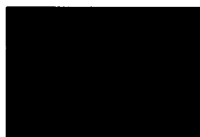
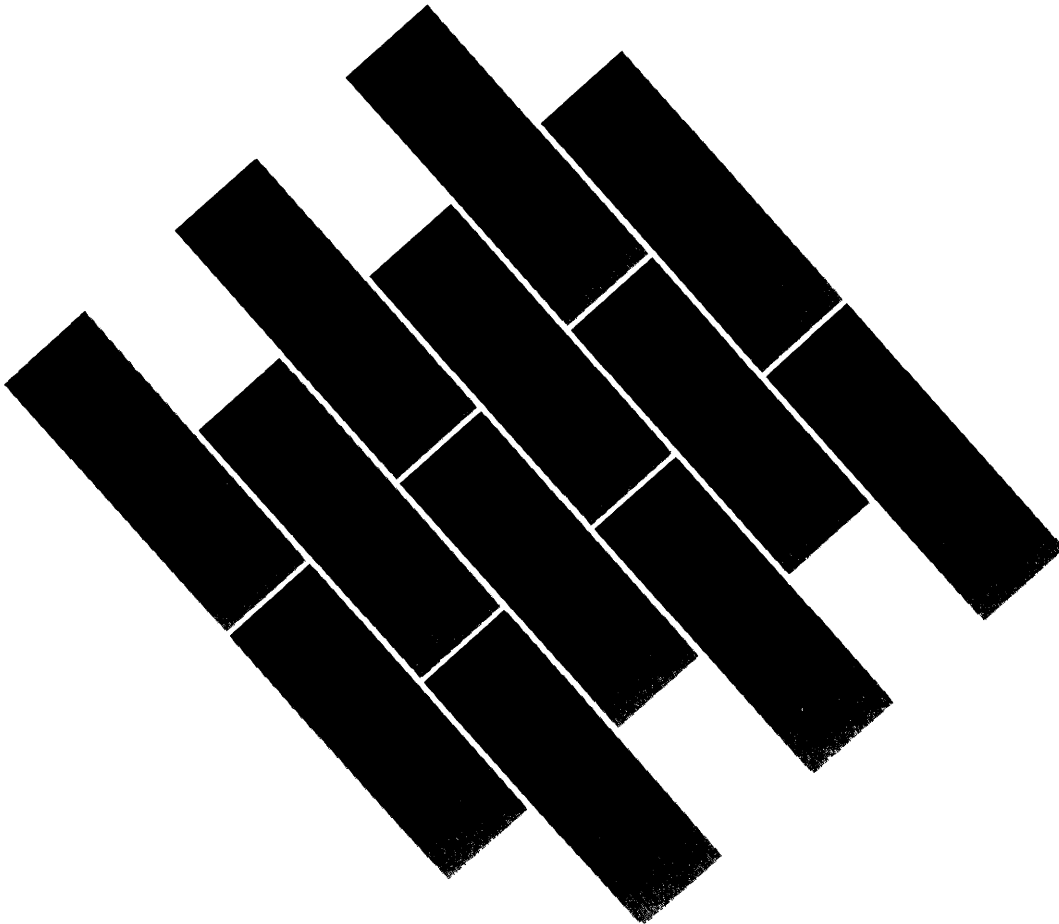


# PHARE

# DOCUMENTATION



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COMMISSION  
OF THE EUROPEAN COMMUNITIES

# **PHARE**

# **DOCUMENTATION**

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***A. ADMINISTRATIVE PART***





# NOTICE

The PHARE Advisory Unit has moved.

*We can be found at*

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B-1049 Brussels

**Telephone:**

(32-2)

299.13.56

299.14.00

299.15.00

299.16.00

**Fax:**

299.17.77





## DOCUMENTATION AVAILABLE at the PHARE ADVISORY UNIT

LISTED BELOW ARE SOME OF THE DOCUMENTS AVAILABLE FROM THE PHARE ADVISORY UNIT. IF YOU WOULD LIKE ANY OF THESE DOCUMENTS PLEASE FILL OUT THE REQUEST FORM ATTACHED AND SEND IT TO THE ADVISORY UNIT AT 200 RUE DE LA LOI, (B68 2/26) B-1049 BRUXELLES.

1. PHARE OPERATIONAL GUIDE (ENGLISH, FRANÇAIS, DEUTSCH)
2. PHARE PROJECT SUMMARIES Nos 8 & 9 (1992). Nos 1-7 ARE CONTAINED IN THE PHARE COMPENDIUM 1990-1992. UPDATES ARE MADE FOLLOWING THE PHARE MANAGEMENT COMMITTEES (ENGLISH)
3. PHARE COMPENDIUM 1990 & 1991 PROGRAMME SUMMARIES BY SECTOR (ENGLISH).
4. PHARE PROJECTS LISTED BY COUNTRY DETAILING THE NAME OF THE PROJECT AND ITS BUDGET (ENGLISH)
5. EC JOINT VENTURE SUPPORT SCHEME - JOPP (ENGLISH, FRANÇAIS, DEUTSCH)
6. PRIVATISATION AND RESTRUCTURING IN CENTRAL AND EASTERN EUROPE (ENGLISH, FRANÇAIS)
7. INVESTMENT PROMOTION IN CENTRAL & EASTERN EUROPE (ENGLISH)
8. FIRST ANNUAL REPORT FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT ON THE IMPLEMENTATION OF ECONOMIC AID TO THE COUNTRIES OF EAST AND CENTRAL EUROPE AS OF 31 DECEMBER 1990 (ENGLISH, FRANÇAIS, DEUTSCH)
9. PHARE FINANCIAL COMMITMENTS 1990 & 1991 (ENGLISH)
10. PHARE REGULATIONS - TO BE FOUND AT THE BACK OF THE PHARE OPERATIONAL GUIDE. (ENGLISH, FRANÇAIS, DEUTSCH).
11. THE PHARE ADDRESS BOOK: (ENGLISH)
12. "THE COMMUNITY AT THE CENTRE OF AID TO THE COUNTRIES OF CENTRAL AND EASTERN EUROPE (ENGLISH, FRANÇAIS, DEUTSCH)
13. ECHO'S DE L'EUROPE - DOSSIER SPÉCIAL PHARE (FRANÇAIS)
14. CONSULTANT'S REGISTRATION FORM (ENGLISH)
15. THE 1992 PHARE INDICATIVE PROGRAMMES SUMMARY (ENGLISH)





### DOCUMENT REQUEST FORM

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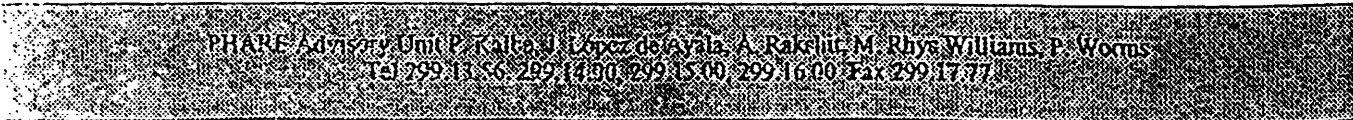
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N.B. THE MAJORITY OF THESE DOCUMENTS ARE TOO LARGE TO FAX







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

*The*

***PHARE***

**Glossary**

of commonly used terms & acronyms

*Written by the PHARE Advisory Unit*

Sept 1992

PHARE Advisory Unit P. Kalbe, J. López de Ayala, A. Rakshit, M. Rhys Williams, P. Worms  
Tel 299.13.56, 299.14.00, 299.15.00, 299.16.00 Fax 299.17.77

## GLOSSARY

### *PHARE*

PHARE is the European Community Programme which channels Economic and Technical Assistance to the countries of Central and Eastern Europe. Starting with Poland and Hungary in 1989 (hence the PHARE acronym: Poland Hungary Assistance for the Reconstruction of the Economy), the programme today covers the following countries: Albania, Bulgaria, Czechoslovakia, Estonia, Latvia, Lithuania, Poland, Romania and Slovenia. PHARE will in due course be extended to the other Republics of the former Yugoslavia as and when they meet the conditions of eligibility.

### LEGAL BASIS

- Regulation 3906/89:* (OJEC Nr. L 375/11) Basic Council Regulation for PHARE. Constitutes legal basis for decision making procedures. Provides mechanism for management committee and tendering procedures broadly similar to other forms of EC external Aid.
- Regulation 2698/90:* (OJEC Nr. L 257/1) Amendment to Regulation 3906/89 which extends Community assistance to Bulgaria, Czechoslovakia, the GDR, Romania and Yugoslavia. Humanitarian aid permitted.
- Regulation 3800/91:* (OJEC Nr. L 357/10) Extension of assistance to Lithuania, Latvia, Estonia and Albania. Deletion of the GDR from PHARE.
- Regulation 2334/92:* (OJEC Nr. L 227/1) Extension of assistance to Slovenia.

### *PHARE OPERATIONAL SERVICE (referred to as PHOS)*

Brussels based Directorate set up by the European Commission within the Directorate General I (External Relations) in early 1990 to initiate, prepare and supervise the implementation of PHARE assistance programmes. PHOS consists of the following units:

- PHOS 1 :* Agriculture, Environment, Nuclear Safety, Infrastructure (Transport, Energy and Telecommunications), Food aid.
- PHOS 2 :* Banking and Financial Sector, Small and Medium Sized Enterprises, Enterprise Restructuring, Privatisation.
- PHOS 3 :* Social & Employment, Health sectors, Public Infrastructure & Administration, Humanitarian Aid, Programming and Country Co-ordination.
- PHOS 4 :* Internal Resource management (finance, administration, contracts, personnel).
- PHARE Advisory & Information Unit* Tel 32 (2) 299.13.56, 299.14.00, 299.14.44, 299.15.00, 299.15.00, 299.16.00  
Fax: 32 (2) 299.17.77

## PHARE PROCEDURES

**PHARE Budget:** Allocated each year as a global envelope from the EC Budget. It has grown by 368% to 1 billion ECU since 1989. The total allocated over the last three years is now 2.28 billion ECU.

**Financial Regulation:** Council Regulation governing the execution of the Community budget. Of particular interest is Chapter IX on external aid, providing the basic rules & procedures for implementing PHARE Programmes and awarding contracts.

**National Co-ordinator :** A person, usually of ministerial rank, who has been designated by the beneficiary government to co-ordinate PHARE assistance on behalf of his/her government. The National Co-ordinator is responsible *inter alia* for liaising with internal ministries in order to prepare the PHARE national (indicative) programme and select the priorities for regional co-operation.

**PHARE Management Committee :**

Defined by Article 9 of Regulation 3609/89. Consists of representatives of the EC Member States who meet 6 -8 times a year to give their opinion on the proposed PHARE measures (financing proposals), before the Commission takes a financing decision.

**Indicative Programme :** A working document agreed on an annual or multiannual basis between the National Co-ordinator on behalf of his/her government and PHOS on behalf of the Commission. It sets out key priorities, objectives and the sectoral breakdown for PHARE-financed activities and serves as a guideline for subsequent detailed identification and appraisal of sectoral programming.

**Sectoral Programme:** PHARE programme outlining actions to be taken and funds committed to provide assistance in the priority sectors defined by the Indicative Programme.

**Regional Programmes :** A Programme involving three or more beneficiary countries which pursue common goals by joint action. They may also aim to achieve economies of scale, greater flexibility and are conducive to exchanges of information between the countries concerned. In particular, they may facilitate the establishment of administrative information-processing systems (customs, statistics etc.) compatible with those in use in other parts of Europe.

**Financing Proposal :** Document containing any one proposed (sectoral) programme. Written by PHOS in co-operation with the respective government. Presented to the PHARE Management Committee for opinion, and then to the Commission for decision. The envisaged measures are described and explained in their context, along with their estimated budget.

**Financing Memorandum :**

Signed by the representatives of the Commission and the beneficiary country after the Commission's formal adoption of the Financing Proposal. Necessary before any project may be implemented, it is the legal basis for the commitment of resources to achieve specific objectives

**PIU, PSU, PMU :** Project Implementation/Support/Management Unit. Established by and in a national Ministry or Agency of the beneficiary country in order to manage the PHARE Programme *in situ*. The unit is usually staffed by the Ministry and supported by PHARE-funded Technical Assistants (External Experts)

**Projects Authorising Officer (PAO) :**

Responsible for project implementation and financial management. Invested with contractual powers.

