

441-2(3)
May 22, 1990

Conclusions of the Group of 24

for economic assistance to Central and Eastern European countries

1. The Group of 24 held their sixth meeting today in Brussels, at senior officials level under the chairmanship of the Commission of the European Communities. The meeting was also attended by representatives of the World Bank, the IMF, the OECD and the EIB. The objective of the meeting was:
 - to review the progress made in the implementation of the PHARE programme to support reform in Poland and Hungary,
 - to consider the extension of their assistance to Bulgaria, Czechoslovakia, the German Democratic Republic, Romania and Yugoslavia taking into account the new Action Plan submitted by the European Commission and
 - to prepare the second meeting of the 24 at ministerial level.
2. Regarding the implementation of the programme for Poland and Hungary, the 24 analysed the results achieved since their last meeting on February 16 and reconfirmed their willingness to strengthen their co-ordination further to achieve synergy and complementarity in their actions. In that regard they noted:
 - the periodic and close contacts with the international economic and financial institutions which allow for an improved general assessment in the macro-economic, financial and structural adjustment fields;
 - that the food supplies to Poland decided last year were almost completed. New supplies to Poland and Romania decided upon by some participants at the beginning of this year are being delivered throughout the summer pending the incoming harvest. The Polish government has allocated the proceeds of the counterpart funds derived from the sale of food supplies for credit programmes in local currency for small private farmers and various other purposes (water supply, telephone, and rural banking);
 - the Hungarian Republic and the Commission of the European Communities have already signed the agreement concerning the first 350 million ECU tranche of the one billion dollar medium-term loan

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FROM: Jurgen KOPPEN

DATE: May 24, 1990

RE: Attached Conclusions of the Group of 24, dated May 22, 1990.

H.D.	✓
D.A.D.	✓
INFO.	5
TRADE	1
AGRI.	1
LEGAL	
FIN & DEV.	5
SCI & ENE.	1
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on March 30th. Certain participants have shown their interest in joining this effort. To assist the structural adjustment in Hungary Japan is actively considering an untied loan for this country in the form of co-financing with the World Bank's structural adjustment loan;

- that the Community has invited the 24 to participate in Tempus (Trans-European Mobility Scheme for University Studies) and the European Foundation for Training.
- 3. The G-24 reviewed individual projects being undertaken by participants in the fields of environment, rural development, enterprise re-structuring, banking and finance, training and technical assistance. These projects will be outlined in the progress report to be submitted to the ministerial meeting.
- 4. They also noted the development of projects for joint action and co-financing in the spirit of the ministerial decisions of 13th December 1989. The European Investment Bank has prepared loans for various projects some of which have been launched by the World Bank. The US initiative to set up a Regional Centre for the Environment in Budapest will be co-financed by the Community and possibly by other participants. Other initiatives for joint action put forward by the 24 and the international institutions in the fields of rural development, environment and management consultancy are under consideration. The projects developed by the European Commission are already open for participation. A number of G-24 participants indicated that they also have a substantial number of projects open for co-financing.
- 5. Looking back over a period of almost one year since the PHARE programme was launched, the 24 felt that substantial results had been achieved through their action to sustain the political and economic reform process in Poland and Hungary and in particular to strengthen the private sector. With this end in view they noted that co-ordinated assistance should be reinforced.
- 6. They welcomed the fact that the European Bank for Reconstruction and Development, with a capital of 10 billion ECU, will soon become operational. This Bank will be important in fostering productive investment in the private sector and in related infrastructure.
- 7. As agreed in the fifth high-level meeting of the 24 in order to prepare the extension of the PHARE programme to other Central and Eastern European countries, the Commission undertook fact-finding missions to examine the reforms in these countries directed towards establishing the rule of law, the respect for human rights, the introduction of multi-party systems, the holding of free and fair elections and the development of market-oriented economies. The 24 have ascertained that these countries are putting into place the basic legislation needed to move towards democracy and competitive market-oriented systems. They welcomed the holding of elections, which have already taken place in most countries and are scheduled elsewhere in the near future. They also welcomed the announcement by several governments of programmes for economic stabilisation and restructuring and noted that the reforms in these countries would be facilitated by their belonging to the IMF, the World Bank, GATT and other international financial and economic institutions.

Further steps still need to be taken to implement these reform programmes which are entering a critical phase. Taking into account the pace of change in individual countries assistance of the 24 should be extended to those countries which are implementing political and economic reform. They also noted the necessity of continuing to monitor the reform process.

The 24 noted that in all the countries considerable difficulties remain in overcoming economic problems and that the speed of the economic reform differs considerably as between the various countries. Some have chosen a rapid approach, others a more gradual strategy. The coordinated actions of the 24 should take into account the priorities agreed with the beneficiaries and their absorption capacities.

Against this background, the 24 considered the new Action Plan put forward by the Commission for co-ordinated assistance. In the light of the explanations given by the Commission regarding differentiation and conditionality in the Plan's implementation, they have given a broadly favourable reaction to the Plan. Besides the areas of action identified in the case of Poland and Hungary, this Plan also indicates orientations to respond to the specific needs of the other countries.

The Action Plan also addresses the question of the need for increased financial support commensurate with the new actions envisaged. The Commission has already proposed considerable increases in its budget allocations to that effect and other Members of the 24 have equally started the procedures to mobilise additional financial means.

8. The 24 proceeded with the preparation of the ministerial meeting proposed for July 3. On that occasion Ministers of the seven Central and Eastern European countries will be invited to present their countries' political and economic reform programmes to the Ministers of the 24, who will then discuss the priorities for coordinated assistance based on the Action Plan.