managers in the EC and Eastern Europe. Of special interest are fields such as economic knowledge, managerial methods or public and business administration.

After ACE started in 1990 on an experimental basis for Poland and Hungary, the Commission decided in May 1991 to extend it to the other eligible Eastern European countries and provided funding of a further 5 MECU. A large number of proposals have since been forthcoming, testifying to the success and popularity of the programme.

The topics worthy of support must be related to the process of economic reform and integration. This includes in particular projects dealing with operational implementation issues, managerial aspects, the diagnosis and therapy of macro-economic disequilibria, micro-economic liberalisation and other reform and integration issues.

Support takes the form of grants for research, teaching, networks and high level training courses.

#### *Programme Objectives*

The general objective of the ACE programme is to help the Eastern European economies to become better equipped to implement processes of liberalisation and reform. The action consists of a range of activities which aim to establish co-operation and interchange between economists and managers in EC countries and in East European countries.

<sup>74</sup> million European Currency Units

# REGIONAL



# ECONOMICS



### Programme Description

The programme will provide the following methods of support :

- grants for the exchange of economic and managerial techniques and concepts, which includes scholarships and fellowships, the organisation of, and active participation in, conferences and seminars; the transfer of techniques and support to centres of excellence in Eastern Europe;
- grants for multi-national networks or research projects (meaning at least one CEEC and at least two EC universities from different EC states). The grants can cover fees, travel and meeting expenses as well as general expenditures supporting research activity such as the acquisition of publications and equipment directly related to the research project and the dissemination of results;
- grants for the dissemination of research and documentation on economics and management in the PHARE countries, particularly for seminars and publications. This can *inter alia* cover the cost of translation, printing and diffusion.

The selection criteria include the relevance of the projects to Eastern Europe in terms of applied content as well as their general scientific value. Also to be taken into account is the relevance of the project for the processes of economic reform and integration, and the transnational aspect of the co-operation, referring to the participation of EC states and CEECs in the case of networks.

Research topics must be related to the process of economic reform and integration. These include : economic issues concerning the implementation of reforms in specific sectors such as agriculture, banking, labour markets and social protection; managerial aspects of the reforms for both the private and public sector; economic liberalisation and reform, privatisation and entrepreneurship, pricing, subsidies and taxation, external trade, wages and income policies, and other economic integration issues.

The support will take the following forms :

- 6-month fellowships and 2-year scholarships for CEEC economists and managers to attend universities in the EC;
- 6-month fellowships for senior economists and managers from the EC to work at CEEC universities;
- grants for research projects and networks bringing together managers and economists of the EC and Eastern Europe;
- grants for recognised European centres of excellence in the CEECs offering international PhD and MBA programmes;
- grants to CEEC economists and managers to attend seminars, conferences and high-level courses; and
- grants for seminars and publications linked to the dissemination in PHARE countries of research and documentation.

The unit costs will be as follows :

- |  |   |
|--|---|
| • scholarships (per year)                    | ECU 10 000  |
| • fellowships (per man-month)                | ECU 3 000 to 4 000  |
| • research projects/networks (per man/month) | ECU 2500 to 3 000   |
| • conferences (per participant)              | ECU 1 000   |
| • grants for centres of excellence           | decreasing participation rate with maximum of 50 % of current expenditure in first year |
| • publications                               | lump sum  |

### 3. IMPLEMENTATION

#### *Programme management*

Applications for grants should be submitted to the EC Commission by the individuals or institutions in Eastern Europe or in the EC Member States by 1 May 1993. The applications will be evaluated by a panel of independent experts and decisions taken on the successful applicants by 20 July 1993.

# REGIONAL



# ECONOMICS



## Complementary Regional Programme of Customs Cooperation

- a PHARE assistance programme -

### 1. IDENTIFICATION

Country:	Albania, Estonia, Latvia, Lithuania
Programme:	Customs Cooperation
Year:	1992
EC Contribution:	1.5 MECU
Sector classification:	Customs
Responsible authority:	The European Commission in collaboration with the customs administration of the four countries.

### 2. SUMMARY

#### *Background*

In 1991, PHARE created a regional programme of aid for the development of customs systems corresponding to the new economic situation of the countries of the Central and Eastern Europe. It included Bulgaria, Hungary, Czechoslovakia and Romania. Today an extension to that programme is needed in order to provide to Albania, Estonia, Latvia and Lithuania an immediate response to the urgent needs created by the processes of economic reform. This will be accomplished by providing instant help in the form of technical assistance and training. The success of those countries' reforms depends partly on their ability to rapidly develop their foreign trade - especially with western economies - in order to offset the loss of the COMECON markets.

#### *Programme Objectives*

The adaptation of the customs legislation, its compatibility with computerised procedures and the training of officials in charge of its application are all crucial to the success of the process of economic change in the four countries. By speeding up transit times and facilitating cooperation between national customs bodies, trade will be expanded.

The main objective of the present programme is to help these countries get their customs modernised and their procedures adapted to the requirements and specifications of modern trading patterns. The programme will also ensure support and follow-up for present and future economic reforms.

This project will give these four countries every practical opportunity for developing regional cooperation in custom matters with the other countries eligible for assistance under this programme.

#### *Programme Description*

The programme will be providing services according to identified priorities.

This will include:

- assistance with the introduction of customs legislation in line with the needs of a modern market economy. This legislation should be compatible with Community legislation;

- assistance with the computerisation of customs procedures in Albania and the three Baltic States; and
- the evaluation of requirements for scanning equipment needed to prevent the trade of prohibited products and to combat drug trafficking, and the evaluation of requirements for communications equipment to facilitate liaison with field services.

This will be achieved by means of task force visits to the above mentioned countries, by the organisation of training seminars, through in-service training in the customs services of Community countries and through short duration visits to the customs administrations of member countries.

### 3. IMPLEMENTATION

#### *Programme management*

Technical assistance and training to be provided under this programme will be carried out by EURODOUANE and BULL-SLIGOS. The two firms will visit the four countries in order to identify the specific individual needs and prepare work programmes which will form the basis for this programme. The Commission will be responsible for monitoring.

#### *Procurement*

The implementation of the various programme components will be subject to Commission approval of the work programmes.

The requested extension of 1.5 MECU to this programme is a provisional figure based on calculations made for the other countries covered under this programme. The exact amount required will be determined after the fact finding missions and completion of the various work programmes. The breakdown of the supplemental 1.5 MECU to this programme will follow the principle laid down in the initial financing proposal.

# REGIONAL



# CUSTOMS