**Technical Assistance (TA) or Technical Co-operation :**

Technical Assistance is defined as the provision of services with the primary purpose of transferring knowledge, skills, technical know-how or productive aptitudes. The aim is usually to increase the stock of human intellectual capital or to maximise the capacity for the most effective use of existing factor endowment and know-how transfer (as distinct from transfers intended to increase the stock of physical capital).

**CEC Delegations :**

Representations of the Commission, with ambassadorial status, accredited to third country governments. (currently in Belgrade, Budapest, Prague and Warsaw. A Delegation is to be accredited in Sofia).

**CONTRACTUAL ARRANGEMENTS****Public Supply Contracts:**

Contracts for pecuniary interest concluded in writing involving the purchase of products between a supplier (a natural or legal person) and one of the contracting authorities.

**Direct Agreements :**

Contracts entered into by the EC or PIU directly with the consultant or supplier without prior tendering. Usually of sums less than 50.000 ECU.

**Open Tender :**

Public tendering procedure whereby all interested suppliers may present an offer. Used principally for supply contracts. Published locally and, for major contracts, in the E.C. Official Journal, Part C, Supplement S.

**Restricted Tender :**

Procedure whereby only those suppliers invited by the contracting authorities may submit tenders. Usual procedure used for Technical Assistance / Services contracts.

**Prequalification :**

Preselection of firms mainly for Technical Assistance or Service contracts Effected by responding to a formal invitation to state interest appearing in the Official Journal, part C, supplement S. Results in a "long list" of qualified firms, from which "short lists" are drawn whenever a restricted tender is organised.

**Letter of Interest :**

Informal expression of interest and capability which should be sent to the relevant P.I.U. and/or Co-ordinators office and/or Commission PHOS with a request to be considered for contracts.

**Consultant's Register :**

A list of consulting firms which have expressed an interest in being considered for PHARE contracts. May be consulted by PHOS when organising a restricted tender. An expression of interest and capability should be made to the competent PHARE office in Brussels by means of a proforma application (Fax 32-2-235.53.87).

**Long List :**

A reference list of qualified firms (from beneficiary countries and E.C. Member States) from which short lists for restricted tenders may be drawn, especially in cases of prequalification procedures.

- Short List :** Selected list of firms invited to submit offers for a specific T.A. or Services tender. Drawn from the Long List (see above), the suggestions of tendering authorities, the Consultant's Register, other Commission services' lists (e.g. DGs for Energy or Environment), Letters of Interest and data banks of other international financing institutions.
- Multidisciplinary fund :** Enabling device, consistent with general management procedures in external aid, to give a general authorisation to finance (within given parameters) small operations such as feasibility studies, technical assistance and micro projects outside of and supplementary to sectoral programmes. It is managed from Brussels. Specific memoranda and Management Committee opinion are not required for each grant. Grants up to 1 MECU.
- GTAF (General Technical Assistance Facility) :**  
Fund set up enabling the implementation unit to prepare preliminary steps in a number of sectors in one country. Managed in the beneficiary country by a Project Implementation Unit for the GTAF.
- Humanitarian Aid :** PHARE funds set aside for humanitarian aid destined to cover emergency measures, short or medium term needs (e.g. medical supplies, aid to orphanages). Not to be confused with Food Aid and Emergency Aid (which is run by DG VIII). May be up to 10% of PHARE's budget.

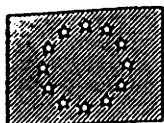
### PHARE PROGRAMME ACRONYMS

- PHARE :** Poland Hungary Aid for Restructuring the Economy
- TACIS :** Technical Assistance to the Commonwealth of Independent States (applies to the CIS & Georgia)
- GTAF** General Technical Assistance Facility
- SIGMA :** Support for Improvement in Governance and Management (Regional)
- ACE :** Aid for Co-operation in Economics (Regional)
- TEMPUS :** Trans-European Mobility Programme for University Studies (Regional)
- COST :** Co-operation in Science & Technology (Regional)
- JOPP :** Joint Ventures in PHARE programmes managed by DG XVIII. J. Magnette - (352) 4301 6262 (Luxembourg)
- STRUDEF:** Structural Development in selected Regions (Poland)
- EXPROM:** Export promotion (Poland)
- TOURIN:** development of the tourist industry (Poland)
- APRICOT:** Agriculture: privatisation and co-operatives (Poland)
- LIS:** Land Information System (Poland)
- SUPEC:** Support to economic strategy and the creation of the Ministry of the Economy (Poland)
- SIERRA:** Support for the implementation of the Europe Agreement (Poland)
- MOVE:** Modernisation of Vocational Education (Poland)
- TESSA:** Teaching & Education in Strategically Significant Areas (Poland)
- LAMBDA:** Local Administration Management Building and Development (Poland)
- SCITECH:** Support for Science and Technology (Poland)



|  |  |
|--|--|
| <b>OMEGA :</b>   | Public Administration Reform (Poland)  |
| <b>CORINE :</b>  | Co-ordination of Information on Environment (DG XI)  |
| <b>CEEC/PECO :</b>                                       | Central and East European Countries. Pays de l'Europe Centrale et Orientale: Albania, Bulgaria, the CSFR, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Yugoslavia.  |
| <b>CIS :</b>   | Commonwealth of Independent States (ex-USSR, minus Georgia and the Baltic States)  |
| <b>SME/PME :</b>   | Small and Medium Sized Enterprises / Petites et Moyennes Entreprises   |
| <b>FEOGA :</b>   | Fonds Européen d'Oriention des Garanties Agricoles   |
| <b>ECHO :</b>  | European Commission Humanitarian aid Office (DG VIII)  |
| <b>IFI / IFO :</b>                                       | International Financing Institution / Organization   |
| <b>EIB/BEI :</b>   | European Investment Bank (of the E.C.) / Banque Européenne d'Investissements (des C.E.). Principally investment financing  |
| <b>EBRD/BERD :</b>                                       | European Bank for Reconstruction and Development / Banque Européenne pour la reconstruction et le développement. Principally investment financing. Opened in London in April 1991. EC is a major shareholder.              |
| <b>IBRD/BIRD ("<i>World Bank/Banque Mondiale</i>") :</b> | International Bank for Reconstruction and Development / Banque Internationale de la reconstruction et du développement.  |
| <b>NGO :</b>   | "Non Governmental Organisations" is a broad appellation understood by PHARE to refer to non profit making voluntary organisations, social movements and grassroot initiatives, regardless of their formal or legal status. |
| <b>OECD :</b>  | Organisation for Economic Co-operation and Development.  |
| <b>IMF/FMI :</b>   | International Monetary Fund / Fonds Monétaire International  |
| <b>WANO :</b>  | World Association of Nuclear Operators   |

***B. BACKGROUND INFORMATION***



Directorate-General  
Audiovisual, Information, Communication, Culture

External Information  
X.B.4

## EC - EAST EUROPE

Relations with Central and Eastern Europe  
and the Commonwealth of Independent States

### I. OVERVIEW

#### 1. Agreements

a. The Joint EEC/COMECON\* Declaration of 25 June 1988 marked the start of a new era in trade and political relations with the countries of Central and Eastern Europe. Diplomatic relations were established and permanent missions were sent from each of these countries to the Community. Negotiations for bilateral treaties were also initiated.

b. Trade and cooperation agreements were concluded between October 1988 and March 1991 with all the Central and East European countries. They are to last ten years except in the case of Poland where it is five years.

(More information on the trade and cooperation agreements in annex 1).

c. Prior to the trade and cooperation agreements, sectoral trade arrangements had been signed between the former COMECON countries and the Community concerning textiles, steel and beef.

d. In November 1991 Europe or Association agreements between the EC and Poland, Hungary and CSFR\*\* were finalised, and signed in December. They have to be approved by the European Parliament and the national parliaments of the Twelve and of Poland, Hungary and CSFR, before entering into force on January 1, 1993.

Interim agreements covering the trade and related questions of the Association agreements have also been signed; these do not require ratification by the Twelve parliaments and therefore became effective on March 1, 1992.

(More information on the Europe agreements in annex 2).

Negotiations for similar Europe Agreements with Bulgaria and Romania started in spring 1992.

\* Council for Mutual Economic Assistance, dissolved early 1991

\*\* Czech and Slovak Federal Republic

## 2. Assistance

- a. In order to improve market access, the Community decided in 1989 to grant GSP (generalized system of trade preferences) treatment to imports from Poland and Hungary; and to eliminate or suspend quantitative trade restrictions as of 1 January 1990, in all Member States except in Spain and Portugal. These measures were later extended to imports from Czechoslovakia, Bulgaria and Romania; Albania and the Baltic States began to benefit from this scheme in 1992.
- b. The Community's PHARE programme is aimed at supporting the process of economic restructuring and encouraging the changes necessary to build a market-oriented economy and to promote private enterprise. The support is mainly in the form of technical assistance and skills transfer. In addition humanitarian emergency aid has been made available to some countries. The high priority sectors include agriculture, industry, energy, financial services, privatisation, investment promotion, environment protection, and training. The Commission's PHARE budget was 500 MECU<sup>(1)</sup> in 1990; 785 MECU in 1991 and 1000 MECU for 1992. All Community PHARE funding is in the form of non-reimbursable grants to the beneficiary governments. PHARE assistance was initially intended for only Poland and Hungary but has since been extended to include the CSFR, Bulgaria, Romania and former Yugoslavia<sup>(2)</sup>. Albania and the Baltic States became eligible for PHARE assistance in January 1992, which brings the total number of beneficiaries to 10.
- c. Community loans targeted at helping the countries of Central and Eastern Europe overcome their balance of payment difficulties amount to 2090 MECU. The Community contribution is roughly equal to the sum of the contributions from the remaining G-24<sup>(3)</sup> contributors. (see point g. below)
- d. The Community's European Investment Bank (EIB) has extended its investment activities to Poland, Hungary, CSFR, Romania and Bulgaria. The Community guarantees these loans. For the period ending December 1992, the EIB has earmarked a total amount of 1,700 MECU for loans to these five countries.
- e. The European Coal and Steel Community (ECSC) is contributing to the restructuring of the steel and coal industries in Central and Eastern Europe via trade and cooperation agreements and by way of loans. It has earmarked a total of 200 MECU for loans to support the restructuring of the coal and steel sectors in Central and Eastern European countries.
- f. The European Bank for Reconstruction and Development (EBRD), under G-24 aegis, officially opened on 15th April 1991. The Community contributes to the capital of the EBRD, and holds a 51% share. It started its activities in September 1991. End 1991, it had approved projects for a total amount of 427 MECU and committed 13 MECU in the framework of the technical assistance.

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(1) MECU: one million ECU

(2) See chapter "Yugoslavia" page 13

(3) 24 industrialised market economy countries

- g. The Commission coordinates the assistance offered to the countries of Central and Eastern Europe by all 24 industrialised market economy countries, the G-24. Working groups have been set up amongst the G-24 representatives to deal with the coordination of financial and technical assistance in specific sectors.

### 3. Trade

- a. Both imports from and exports to the five Central and Eastern European countries (Poland, CSFR, Hungary, Romania, Bulgaria) increased considerably during the first nine months of 1991: 23 and 52% respectively. They represent 4,1% of EC exports and 3,3% of EC imports. The trade balance which used to be in favour of the Central and Eastern European countries is turning to the Community's advantage (about 1 billion ECU for the period January-September 1991). This marked change is mainly due to the doubling of Community exports to Poland.
- b. The Community's main imports from East European countries consisted in 1990 of: agricultural products including processed agricultural products: 17%; base metals and articles of base metals: 15% ; textiles and textile products: 14%; and mineral products: 11%.
- c. The Community's principal exports to East Europe in 1990 were machinery and electrical equipment: 32%; chemical products: 12%; textiles and textile products: 11%; and agricultural products, including processed products: 10%. More than half of these textile exports are reimported into the Community after undergoing processing in Central and East European Countries.

## II. SITUATION BY COUNTRY

### POLAND

#### 1. Agreements

- a. A five-year trade and economic cooperation agreement was signed on 19 September 1989. It entered into force on 1 December 1989. This non-preferential agreement which includes the clause of reciprocal MFN (Most Favoured Nation) treatment, foresees the gradual liberalization by 1994 of quantitative restrictions applied by the Community on imports originating from Poland. However, in the framework of PHARE, the Community decided to speed up the process and agreed to suspend non-specific and liberate all specific quantitative restrictions as of 1 January 1990 in all Member States except Spain and Portugal. Moreover, the agreement provides for cooperation aimed at the development and diversification of EC/Polish two-way trade.

The ECSC (European Coal and Steel Community) protocol relating to trade and cooperation in coal and steel products was signed in October 1991.

- b. The Europe Agreement between the Community and Poland was signed on 16 December 1991 and is in the process of ratification. In the meantime, the trade aspects have entered into force on March 1, 1992, by way of an Interim Agreement. The Europe Agreement will replace the trade and economic cooperation agreement of 1989.
- c. A Delegation from the Community was opened in Warsaw on 21 September 1990. The Head of Delegation is Mr Dijckmeester.

## 2. Assistance

- a. In the two years 1990 and 1991, some 27 projects representing a total amount of about 380 MECU from the Commission's PHARE programme was approved in favour of Poland. These projects which are mainly in support of the economic restructuring benefit i.a. the environment, agriculture, industrial, financial, social and health sectors, as well as the development of small and medium sized enterprises and human resources. On 3 June 1992, the Indicative Programme for European Community Assistance to the Republic of Poland for 1992 (PHARE 1992), involving 200 million ECU (1 ECU = appr. 17.000 Zlotys) in grants, was signed in Warsaw. Whereas in 1990 the priority sector was rapid assistance to agriculture (by supplying plant protection chemicals and animal feed), in 1991 privatisation and economic reform were the central areas. Economic reform is also a key area for attention in the 1992 programme, with special attention for the structural development in selected, less-developed regions. Environment has been a priority area in all three Indicative Programmes signed so far, having received approximately 13% of the resources which were available over the last three years. Poland also benefits from PHARE programmes destined for several Central European countries.
- b. So far, Poland received five EIB loans for a total value of 240 MECU. The beneficiary sectors include railways, telecommunications, energy and small and medium sized enterprises.
- c. In 1991, Poland benefited from EBRD loans for a total amount of 113 MECU. In June 1992, the EBRD launched an equity subscription of 40 MECU in the Polish Private Equity Fund, a company to be established to invest in small and medium sized private enterprises.
- d. Poland is entitled to ECSC loans in support of restructuring its coal and steel industries. So far it has received a 25 MECU loan.

## 3. Trade

- a. Trade between the Community and Poland has increased substantially over the last two years. Total imports into the Community from Poland have increased by 53% since 1988 to just over 5.1 billion ECU in 1990. Exports from the Community to Poland increased by 59% between 1988 and 1990 to 4.4 billion ECU. The 1990 balance of 763 MECU was in favour of Poland. In 1991 the Community became Poland's most important trade partner, buying about half of Poland's exports and supplying over one third of its imports. As a result, the 1,662 MECU trade balance turned in favour of the Community.

- b. In the period January-September 1991, the Community imported from Poland mainly base metals and articles thereof: 18%; agricultural products, including processed agricultural products: 16%; textiles and textile articles: 14%; and mineral products: 11%.

The largest exports from the Community to Poland were machinery and electrical equipment: 24%; transport equipment: 15%; agricultural products including processed agricultural products: 14%; and chemical products: 10%.

## H U N G A R Y

### 1. Agreements

- a. A ten-year trade and economic cooperation agreement was signed on 26 September 1988. It entered into force on 1 December 1988. This non-preferential agreement also included the clause of reciprocal MFN (Most Favoured Nation) treatment and foresees the gradual liberalization by 1994 of quantitative restrictions applied by the Community on imports originating from Hungary. The agreement provides for cooperation aimed at the development and diversification of EC/Hungarian two-way trade. The agreement includes an ECSC protocol relating to trade and cooperation in coal and steel products which was signed in October 1991.
- b. The Europe Agreement between the Community and Hungary was signed on 16 December 1991 and is in the process of ratification. In the meantime, the trade aspects have entered into force on 1 March 1992 by way of an Interim Agreement. The Europe Agreement will replace the trade and economic cooperation agreement of 1988.
- c. The Community opened a Delegation in Budapest in November 1990. The Head of Delegation is Mr. Beck.

### 2. Assistance

- a. Hungary has benefited from the Community's PHARE programme which was launched in 1989. Up to end 1991 PHARE projects for a total amount of 240 MECU were approved in support of actions in the areas of agriculture, environment, economic restructuring, human resources as well as social and financial sectors and small and medium sized enterprise development. The 1992 programme has an indicative budget of 100 MECU. In addition Hungary benefits from the PHARE projects destined for several Central European countries.
- b. In order to help Hungary overcome its balance of payments difficulties, the Community has granted in 1990 and 1991 two loans with a total value of 1,050 MECU.
- c. Since 1990, Hungary has also had access to loans from the European Investment Bank which are guaranteed by the European Community. The total value of the three loans approved by the EIB is 235 MECU and the money has been targeted at projects in telecommunications, energy and SMEs.

- d. In 1991, Hungary benefited from EBRD interventions (loans or equities) for a total amount of 98 MECU.
- e. Hungary has access to ECSC loans in support of restructuring its coal and steel sectors. An amount of 55 MECU has been earmarked to be shared between Hungary and Poland.

### 3. Trade

- a. Total imports into the Community from Hungary have increased annually by 12% since 1986 to just over 2.9 billion ECU in 1990. Exports from the Community to Hungary have increased annually by 4% since 1986 to just under 2.9 billion ECU in 1990. However EC exports to Hungary were decreasing in 1990 (-4%). The balance of trade at the end of 1990 was 59 MECU in favour of Hungary. The Community became Hungary's most important trade partner in 1991, buying almost half of Hungary's exports and supplying over one third of its imports. End 1991, the balance of trade was 140 MECU in favour of Hungary.
- b. The Community's main imports from Hungary in the period January-September 1991 consisted of agricultural products, including processed goods: 24%; textiles and textile articles: 16%; machinery and electrical equipment: 15%.

The largest exports from the Community to Hungary were machinery and electrical equipment: 28%; chemical products: 13%; and textiles and textile articles: 13%. Almost 60% of these textile exports will be reimported following processing in Hungary.

## CZECH AND SLOVAK FEDERAL REPUBLIC (CSFR)

1. Agreements
  - a. An agreement between the CSFR and the Community on the trade of industrial products was signed on 19 December 1988.
  - b. A ten-year trade and economic cooperation agreement was signed on 7 May 1990. It came into effect on 1 November 1990. This non-preferential agreement also included the clause of reciprocal MFN (most favoured nation) treatment. It foresees the gradual liberalization by 1994 of quantitative restrictions applied by the Community on imports originating from the CSFR. The agreement provides for cooperation aimed at the development and diversification of EC/CSFR two-way trade. It covers industrial and agricultural goods. Trade in coal and steel products is governed by a ECSC protocol signed in February 1992.
  - c. The Europe Agreement with the CSFR was signed on 16 December 1991 and is in the process of ratification. In the meantime, the trade aspects have entered into force on 1 March 1992 by way of an Interim Agreement. The Europe Agreement will replace the trade and economic cooperation agreement of 1990.
  - d. A Commission Delegation has been opened in Prague. The Head of Delegation is Mr. Giunti.



## 2. Assistance

- a. From September 1990, when the CSFR became eligible for PHARE funding by the Community, up to November 1991, some 10 PHARE projects for a total value of 133 MECU were approved for the CSFR. Priority areas include environment, training, energy, restructuring and the privatisation of state owned properties and development of SMEs as well as human resources development. In addition, Czechoslovakia benefits from the PHARE projects destined for several Central European countries. For 1992, the likely financial requirements total 96 MECU.
- b. The Community extended in May 1991 a 375 MECU medium term loan in order to help support the CSFR's balance of payments.
- c. The Community has agreed to extend its guarantee of EIB loans in Central and Eastern Europe to the CSFR, Bulgaria and Romania. The credit line for these three countries is 700 MECU over a 2 year period (1991-1992).
- d. In 1991, the CSFR benefited from EBRD interventions (equities) for a total amount of 31 MECU.
- e. Czechoslovakia is also eligible for ECSC loans in support of its coal and steel industries.

## 3. Trade

- a. Total imports into the Community from the CSFR have increased by 22% since 1988 to almost 2.7 billion ECU in 1990. Total exports from the Community to the CSFR have increased by 17% since 1988 to just slightly over 2.6 billion ECU in 1990. The balance of trade at the end of 1990 was 81 MECU in favour of Czechoslovakia. The Community became Czechoslovakia's most important trade partner, with in 1991, buying over 40% of its exports and supplying about one third of its imports. The 245 MECU balance remains in Czechoslovakia's favour.
- b. The Community's most important imports from the CSFR in the period January-September 1991 were base metals and articles of base metals: 15%; textiles and textile articles: 12%; machinery and electrical equipment: 11%; and transport equipment: 10%.

The largest exports from the Community to the CSFR were machinery and electrical equipment: 37%; transport equipment: 11%; and chemical products: 10%.

BULGARIA1. Agreements

- a. The ten-year trade and economic cooperation agreement between the Community and Bulgaria was signed on 24 September 1990 and came into force on 1 November 1990. The first meeting of the Joint Committee was held in Sofia on 30 November 1990.

A ECSC protocol on trade and cooperation in coal and steel products is in preparation.

- b. Since 1 January 1991, the Community extended its GSP (Generalised System of Trade Preferences) to imports from Bulgaria, and eliminated or suspended the quantitative restrictions it applied on imports from Bulgaria.
- c. Negotiations with Bulgaria with a view to concluding a Europe Agreement started on 14 May 1992.
- d. A Commission Delegation was opened in Sofia in June 1992. The Head of Delegation is Mr. O'Sullivan.

2. Assistance

- a. In September 1990, the Community's PHARE programme was extended to Bulgaria. Up to November 1991 some 11 PHARE projects for a total amount of 100 MECU were approved in agriculture, environment, health, energy, economic restructuring, and human resources development. Total allocations of PHARE funds to Bulgaria in 1992 Indicative Programme is foreseen to be 90 MECU. In addition Bulgaria benefits from the PHARE projects destined for several Central European countries. Bulgaria also received together with Romania part of 100 MECU humanitarian aid programme in the form of emergency food and medical aid.
- b. The Community decided in June 1991 to extend a 290 MECU loan to Bulgaria in support of its balance of payments, as part of a coordinated effort within the G-24. A first instalment of 150 MECU was disbursed in July 1991; a second instalment is expected to be paid soon. On 5 June 1992 the Commission proposed to the Council a decision on additional financial assistance for Bulgaria (110 MECU medium-term loan).
- c. The Community has extended its guarantee of EIB loans in Central and Eastern Europe to include Bulgaria. The credit line for Bulgaria, Romania and Czechoslovakia together is 700 MECU over the two years 1991-1992.
- d. Bulgaria is also eligible for loans from the European Coal and Steel Community (ECSC) in support of its coal and steel industries.

### 3. Trade

- a. Total Imports into the Community from Bulgaria have increased by 26% since 1988 to almost 0.6 billion ECU in 1990. Total exports from the Community to Bulgaria have decreased by 35% since 1988 to 0.9 billion ECU in 1990. The balance of trade at the end of 1990 was 317 MECU in favour of the EC. In 1991, EC imports from Bulgaria increased significantly by 29%, while our exports grew 15%, thus further diminishing the EC trade surplus to 281 MECU.
- b. The largest imports into the Community from Bulgaria in the period January-September 1991 were: agricultural products including those already processed 25%; textiles and textile articles: 15%; and base metals and products of base metals: 13%.

The largest exports from the Community to Bulgaria were machinery and electrical equipment: 26%; transport equipment: 17%; and agricultural products, including those already processed: 16%.

- c. The Council authorised the European Commission in early October to negotiate with Bulgaria the amending of the textile agreements in force. The EC is willing to increase up to 8% the quota allotted to Bulgaria, for products covered by the Multifibre Arrangement.

## ROMANIA

### 1. Agreements

- a. Since 1974 Romania has benefited from GSP treatment and in 1980 an agreement was signed concerning trade of industrial products. This 1980 agreement was to have been replaced by an agreement of greater scope. However negotiations on this were suspended in April 1989.
- b. Community relations with Romania were reactivated after the revolution of December 1990 and a trade and economic cooperation agreement was concluded on 5 March 1991, and entered into force on 1 May 1991.

An ECSC protocol relating to trade and cooperation in coal and steel products was initialled in December 1991.

- c. Negotiations with Romania with a view to concluding a Europe Agreement started in spring 1992.
- d. The Council authorized the European Commission in October 1991 to negotiate with Romania the amending of the textile agreements already in force, offering an increase in the import quota for products covered by the Multifibre Arrangement.

### 2. Assistance

- a. The Community's PHARE programme was extended to Romania in September 1990 but was suspended until January 1991 for political

reasons. Until November 1991, 6 PHARE projects for a total amount of 100 MECU were approved, providing assistance in the area of general technical assistance and human resources as well as some sectoral programmes concerning imports and healthcare. On 31 January 1992 a 1992 Indicative Programme of 130 MECU for PHARE assistance to Romania was signed. Romania also benefits from the PHARE projects destined for several Central European countries.

- b. Before its full inclusion in the PHARE programme, Romania received 60 MECU worth of humanitarian and emergency aid in 1990. Of this, 11 MECU was for medical aid, 41 MECU for agriculture and 7 MECU for orphanages and Romanian children.

The European Council of 14 and 15 December 1990 decided on new emergency aid equalling 100 MECU to be shared by Romania and Bulgaria. 80 MECU of this is allocated to food aid and 20 MECU supplied by PHARE to medical aid.

- c. In order to help Romania overcome its balance of payments difficulties the Community and Romania signed in November 1991 an agreement for a 375 MECU loan. A first instalment of 190 MECU has been disbursed. On 5 June 1992 the Commission proposed the Council to decide on an additional financial assistance for Romania (medium-term loan of 80 MECU).
- d. The Community has extended its guarantee of EIB loans in Central and Eastern Europe to Romania. So far a loan of 25 MECU has been approved in favour of the electricity company.
- e. In 1991, Romania benefited from EBRD loans for a total amount of 165 MECU.
- f. Romania can also obtain ECSC loans in support of its coal and steel sectors.

### 3. Trade

- a. Total imports into the Community from Romania have decreased by 29% since 1988 to 1.4 billion ECU in 1991. Exports from the Community to Romania have almost doubled to 1.3 billion ECU in 1991. The trade balance in 1991 was 137 MECU in favour of Romania.
- b. The largest imports into the Community from Romania in the period January-September 1991 were: textiles and textile articles: 25%; mineral products: 19%; base metals and articles of base metals: 9%.

The largest exports from the Community to Romania were: machinery and electrical equipment: 21%; agricultural products including processed products: 20%; and textiles and textile articles: 16%. Almost 80% of these textile exports will be re-imported into the Community following processing in Romania.

## ALBANIA

### 1. Agreements

- a. In February 1991, the Commission received official requests from Albania for the establishment of diplomatic relations, the negotiation of a trade and cooperation agreement, and for food aid.
- b. Multiparty elections took place for the first time in Albania on March 31 1991 with some EC Member States sending observers. This led to official relations being established between the EC and Albania; the Albanian Deputy Prime Minister on June 24 visited the Commission.
- c. On 20 June 1991, Albania was welcomed as the 35th member of the CSCE (Conference for Security and Cooperation in Europe).
- d. In October the Council authorized the Commission to negotiate a trade and cooperation agreement with Albania, which was signed on 11.5.1992.

### 2. Assistance

- a. EC emergency aid to Albania in 1991 totaled 19 MECU comprising humanitarian and medical assistance (1.5 MECU), food aid (15 MECU), emergency relief (1 MECU), and aid to refugees in Greece and Italy (1.5 MECU). In June 1992 the Council decided on additional food aid for 45 MECU.
- b. The G-24 countries decided in September to extend their coordination assistance to Albania, which from January 1992 is also eligible for PHARE aid. From the 1991 PHARE budget it received already 24 MECU.
- c. On October 29 Albania became a member of the EBRD (European Bank for Reconstruction and Development). Until end 1991, it already benefited from EBRD's intervention in bank restructuring techniques.

### 3. Trade

- a. In 1990 the Community imported 80.7 MECU worth of goods from Albania and total exports to that country amounted to 117.8 MECU. In 1991 these figures were 35 MECU (imports) and 78 MECU (exports).
- b. On March 11, 1991 the Commission approved the liberalization of several Albanian imports from Italy, (chemicals, leather and fur, glass products...) with immediate effect.
- c. 1 January 1992 the EC removed all quotas on imports from Albania, except for textiles and some agricultural goods.
- d. The Council decided on 3.2.1992 to include Albania in the generalized system of preferences.

- e. The largest imports into the Community from Albania in 1990 were chrome, nickel, medicinal plants and refined oil. The principal Community export products to Albania were food products, oils (such as sunflower), tobacco, thin iron sheets and carded cotton.

## THE BALTIC STATES

### 1. Agreements

- a. In September 1991 the European Community announced its intention to negotiate trade and cooperation agreements with Estonia, Latvia and Lithuania.
- b. Directives were for trade and cooperation agreements between the EC and each of the Baltic States approved by the EC Council of Ministers in November 1991. The three agreements were signed in Brussels on 11 May 1992. They are regarded as "first generation" agreements, given the present situation in the Baltic States, but with the possibility of replacing them later with European (association) agreements. The agreement with Lithuania (the only Baltic State with nuclear facilities) also covers relations with EURATOM.

During a visit by EP members in early November 1991, Lithuanian President Landsbergis stated he considered a form of association with the EC to be the logical course to industrial reorganisation and diversification of trade.

- c. The Community's delegation in Stockholm was also accredited to Estonia and Latvia at end April and will be accredited to Lithuania in due course.

### 2. Assistance

- a. The Council decided in early October that the three Baltic States would remain beneficiaries of the Programme of technical assistance to the USSR until end 1991, with 15 MECU reserved for them. Latvia, Estonia and Lithuania have become beneficiaries of the PHARE programme from January 1992. PHARE assistance for these countries amounts to 45 MECU in 1992.
- b. Possibilities of balance of payment assistance will be examined in connection with international financial institutions. The EC is already supporting membership of the three Baltic States in the IMF and the World Bank in the near future.
- c. Food aid to the value of 45 MECU commenced on 4 February 1992 with several deliveries to Estonia.

### 3. Trade

- a. Since January 1992, the Baltic republics are among the beneficiaries of the Community generalised system of preferences.

- b. In mid-October 1991, six weeks after Independence, Lithuania, Latvia and Estonia declared their intention to create a Baltic States Common Market at the earliest opportunity. They have agreed on the creation of a free trade zone with no customs duties, the eventual objective being no controls on goods at their frontiers. The three countries intend to establish their own currencies and Estonia expects to do so very shortly.
- c. The Baltic States, which are seeking a certain division of labour among them, also signed in October a "charter of Development Strategy". A more specific division will be difficult due to the transition from a centralized economy to a market economy. At present, the Baltics export over 60% of their net production to the C.I.S. republics and depend on the former USSR for energy supplies, raw materials and spare parts.

## YUGOSLAVIA

### 1. Agreements - Recognition of Independent republics

Official EC relations with Yugoslavia began with the signature of a non-preferential agreement in 1970, followed by an updated agreement in 1973, later completed by an additional clause covering progressive cooperation in the development field. Following this strengthening of ties, a cooperation agreement was concluded in 1980 for an indefinite period. This agreement which grants preferential treatment for trade, includes detailed clauses on economic, technical, financial and social cooperation. A Commission Delegation was opened in Belgrade at the end of 1980. The Head of Delegation is Mr. Janssens.

In view of the present civil war in Yugoslavia the EC Council of Ministers decided on November 11, 1991 to suspend and denounce the application of the agreement with Yugoslavia; assistance under the PHARE programme has also been blocked. On December 2 the Ministers agreed that trade preferences equivalent to those in the suspended agreement, and PHARE assistance, would be made available to the 4 Yugoslav republics of Bosnia-Herzegovina, Macedonia, Slovenia and Croatia.

The Community now applies full economic sanctions against Serbia and Montenegro in line with the UN Security Council Resolution 757.

2. Assistance

EC loan finance has been made available under a protocol to the cooperation agreement, and Yugoslavia became eligible for economic assistance in autumn 1991, receiving PHARE grants totalling 35 MECU that year to support the restructuring of enterprises and the financial sector. In 1991 political developments have made it impossible to continue cooperation under the PHARE programme, no grants have therefore been made since then. Between September 1991 and June 1992, the EC has granted the republics of former Yugoslavia (with the exception of Serbia and Montenegro) an emergency aid of .49 MECU, of which 29 MECU have already been spent.

3. Trade

During the last 5 years, EC-Yugoslavia trade has been expanding continuously. EC imports rose from 4.9 billion ECU in 1986 to 7.7 billion in 1990 (+ 57%), of which manufactured goods represented 57%, machinery and transportation equipment 21%, foodstuffs and tobacco 6%. EC exports increased from 5.8 billion ECU in 1986 to 8.5 billion in 1990 (+ 45%), of which manufactured goods represented 39%, machinery and transportation equipment 35% and chemical products 13%. For the first 9 months of 1991, imports reached 5.8 billion ECU (+ 1.5% as compared to the first 9 months of 1990), and exports amounted to 5.3 billion ECU (- 12%).

SLOVENIA

Slovenia was recognized on January 15, 1992. Early March 1992 the Commission started talks on an agreement, similar to the cooperation agreement EC/Yugoslavia of 1981, with a possible clause to come to an Europe Agreement, as Slovenia asked for. At the end of May negotiation directives were proposed to the Council. If the Commission receives a mandate negotiations could lead to initialling an agreement before August 92. That agreement could come into force by 1.1.1993.

CROATIA

Croatia was recognized as an independent republic on January 15, 1992. After a meeting between EC President Delors and the Croatian President Tudjman on 6 May 1992 the Commission planned to send an exploratory mission to Zagreb, but has postponed it because of the Croatian military involvement in Bosnia.



## BOSNIA - HERZEGOVINA

Bosnia-Herzegovina was recognized on 7.4.1992. President Delors has written to Bosnian President Izetbegovic about the Commission's willingness to strengthen relations, and invited a government representative to discuss the establishment of contractual relations.

## MACEDONIA

The recognition of Macedonia is still under discussion. The EC has accepted the principle of recognizing the republic, but first wants to solve the denomination problem.

## COMMONWEALTH OF INDEPENDENT STATES (former USSR)

### 1. Agreements

A ten-year trade<sup>1</sup> and economic cooperation agreement was signed in December 1989. Economic cooperation aimed at strengthening and diversifying economic ties between the two sides and encouraging economic operators, promoting investment and encouraging joint ventures, licensing agreements and other forms of industrial cooperation. The areas of economic cooperation included mining, agriculture, environmental protection, energy and the service industries (banking, insurance, transport, etc.). EURATOM was a party to this agreement, given the EC's close interest in matters relating to nuclear research and safety in the USSR.

At the end of 1990 the EC and the USSR had planned to renegotiate and broaden the agreement, but these talks could not begin due to the events in 1991, which resulted in the disintegration of the USSR as such, and its replacement in December 1991 by a Commonwealth of Independent States (C.I.S), formed by eleven former Republics of the Union, with the exception of Georgia. This wholly new situation has incited the Commission to envisage a new type of agreement, somewhere in between the normal trade and economic cooperation agreement and the Association or Europe agreements signed with Poland, Hungary and CSFR.

The Commission plans to submit to the Council in July directives with a view to negotiating new agreements with the 12 states. The Council should decide in the autumn so that negotiations can begin soon afterwards.

### 2. Assistance

The EC agreed in principle in late 1990 to provide assistance to the USSR, although at various stages during 1991 part of this was blocked as a consequence of political uncertainties there.

Food aid to a value of 250 MECU was approved in March 1991. Deliveries began in June and have been largely completed; the food is for the most deprived sectors of the Soviet population, and internal distribution is mainly in hands of non-governmental organisations. A further 200 MECU of food aid was decided in December 1991 by the Maastricht European Council for urgent delivery to Moscow and St. Petersburg. But food aid should not become a systematic feature of the Community's support for the independent states. It should be replaced, to the greatest extent possible, by commercial operations to reestablish trade flows and to strengthen the market mechanism. In addition the EC has provided a guarantee of a loan of 500 MECU taken by a Soviet bank from a consortium of EC banks, and approved an EC loan of 1,250 MECU. The money made available will be used to buy food supplies and medical products from the Community and the countries of Central and Eastern Europe, including the Baltics. The total amounts thus to 2,000 MECU, as the EC contribution to a total food and medical aid package of around 6,000 MECU from the G-7 group of industrialised countries.

The Community also provided 400 MECU for technical assistance under the 1991 EC Technical Assistance Programme, mainly in the fields of training, transport, food distribution, energy and financial services. A technical assistance budget of 450 MECU is provided for 1992. Building on the five priority areas identified under the 1991 programme, the Commission aims to provide assistance under the 1992 programme in several additional fields, namely food production, telecommunications and the conversion of defence-related industries.

During 1991, the USSR benefited from EBRD interventions for a total amount of 20,7 MECU, of which 14 MECU in loans and 6,7 MECU in the framework of technical assistance. The EBRD approved on 27 May 1992 a strategy for the Bank's operations in the Russian Federation. The strategy places priority in the areas of privatization and enterprise promotion, military conversion, financial sector development, energy, nuclear safety, agriculture and agro-business. The total commitment of the Bank in the framework of technical assistance was 17 MECU by the end of March 1992. On 29 May 1992 the Board of Directors has recommended to the Bank's Governors that they approve Georgia's participation in the Bank. All other countries previously forming the USSR were accepted in early 1992.

Coordination of aid for the newly independent states: the Portuguese Presidency hosted the Lisbon conference in May 1992, follow-up of the January Washington conference, where the Community, as by far the largest donor, played an important part. The Commission coordinated the preparatory work in the five substantive areas: food, shelter, medicines, energy and technical assistance.

In its conclusions, the Presidency gave the guidelines for aid in the future, underscoring following aspects: the need for the new States to develop their capacity to meet their food requirements (while recognising that humanitarian aid is still needed); the key role of technical assistance; the usefulness of triangular operations (notably with Central and Eastern European countries); the priority nature of nuclear safety; and specific cooperation with the EC.

It should be recalled that on 2 March the EC Council of Ministers confirmed its will to contribute to the political, economic and social stability of the republics, and its support for prompt membership of the republics which have applied to the Bretton Woods monetary institutions. It requested the Ecofin Council to examine the possibilities of a more flexible application of the conditions of the mid-term loan of 1,250 MECU to the republics, confirmed the Community's participation in the International Centre for Science and Technology, aimed at slowing the nuclear "brain drain", on the basis of an appropriate financial contribution, to be proposed soon by the Commission.

### 3. Trade

In 1991, EC Imports from the Soviet Union reached 18.5 billion ECU. The main items were: energy products (8.7 billion), manufactured goods (2.4 billion), mineral products (1.27 billion), and chemical products (0.75 billion); EC exports to the Soviet Union reached 14.4 billion ECU, resulting in a deficit of 4 billion ECU for the Community. The main items were machinery and transportation equipment (7 billion), manufactured goods (2.7 billion), foodstuffs (1.9 billion), and chemical products (1.4 billion).

USSR exports to EC increased by 14.3% in 1991, because of Germany's reunification. Excluding the corresponding flow to East-Germany, USSR exports decreased by 7%. The main industrial products imported in EC from former USSR are petroleum, gas, wood, gold, diamonds, aluminium, nickel, cars, cotton, copper, etc.

4. The Community opened a Delegation in Moscow in 1991; the Head of Delegation is Mr. Emerson. The possibility of establishing a Delegation in the capitals of certain other states is being actively examined.

### TRADE AND COOPERATION AGREEMENTS

The acceptance in 1986 by the USSR and the Central and East European countries that they all could deal bilaterally with the EC opened the way for the Community to negotiate general agreements with these countries. Before then, only sectoral trade arrangements existed with some of them. An exception was Romania, which concluded a trade agreement with the EEC in 1980. Mutual recognition between the European Community and the Council for Mutual Economic Assistance - CMEA (COMECON) was formalised in June 1988 with the signing of the EC-CMEA Joint Declaration.

Within the two years following this Joint Declaration, the EC concluded bilateral agreements for trade, commercial and economic cooperation with Hungary, Poland, the Czech and Slovak Republic, the USSR, Bulgaria and Romania.

Trade and commercial and economic cooperation agreements aim at a substantial and harmonious development and diversification of trade and at the promotion of commercial and economic cooperation in areas of mutual interest. They are based on principles of equality, non-discrimination and reciprocity. They are specific for each country and include:

- trade provisions aiming at promoting mutual trade, including most-favoured nation treatment, mutual trade concessions, the lifting of the Community's specific quantitative restrictions on imports from the partner countries and provisions for possible further trade liberalisation;
- commercial cooperation provisions concerning exchanges of commercial and economic information, contacts between business and professional associations, cooperation between customs departments and the promotion of investment;
- economic cooperation in areas of industry, mining, agriculture, energy, research, environment, financial services, training, standards, statistics, and other matters of common interest;
- the establishment of a joint committee as a forum for regular consultation.

These agreements thus allow for normal development of the commercial and economic relations between the European Community and the Central and Eastern European countries.

Negotiations for similar agreements with Albania and with the three Baltic countries are to begin shortly.

EUROPEAN AGREEMENTS WITH CZECHOSLOVAKIA, HUNGARY and POLAND<sup>(1)</sup>

These are joint agreements which have an indefinite period of validity and cover Community and national spheres of competence. For the first time, in addition to the aspects concerning commercial and economic cooperation, the political dialogue dimension and a cultural cooperation component are taken into account. The agreements also provide for the setting-up, at a later stage, of a free trade area. They are geared to the possibility of these three countries' future membership of the Community. In the preamble to the agreements, the parties recognize that the ultimate objective of the associated countries is to become members of the Community, and association should help them attain this objective.

The agreements have an identical structure for all three countries and the main aspects are listed below.

Political dialogue. It introduces and institutionalizes regular meetings at the highest political level on all topics of common interest and is aimed at achieving convergence in the parties' positions on foreign policy matters.

General principles. The transitional period is ten years broken down into two stages of five years each. The breakdown into two stages does not apply, however, to the trade component of the agreement (free movement of goods). Reference is also made to the process of establishing a market economy in the associated countries.

Free movement of goods. The agreements are preferential and aimed at establishing free trade arrangements between the Community and Czechoslovakia, Hungary and Poland. The concessions granted for liberalizing trade in industrial products are reciprocal but weighted in favour of the three countries, which generally have a longer period than the Community for liberalizing their markets.

Certain sensitive products form the subject of special protocols, in particular textiles and ECSC products. Textile products will be liberalized by the Community in accordance with a special timetable which is nevertheless in line with this general dismantling of industrial tariffs. Similarly, reciprocal concessions are made for processed agricultural products, agriculture and fisheries. The rules on origin and customs cooperation are also dealt with in separate protocols. There are special safeguard clauses for the three countries (balance of payments and infant industries).

Movement of workers, establishment and services. With regard to workers, the Agreements are aimed primarily at improving the situation of workers legally established in the Community. With regard to the right of establishment, the agreements provide for full application of national treatment for the establishment and operations of all firms and all professions throughout the Community and Czechoslovakia.

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(1) Similar agreements are currently being negotiated with Bulgaria and Romania.

Hungary and Poland. National treatment will be granted by the Community as soon as the agreements enter into force and there will be transitional periods for the application of this principle by the three countries. National treatment will also apply fully to public procurement.

Payments and capital, competition, approximation of legislation. Freedom of financial transfers arising from commercial transactions, the provision of services, investment operations, repatriation of capital invested and the gains from this capital, and also from the movement of persons, is guaranteed.

Rules on competition based on the Community's rules are to be applied. The three associated countries will endeavour to adapt their legislation to Community legislation.

Progressive approximation of legislation is one of the prerequisites for the successful economic integration of the associated countries into the Community.

Economic cooperation covers all the sectors in which the Community and the associated countries have a mutual interest (industrial cooperation, investment promotion and protection, standards, scientific and technological cooperation, training and education, cooperation on social affairs, regional development, small and medium-sized enterprises, statistical cooperation, money laundering, drugs, environment, transport, telecommunications, etc.). One of the objectives of economic cooperation is to enable the three associated countries to meet the challenge of restructuring their economies and making them competitive by the end of the transitional period.

Promotion of cultural cooperation.

Financial cooperation. The associated countries will be able to receive grants (under PHARE until the end of 1992, and under PHARE or a new multiannual framework after that) and loans from the European Investment Bank. In certain circumstances, the Community may be able to examine the possibility of granting macroeconomic financial assistance.

The final provisions provide for an association council, which will meet at ministerial level at least once a year. It will ensure that the agreement is implemented and may in certain spheres take decisions binding the parties. An association parliamentary committee, which has an advisory role, has also been set up.

Before they can be concluded, the European agreements will have to be ratified by the parliaments of the three associated countries and of the Member States and obtain the assent of the European Parliament in accordance with Article 238 of the EEC Treaty. Interim agreements relating only to those parts of the agreements which come solely under the Community's powers and require a shorter procedure, have come into effect on 1 March 1992.

# COMMISSION OF THE EUROPEAN COMMUNITIES

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FIRST ANNUAL REPORT FROM THE COMMISSION  
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

ON

THE IMPLEMENTATION OF ECONOMIC AID TO  
THE COUNTRIES OF EAST AND CENTRAL EUROPE  
AS OF 31 DECEMBER 1990





FIRST ANNUAL REPORT ON THE IMPLEMENTATION OF ECONOMIC AID TO EAST AND  
CENTRAL EUROPE

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PREAMBLE

The initial decisions on the nature of European Community assistance to East and Central Europe, starting with Poland and Hungary, took shape during Autumn 1989 following the summit of G 7 industrialised countries in Paris in July 1989. In addition to assuming responsibility for coordinating aid from the group of 24 bilateral donors, the Commission also made plans for a programme of Community assistance to support the process of economic and political reform in Poland and Hungary. These included action to increase access to Western markets (notably through the cooperation agreements), to improve food security particularly through food aid, and to support investment in economic infrastructure notably through loan instruments such as the ECSC facility and the EIB. A central aspect of what has become known as the PHARE programme (Poland and Hungary Action for Restructuring the Economy) has of course been E.C. grant aid in the form of financial and technical assistance, based on Council Regulation 3906/89 of 18.12.89, later amended by Regulation 2698/90 of 17.9.90.

The present report has been drawn up in accordance with Article 10 of Regulation 3906/89 and reports on measures covered by that Regulation.

The first section of this report sets out the legal, financial and policy context within which the first set of EC aid measures were to be developed. The second section describes the process of decision making and implementation of aid measures. A third section explains how these were coordinated with the action of certain other donors. The fourth section concerns humanitarian aid, a legal basis for which was created by the amending Regulation 2698/90 in September 1990. There follows a section on Commission organisation in respect of PHARE aid.

I - GENERAL CONTEXT FOR EC AID IN 1990

1.1 LEGAL BASIS

Council Regulation 3906/89 concerning economic aid to Poland and Hungary<sup>(1)</sup> was negotiated at great speed and adopted on December 18th, 1989. It constitutes the legal basis for decision making procedures, providing for a management committee mechanism and tendering provisions which are broadly similar to other forms of EC external aid. Its policy focus is in contrast specific, assistance for economic restructuring being the general aim, and promotion of the private sector being an issue for particular attention. Within that framework, measures are suggested in a range of sectors in particular in agriculture, industry, investment, energy, training, environment protection, trade and services.

The Regulation was also highly specific in its financial coverage, referring exclusively to the 1990 budget of 300 million ECU for Poland and Hungary which had just been agreed by the Budgetary Authority. These specific references were later modified by the amending Regulation 2698/90 of September 17th, 1990<sup>(1)</sup> which omitted specific reference to a budget or time scale and placed in an annex the list of recipient countries, extended to include Bulgaria, Czechoslovakia, the GDR, Romania and Yugoslavia. The Regulation thus became a general legal framework with unlimited duration. By including the possibility of financing humanitarian aid in the amended article 3 (1) the Regulation also broadened the focus of Community aid, introducing a form of aid which would not be subject to a management committee opinion though it would not exceed 5% of the total budget as was stipulated at the time by the Council and the Commission.

1.2 FINANCIAL FRAMEWORK

The Commission's initial budget proposal of 200 MECU for economic aid to Poland and Hungary put forward in a letter of amendment to the preliminary draft budget for the 1990 financial year was raised definitively by the Budget Authority to 300 MECU. The fact that the budget was provided in the form of non-dissociated appropriations, requiring full commitment by the end of 1990 and full disbursement by the end of 1991, proved to be a very particular constraint, imposing a very short lead-in time before decisions and commitment and making multi-annual development programmes impossible. This inevitably had a profound impact on the process of aid programming and project identification at least during the first half of 1990.

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(1) Attached in Annex I

When the initial budget of 300 MECU was raised in July 1990 to 500 MECU to provide for the extension of assistance to other countries of East and Central Europe, the Budget Authority modified the status of the budget and register it in the form of dissociated appropriations with 500 MECU for commitment (and 350 MECU for payment) in 1990. This served to remove the obstacle to multi-annual programming though it maintained the end-of-year deadline for commitments. This constraint continues to mark out the PHARE aid operation from other Community external aid instruments which are based on contractual obligations and thus obligatory expenditure.

### 1.3 POLICY ORIENTATIONS

Discussions in a G24 framework during autumn 1989 had already pointed the way for the policy focus for economic aid specified in Regulation 3906/89 (see above). The general guidelines for aid drawn up in accordance with Article 8 of the Regulation, which built further on this policy focus, were submitted to the management committee for opinion in February and later finalised by the Commission in May (Annex 2). The general guidelines served to give further elaboration to sectoral policy priorities in anticipation of the programming dialogue with the national authorities of the recipient countries. They served also to give an indicative breakdown of aid between sectors and countries confirming an allocation of funds on the basis of a 2:1 ratio between Poland and Hungary. The guidelines were complemented later in autumn 1990 with indications concerning the newly eligible countries.

### 1.4 AID PROGRAMMING

The programming discussions with the Polish and Hungarian authorities were designed to take further the debate relating it to national priorities and to identify a number of feasible sectoral programmes, taking account of the current state of play as regards the reform and adjustment measures to establish a market economy.

The aim was to establish an agreed framework programme with the national authorities in each country in order to structure project identification and appraisal work thereafter. The programmes were, by definition, indicative in character. Flexible programming was necessary since neither Poland nor Hungary had had any experience as an aid recipient. They had, for instance, difficulties in distinguishing between tied and untied aid, between the programme and project approach, between loan and grant finance. The national authorities did not have much time to work out their own medium term objectives and sectoral adjustment policies let alone the appropriate institutional structures.

In accordance with its general approach to external aid and in accordance with the wishes of the recipient countries, the Commission sought to develop the prerogatives of the national authorities in setting policy and aid priorities. Working nevertheless under exceptional budget constraints (referred to in 1.2 above) it was obliged to limit the programming dialogue and fix on a limited number of sectoral programmes that could be mounted relatively quickly and achieve total disbursement within 18 months.

1.4.1 The indicative programme for Poland agreed on 15.2.90 with Professor Trzeciakowski, the Minister responsible for aid coordination, can be summarised as follows:

|   | MECU       |
|---|------------|
| a) Agriculture                                | <u>100</u> |
| of which - supply of crop protection products | 50         |
| - supply of animal feed components            | 20         |
| - sectoral credit and support scheme          | 30         |
| b) Environment                                | <u>22</u>  |
| c) Industrial Restructuring                   | <u>47</u>  |
| of which - foreign trade infrastructure       | 10         |
| - privatisation agency                        | 9          |
| - rural telecommunications                    | 5          |
| - sectoral import/SME scheme                  | 23         |
| d) Human Resources                            | <u>18</u>  |
| of which - TEMPUS                             | 13         |
| - European Training Foundation                | 4          |
| - ACE   | 1          |
| e) Other technical assistance                 | <u>12</u>  |

1.4.2 The indicative programme for Hungary, agreed on 7.3.90 with Vice Minister Fazakas and the Interministerial Committee for external aid, can be summarised as follows:

|   |           |
|---|-----------|
| a) Economic Restructuring                         | <u>33</u> |
| of which - foreign trade infrastructure (customs) | 8         |
| - privatisation                                   | 4         |
| - SME sector support                              | 21        |
| b) Environment                                    | <u>27</u> |
| of which - national sector programme              | 25        |
| - regional centre                                 | 2         |
| c) Human Resources                                | <u>9</u>  |
| of which - TEMPUS                                 | 7         |
| - European Training Foundation                    | 2         |
| d) Agriculture (sector support scheme)            | <u>20</u> |
| e) Other technical assistance (including ACE)     | <u>11</u> |

- 1.4.3 Apart from the strong emphasis on agriculture supply programmes in Poland there were many similarities between the two indicative programmes. As regards privatisation for instance, both countries were in the process of setting up the legislative and institutional framework for the privatisation of state enterprise and both required substantial support in the form of technical assistance. Environment occupied a strong place in both programmes, not least because identification and appraisal missions had been organised early on at the beginning of 1990 through the G24 network setting the basis for sectoral programmes with rapid disbursement potential. As regards human resources, the emphasis was on its TEMPUS scheme and the European Training Foundation in accordance with the Commission's proposals which were at the time being discussed in Parliament and Council.
- 1.4.4 Subsequent adjustments and reallocations were decided by the national authorities in the light of changing needs and priorities. In Hungary for instance, after the change of government in Summer 1990, two new programmes concerning social welfare and the reform of higher education were foreseen in place of a foreign trade (customs computerisation) project which was behind schedule. In July when it became clear that the setting up of the European Training Foundation would be delayed, the budget earmarked was reallocated for investment in core training projects at national level. Complementary economic reform measures - enterprise restructuring in Poland and financial sector reform in Hungary - were introduced during the course of the year and financed through the reserve.
- 1.4.5 Programming in respect of Bulgaria, Czechoslovakia, the GDR and Yugoslavia<sup>(1)</sup> was a very different matter given the even more extreme time pressures. Though there was a clear prospect since summer 1990 of extending aid to the other countries of East and Central Europe, the budget was only confirmed end July and the legal basis on 24 September, a mere week, as it transpired, before the disappearance of the GDR. In Czechoslovakia and Bulgaria, there were newly constituted governments which had many pressing matters to deal with in addition to external aid.

A highly pragmatic course of action was taken by the Commission which, in rapid dialogue with the national aid coordinating authorities, agreed to simplify the allocation of 1990 aid with a focus where possible on a single sector programme that could be prepared within a limited number of weeks.

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(1) Economic Aid to Romania was not made effective in 1990. Romania did however receive PHARE humanitarian aid. See section IV.

For Bulgaria, the emphasis was on a private agriculture development programme (16 MECU) and a couple of urgent projects regarding environmental monitoring equipment (3.5 MECU) and medical (pre natal) equipment (5.0 MECU). For Czechoslovakia, 30 MECU was allocated to environment and 4 MECU for an initial participation in the TEMPUS scheme. The GDR placed emphasis on environment (20 MECU) though 14 MECU was also reserved for intra-German regional measures in liaison with the ERDF INTEREG programme, as well as 1 MECU for TEMPUS. The whole of Yugoslavia's 35 MECU allocation was channelled into technical assistance for a major financial sector restructuring programme in liaison with the World Bank.

## II - MANAGEMENT OF 1990 MEASURES

### 2.1 PREPARATION AND DECISION-MAKING

- 2.1.1 The first PHARE aid measure was the Polish crop protection chemicals supply scheme which was decided on in record time on February 21, 1990. Thereafter a steady stream of measures were submitted to the management committee for opinion and to the Commission for financing decision and commitment. In all, financing proposals for a total of 34 programmes for 1990 aid were produced (see table 1 for the breakdown by sector). Management Committee meetings held at closer and closer intervals as the year proceeded, took place on February 25, April 30, June 27, July 25, September 26 especially for GDR measures, October 3, November 21 and December 19. The Committee delivered a favourable opinion on all the 1990 proposals.
- 2.1.2 Most of the measures concern national sectoral development programmes with a strong element of technical assistance and training. Some, particularly the Polish crop protection and animal feed programmes are essentially supply operations, although also containing a technical assistance component. Others, especially in environment, provide for a broad range of specific separate projects to be undertaken by means of a global financing facility. The two exchange and cooperation schemes TEMPUS and ACE were the only programmes of a multinational character.
- 2.1.3 In addition to the sectoral programmes, a commitment of 10 MECU for "multidisciplinary technical assistance" was agreed in two successive tranches. This is an enabling device consistent with general management practice in external aid, giving a global authorisation to finance, within given parameters, small scale operations, such as feasibility studies, technical assistance, and micro projects without requiring a specific Committee opinion and Commission decision on each operation. Apart from preparatory work, for instance on the Polish rural telecommunications programme, the multidisciplinary facility was used to finance feasibility studies on infrastructure questions (transport, nuclear energy, sewage treatment) and small operations such as health management projects in Poland and Hungary, a local government development project in Poland and a Polish language training (G24) project.

TABLE 1

BREAKDOWN BY SECTOR OF MAJOR 1990 PROGRAMMES  
DECIDED BY THE COMMISSION

| SECTOR/PROGRAMME                             | COUNTRY | AMOUNT<br>(MIO) | COMMITTEE<br>OPINION |
|--|---------|-----------------|----------------------|
| <b><u>ECONOMIC RESTRUCTURING</u></b>         |         |                 |                      |
| Privatisation Agency                         | P       | 9.0             | May                  |
| Financial Sector                             | H       | 5.0             | May                  |
| Privatisation Agency                         | H       | 5.0             | June                 |
| SME Credit/Support                           | P       | 21.0            | June                 |
| SME Sector Support                           | H       | 25.0            | July                 |
| Regional Economic Structures                 | D       | 14.0            | September            |
| Statistics                                   | P       | 1.5             | October              |
| Financial Sector                             | Y       | 35.0            | November             |
| Industrial Restructuring                     | P       | 4.0             | November             |
| Equity Investment                            | P       | 2.0             | November             |
| Foreign Trade                                | P       | 8.5             | November             |
| Foreign Trade                                | H       | 1.3             | December             |
| <b>TOTAL</b>                                 |         | <b>131.3</b>    |                      |
| <b><u>AGRICULTURE/RURAL DEVELOPMENT</u></b>  |         |                 |                      |
| Crop Protection                              | P       | 50.0            | February             |
| Animal Feed                                  | P       | 20.0            | May                  |
| Credit/Equipment                             | P       | 30.0            | June                 |
| Private Sector                               | H       | 20.0            | June                 |
| Private Sector                               | B       | 16.0            | October              |
| Rural Telecommunications                     | P       | 6.0             | December             |
| <b>TOTAL</b>                                 |         | <b>142.0</b>    |                      |
| <b><u>ENVIRONMENT</u></b>                    |         |                 |                      |
| Multi Sector                                 | P       | 22.0            | May                  |
| Multi Sector                                 | H       | 25.0            | May                  |
| Regional Center                              | H       | 2.0             | May                  |
| Multi Sector                                 | D       | 20.0            | September            |
| Multi Sector                                 | CS      | 30.0            | November             |
| Monitoring Equipment                         | B       | 3.5             | December             |
| <b>TOTAL</b>                                 |         | <b>102.5</b>    |                      |
| <b><u>HUMAN RESOURCES (non-specific)</u></b> |         |                 |                      |
| ACE  | P+H     | 1.5             | February             |
| Tempus                                       | P+H     | 20.0            | May/June             |
| Research Infrastructure                      | H       | 3.0             | July                 |
| Tempus                                       | D       | 1.0             | September            |
| Tempus                                       | CS      | 4.0             | October              |
| Higher Education                             | H       | 3.0             | November             |
| Health Care                                  | B       | 5.0             | November             |
| Vocational Training                          | H       | 1.5             | December             |
| Vocational Training                          | P       | 2.8             | December             |
| Social Welfare                               | H       | 3.0             | December             |
| <b>TOTAL</b>                                 |         | <b>44.8</b>     |                      |



2.1.4 At its December meeting the Committee also gave its opinion on three measures for which financing from the 1991 budget was foreseen early in 1991. These concerned the renewal of the technical assistance component of the TEMPUS scheme, the renewal of the multidisciplinary technical assistance facility and a new joint venture support scheme. Details of these measures will be included in the annual report for 1991.

2.2 IMPLEMENTATION

2.2.1 Before embarking on the implementation of any measure, a framework agreement between the Commission and the respective government had to be drawn up and signed by both parties in order to establish the general rules governing Community aid (procurement, taxes, payment procedures, audit, etc.) and to clarify the respective rules of the Commission and the two partners. The framework agreements are all more or less identical. They were negotiated and agreed with each aid coordination Minister usually shortly before the first decisions on individual aid measures were made. Poland was the exception where the plant protection import scheme, needing to be implemented very rapidly, was the subject of an ad hoc agreement incorporating all relevant passages from the framework agreement.

Following each financing decision on a national aid measure by the Commission, an individual financing memorandum, setting out the details of the actions to be implemented, was drawn up and co-signed by the Commission and the representative of the implementing authority, normally the Minister with responsibility for the sector in question.

2.2.2 Most of the 1990 sectoral programmes have similar characteristics as regards implementation, providing for decentralised management of financial resources under the responsibility of the implementing authority. This entails use of 'an advance payment system' and ex post control procedures on a more extensive scale than is current in other areas of E.C. external aid. This approach, which simplifies the administration of aid is particularly justified in the case of Central and East European countries, given their level of technical competence and the need to enhance the management capacities of the implementing agencies.

2.2.3 In practice, the system of decentralised management requires that before a first advance payment can be made the implementing authority must proceed with the designation of a management team or programme implementation unit (PIU), the opening of an ecu account and the establishment of a work programme with detailed disbursement estimates.

2.2.4 The decentralised system, which has distinct benefits in the longer term, necessarily requires some months lead-in time before the programmes in question become fully operational. The first programmes applying this system - particularly in the environment and SME sectors - served as a learning experience for all concerned not least the national aid coordinating authorities. Certain problems have still not been overcome, such as the authorisation for line Ministries in Poland to open and manage ecu accounts. In Czechoslovakia and Bulgaria, the absence of a Commission delegation to advise the PIU and endorse contractual procedures is an added disadvantage which will only be overcome during 1991.

## 2.3 TENDERS AND CONTRACTS

2.3.1 Tendering and contract procedures are similar to those used in other fields of Community external aid with participation open to all legal persons in the twelve Member States and in the six beneficiary countries. Major supply contracts are systematically the subject of open tenders published in the Official Journal. The opening and evaluation of bids and the contracting is the responsibility of the implementing authority under Commission supervision and using technical assistance as appropriate. In view of the quite specific nature of the products requested and the urgent need to assure commencement of supply before spring, a restricted tendering procedure was exceptionally used in the case of the Polish crop protection chemical supplies programme. Other tenders published in 1990 included first items of equipment for the Hungarian environment and research infrastructure programmes, hospital equipment for Bulgaria, animal feeds for Poland, agricultural supplies for Bulgaria, and environmental monitoring equipment for Hungary, Bulgaria and Poland.

2.3.2 Technical assistance was recruited according to the established procedures of restricted consultation (short lists) drawing on diverse sources including the existing Commission data base of consultancy firms and using where appropriate the technical services of the Commission for advice on specific expertise (e.g. environment). In certain cases of expertise on economic reform issues, for example as regards privatisation or customs development, the Commission invited submissions under two separate 'prequalification' procedures published in the Official Journal in September and December 1990 respectively in order to establish a "pool" of experienced consultants. Short term expertise was usually recruited through the framework contracts already established for external aid to the ALA and non-associate countries.

2.3.3 An appropriate breakdown of 1990 commitments would show that technical assistance and training (including TEMPUS and ACE) forms about 25% of the total. Supplies, including equipment and materials as well as the agricultural imports, will total about 40%. Finance for credit lines and other financial instruments will represent about 18%. Miscellaneous expenditure notably contingency provisions in sectoral programmes totals about 7%. The overall total is made up by the 51 MECU (10%) reimbursement to FEOGA (see below 2.4).

2.4 PAYMENTS

As explained above, an accelerated rate of disbursement was an extremely important consideration in the design of aid measures during the early part of 1990. This was less vital as it became clear by the Summer 1990 that the appropriations for aid under Regulation 3906/89 would be dissociated, and as more emphasis could therefore be placed on the setting up of qualified management units in the recipient countries, and on focussing on medium term objectives.

The overall payments situation end 1990, summarised in table 2, shows major differences in disbursement rates not merely according to the date of decision but also according to the nature of the programme in question: supplies operations and schemes based on one-year grants (such as TEMPUS) have a high rate of disbursement, contrasting with the complex sector programmes using advance payments systems where, at best, a first tranche payment to the ecu account of the implementing authority has been carried out. The lead-in time necessary to arrive at the stage of the first tranche payments of this sort is such that the disbursement rate is low or zero in the case of programmes which were decided in the second half of the year.

A somewhat exceptional payment was made in the form of a transfer to the FEOGA account to regularise payment for food aid to Poland and Romania decided independently of the PHARE operation in late 1989. This payment gives rise to a rate of disbursement of 34% for the whole programme.

2.5 MONITORING AND EVALUATION

For each of the main sector programmes, provision is made for a 6 monthly audit of expenditure by independent experts. Framework contracts were established after open tender with two auditing firms, the services of which will in fact first be required only during the first half of 1991. Complementary procedures for monitoring progress in programme implementation were also set up.

TABLE 2

PAYMENTS SITUATION END DECEMBER 1990  
(Presentation according to date of Commission decision)

| COUNTRY | SECTOR<br>PROGRAMME                               | DATE<br>DECISION | TOTAL<br>COMMITMENT | MECU<br>PAYMENT | %<br>PAYMENT |
|---------|---|------------------|---------------------|-----------------|--------------|
| P       | Crop Protection*                                  | 21.02.           | 50.0                | 48.0            | 96           |
| P       | Environment                                       | 16.05.           | 22.0                | 12.3            | 56           |
| P       | Privatisation                                     | 16.05.           | 9.0                 | 3.9             | 43           |
| H       | Environment                                       | 16.05.           | 25.0                | 10.2            | 41           |
| H       | Environment Centre*                               | 16.05.           | 2.0                 | 1.0             | 50           |
| H       | Financial Sector                                  | 16.05.           | 5.0                 | --              | --           |
| P       | Animal Feed*                                      | 16.05.           | 20.0                | 3.0             | 15           |
| P+H     | ACE*  | 16.05.           | 1.5                 | --              | --           |
| H       | Privatisation                                     | 04.07.           | 5.0                 | 2.7             | 55           |
| P       | SME Credit/Support                                | 04.07.           | 21.0                | --              | --           |
| P       | Agric. Cred/Equip                                 | 04.07.           | 30.0                | --              | --           |
| H       | Agric. Sector                                     | 04.07.           | 20.0                | --              | --           |
| P+H     | TEMPUS*   | 04.07.           | 20.0                | 19.2            | 96           |
| H       | SME Sector  | 02.08.           | 25.0                | 8.3             | 40           |
| H       | Research Infrastr.                                | 02.08.           | 3.0                 | 1.2             | 40           |
| D       | Regional Struct.                                  | 26.09.           | 14.0                | 0.4             | 2            |
| D       | Environment                                       | 26.09.           | 20.0                | --              | --           |
| D       | TEMPUS*   | 26.09.           | 1.0                 | 0.9             | 93           |
| CS      | TEMPUS*   | 10.10.           | 4.0                 | 3.7             | 93           |
| P       | Statistics*                                       | 10.10.           | 1.5                 | --              | --           |
| B       | Agric. Sector                                     | 10.10.           | 16.0                | --              | --           |
| Y       | Financial Sector                                  | 28.11.           | 35.0                | --              | --           |
| P       | Industrial Restruc.                               | 28.11.           | 4.0                 | --              | --           |
| P       | Equity Investment*                                | 28.11.           | 2.0                 | --              | --           |
| P       | Foreign Trade                                     | 28.11.           | 8.5                 | --              | --           |
| CS      | Environment                                       | 28.11.           | 30.0                | --              | --           |
| H       | Higher Education                                  | 28.11.           | 3.0                 | --              | --           |
| B       | Health Care*                                      | 28.11.           | 5.0                 | --              | --           |
| H       | Foreign Trade                                     | 19.12.           | 1.2                 | --              | --           |
| P       | Rural Telecom                                     | 19.12.           | 6.0                 | --              | --           |
| B       | Environment Monit.*                               | 19.12.           | 3.5                 | --              | --           |
| H       | Vocational Training                               | 19.12.           | 1.5                 | --              | --           |
| P       | Vocational Training                               | 19.12.           | 2.8                 | --              | --           |
| H       | Social Welfare                                    | 19.12.           | 3.0                 | --              | --           |
| -----   |   |                  |                     |                 |              |
| all     | other (small projects,<br>FEOGA, minibudget etc.) |                  | 64.0                | 47.2            | 65           |
| R       | Humanitarian Aid                                  |                  | 15.5                | 9.1             | 59           |
| -----   |   |                  |                     |                 |              |
| TOTALS  |   |                  | 500.0               | 171.1           | 34.2         |
| =====   |   |                  |                     |                 |              |

\* Supply operations, grant schemes and other projects not using a decentralised management approach (advance payment system with PIU).

## 2.6 COUNTERPART FUNDS

The commodities made available in the framework of the two supply programmes in the agricultural sector (plant protection chemicals and animal feed) were sold on the market to farmers and generated zloty-funds. These so called "counterpart funds" were collected by the implementing agents of the programmes FDPA and ROLPASZTO respectively and transferred to a new organisation called "Cooperation Fund", set up under the responsibility of the Minister in charge of Aid Coordination. A Memorandum of Understanding, concluded between the Commission and the competent Minister, stipulated procedures for decision making and management of the Counterpart Funds. It is agreed that the funds will be used to reinforce the implementation of reform policies initiated by the Government, promote aid coordination and be integrated to the maximum extent possible with PHARE financed programmes or projects co-financed with other donors.

## III - AID COORDINATION

- 3.1 Aid coordination - in the sense of achieving a complementary granting of aid within a coherent policy framework with common objectives - has been a major preoccupation for the Commission since the beginning of the PHARE operation. Though this annual report is not designed to document the way the Commission carried out its broader coordinating role with the G24, it is nevertheless appropriate to indicate briefly some specific operational examples and techniques of aid coordination and co-financing involving aid measures under Regulation 3906/89.
- 3.2 The large scale of the EC aid budget and its focus on economic restructuring gave the Commission particular responsibility from the outset to liaise closely with those other major donors also deeply involved in structural adjustment measures. With the assistance in particular of the I.M.F. and the World Bank, the Polish and Hungarian governments had already begun working out reform strategies both at macro economic level and for certain sectors. This provided a basic framework for specific programmes of technical assistance to be developed whether by the Commission or other donors. Where such reform strategies did not yet exist, the Commission has been able to play an active role - in conjunction with other donors - in assisting the national authorities to develop appropriate sectoral policies.
- 3.3 EC co-financing of preparatory work prior to the launching of sectoral programmes has taken various forms - the 4 MECU programme on industrial restructuring for Poland for example is part of a joint effort with the World Bank, also involving UK and Japanese funds, to finance the evaluation of Polish State enterprises to prepare for restructuring. On a smaller scale (under the multidisciplinary facility), there was co-financing with the World Bank of a series of preparatory studies in the transport sector for Hungary; the groundwork for the development of an agricultural sector strategy for Poland was financed on a similar basis. The 2 MECU 'equity investment' measure for Poland, in contrast, was a specific partnership with the EIB, using EC grant aid to finance technical assistance to prepare for EIB industrial investment programmes.

- 3.4 Joint appraisal missions, another way of promoting aid coordination, were carried out in certain cases where interested donors could be brought together rapidly as in the case of the G24 environment sector missions to Poland and Hungary organised early in 1990 by the G24 environment working group. Cooperation at appraisal stage however has not until now been followed up with G24 co-financing of the environment programmes. More positive results are expected from the multidonor appraisal mission to Poland to prepare for the pilot language teaching project launched at the end of 1990 (under the multidisciplinary facility).
- 3.5 EC co-financing of sectoral programmes (with the World Bank), where much of the groundwork and technical analysis had already been done, was a particularly appropriate option for the Commission precisely because of the tremendous time pressures under which the Commission was working in order to commit all appropriations before the end of 1990. In the financial sector, the 5 MECU programme of technical assistance and training for Hungary and the much larger 35 MECU programme for Yugoslavia are examples of this approach where EC grant aid combines with useful effect with World Bank loan finance. The 3 MECU programme (to support higher education reform in Hungary) is an example of co-financing where EC aid is used to finance initial activity and core infrastructure before large scale World Bank loan finance comes on stream. The 5 MECU input to the Polish privatisation agency involved the IFC (International Finance Corporation) which gave technical endorsement to the project as well as cofinancing (from inter alia US-AID and the United Kingdom. Similarly in Hungary assistance to the State Property Agency involves the Commission, Canada, USAID and the United Kingdom.
- 3.6 Where major cofinancing was not an immediate option, EC aid, measures were very frequently used to set up sizeable management and financing mechanisms at national level designed to become a point of reference for G24 bilateral aid. This has been the case for the three 'multi-sector' environment programmes in Poland, Hungary, and Czechoslovakia where the management units for the EC financing facility have become a focal point within the Environment Ministries for aid coordination and policy development. For small and medium-sized enterprise development as well, both the Polish and the Hungarian programmes provide the nucleus for managing bilateral aid inputs including offers of small scale technical assistance and training.
- 3.7 Other aid coordination initiatives include the first phase of the local government development programme in Poland (financed under the multidisciplinary facility), which gives the International Union of Local Authorities an explicit mandate to assist in planning a medium term programme with coordinated G24 inputs. The TEMPUS scheme, over and above its own grant aid, is also designed to promote G24 coordination in the area of higher education cooperation. The vocational training programmes in Poland and Hungary are also both designed to strengthen the aid coordination capacity of the national authorities.

- 3.8 The regional environment centre in Budapest is perhaps the only example of an existing mechanism which has already managed to attract financial support from several donors including the EC (2 MECU in 1990) which is represented on the board of the centre. An EC programme of assistance for joint financing of this sort is rare because of the tied nature of most bilateral aid and the reticence of most donors (with the exception of the EC) to place funds directly at the disposal of the national authorities.
  
- 3.9 About 15% of 1990 aid was used in an explicit co-financing operation whereas another 40-50% may prove to be an effective magnet attracting co-financing by bilateral donors after initial decision making on EC aid. (As was the case at the end of 1990 when a small amount of Austrian co-financing was drawn into the 3 MECU Hungarian social welfare project). The annual report cannot make a final analysis of the aid coordination implications of 1990 aid measures since there have been some positive (and unexpected) developments since the end of the year - for instance the interest expressed by EFTA to co-finance through CEN any EC technical assistance measures on standards and quality control such as those already agreed with Poland and Hungary in the context of their 'foreign trade' programmes. The trend towards planned convergent use of aid is bound to accelerate, moreover, as the aid coordination authorities within the recipient countries become more familiar with the practices and preferences of the donor community and more equipped to present national policy priorities with a clear definition of needs for external assistance.

IV - HUMANITARIAN AID

- 4.1 As 1990 progressed it became increasingly clear that in at least two of the beneficiary countries (Bulgaria and Romania) a combination of economic and climatic factors would bring about the need for measures to bring immediate relief from distress among the population or to avert future distress. Thus in September 1990 when the Council amended Regulation 3906/89 so as to extend the PHARE assistance to Bulgaria, Czechoslovakia, the GDR, Romania and Yugoslavia, provision was made to allow financing of humanitarian aid (a limit of 5% of the 1990 budget was set for this kind of aid). It was also agreed at that time by the Council and the Commission that humanitarian assistance in the form of food aid, which had earlier been provided to Poland and Romania, could be financed. Thus a sum of 50 MECU was used to meet the cost of food aid provided to Poland and Romania in 1990, prefinanced by the FEOGA Guarantee Section.

The other PHARE humanitarian measures concerned Romania, where a total of 15.5 MECU was committed as follows:

|  | MECU |
|--|------|
| Supply of medicines <sup>(1)</sup>                     | 11.1 |
| Orphanages heating and refurbishment                   | 3.0  |
| Infant Formulae and Medicines<br>for Romanian children | 1.4  |

Local costs, particularly for the heating action, are met from part of the counterpart funds generated from food aid equivalent at the time to approximately 15.0 MECU. In addition to these measures, the Commission used non-PHARE finance to support four pilot projects for orphanages (2.7 MECU) and emergency medical supplies for disadvantaged children (0.3 MECU).

- 4.2 To help administer the Orphanages heating and refurbishment actions and to supervise the distribution of infant foods and medicines for children the Commission set up a temporary team of heating, medical and administrative experts in Bucharest. There was, for both projects a twin objective. In the first place the urgent need was to ensure that the aid provided was rapidly and effectively utilized. In the second place the Commission strove not to bypass local administrative structures, but by working with them, to strengthen their capacity to cope with future humanitarian measures. In the on-the-spot supervision of these projects the Commission sought and received the cooperation of a number of Community based NGOs which are active in Romania, and will continue to work with them in implementing on-going programmes of humanitarian assistance in Romania.

#### V - COMMISSION ORGANISATION

- 5.1 The PHARE Operational Service (PHOS) set up in January 1990 to initiate, prepare and supervise the implementation of assistance programmes in Poland and Hungary (to a value of around 200 M.ECU) comprised a total of 24 staff of all grades. This staff was made available through a major redeployment of personnel within the Commission.
- 5.2 During 1990, the geographical scope of the PHOS's activities was extended to include another five countries and new responsibilities were assumed for humanitarian aid and coordination with non-governmental organisations. In the absence of extra staff to administer the additional 300 M.ECU worth of programmes, a further internal redeployment effort was undertaken to fill 11 new posts.

(1) Originally provided as emergency aid (budget article 950 (1990)).



- 5.3 In the face of continuing demands on the service's resources, this complement of 35 posts was strengthened towards the end of 1990 by the addition of three detached national civil servants and six interim and auxiliary staff. Thus the staff numbers at the end of 1990 were:

|                                  |           |
|----------------------------------|-----------|
| Administrative Grade             | 13        |
| Detached National Civil Servants | 3         |
| Clerical Grades                  | 10        |
| Secretarial                      | 12        |
| Interim and auxiliary staff      | 6         |
| <b>TOTAL</b>                     | <b>44</b> |

The PHOS is assisted by the other Commission Directorates General in the assessment and planning of projects and programmes. In addition PHOS has been obliged to make extensive use of outside consultants.

- 5.4 Decisions were taken in principle to provide staff for EC Delegations in Poland, Hungary, Czechoslovakia and Bulgaria which would help to ensure on-the-spot coordination of assistance programmes. By the end of 1990, delegations were operational in Warsaw and Budapest, but not in Prague or Sofia.
- 5.5 Within the framework of the G-24's overall assistance to central and eastern Europe, coordination and cofinancing with other organisations is essential. So far, it has only been possible to meet this need through the use of detached national civil servants.
- 5.6 Constraints on staffing levels will continue to be a major preoccupation for the Commission over the years ahead as the practical implementation of programmes, in addition to their evaluation and selection, adds a further significant dimension to the work of the PHOS.

## VI - CONCLUSIONS

- 6.1 The first year of the Commission PHARE programme was one in which basic procedures and relationships were established and the budget was fully committed. These are important achievements when viewed in the light of the situation as it existed in these countries at the beginning of 1990. Poland and Hungary, followed by the other countries embarked on programmes of political and economic reform for which there was no precedent; they had to manage a reform process in both of these highly interactive spheres - simultaneously. Ministers and civil servants were dealing with new concepts, new processes for which little in their previous experience had prepared them. Least of all had they any previous experience in handling programmes of development assistance. Thus there were inevitable delays in setting up the organisational structures to agree on national priorities for assistance and to coordinate on a national basis the offers of a wide range of donors. Further understandable delays occurred as new Parliaments accustomed themselves to tackling the adoption of the necessary legislation for effecting economic reform.

- 6.2 While there was little problem initially in identifying those key areas of systemic economic reform which would form the backbone of indicative programmes of aid - problems were identified early on in the selection and preparation by the beneficiary countries of specific projects and programmes. The PHOS had wide recourse to consultants and experts to assist the beneficiary countries in strategy and programme development.
- 6.3 Poland was the first of the countries to agree an indicative programme and the first in which a major programme was identified, prepared and completed. It was not until March that agreement was reached with the then Government of Hungary on an indicative programme but, with the elections which were held immediately afterwards and the time necessary for the selection and assumption of the new Government, it was not until July 1990 that the structures were put in place to handle the preparation and coordination of aid programmes. In the case of the remaining countries it was not until September 1990 (see 1.2 above) that programming and preparation could commence. This meant that commitment decisions clustered largely in the last quarter of 1990. Moreover, given the necessity to complete all commitment before the end of the year, both the Commission and the recipient countries concentrated on achieving this. In reality it was largely towards the end of 1990 and the beginning of 1991 that the process of project implementation could set into full swing. As most of the programmes consist in, or have important initial elements of technical assistance the amount of disbursement is expected to be small in relation to the total commitments over the first 2-3 years.
- 6.4 In the course of the year, and in particular towards the end of the year as preparations got underway for programming of 1991/92 assistance, both the Commission and the beneficiary countries were able to refine the focus of that assistance with a remarkable level of agreement. It is clear that for both sides the main objective of EC assistance must be to help the recipient country to put in place in the minimum time the framework of laws, regulations and institutions which will form the basis of an efficiently functioning market economy and will encourage investment - especially that from abroad.
- 6.5 It was also apparent at the end of 1990 that the requirement to commit the appropriations totally in the course of the budget year for which they were entered imposes on recipient countries a discipline to which at this stage their decisional or administrative procedures are not adapted. Therefore greater flexibility needs to be built into programme procedures which allows countries to total a two year perspective on aid programming.

A capacity to finance programmes of a regional character where several recipient countries combine in a joint endeavour was discussed with those concerned and a decision in principle was taken to initiate such a facility for 1991/92. As regards aid coordination and co-financing efforts will be renewed in 1991 to involving other donors in jointly financed programmes.

COUNCIL REGULATION (EEC) No 3906/89  
of 18 December 1989

on economic aid to the Republic of Hungary and the Polish People's Republic

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Article 3

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament<sup>(1)</sup>,

Whereas the Community and its Member States have decided to make a concerted effort together with certain third countries, in order to implement measures intended to support the process of economic and social reform under way in Hungary and Poland;

Whereas the Community has concluded Agreements on trade and commercial and economic cooperation with the Republic of Hungary and the Polish People's Republic;

Whereas the Community must have the necessary means at its disposal to be able to implement such measures;

Whereas the fields in which measures are to be undertaken should be determined;

Whereas it is necessary to estimate the amount of Community financial resources needed to carry out these measures in 1990;

Whereas the implementation of such measures will help to achieve the Community's aims and whereas the Treaty does not provide, for the measures in question, powers other than those of Article 235,

HAS ADOPTED THIS REGULATION:

Article 1

The Community shall implement economic aid measures in favour of the Republic of Hungary and the Polish People's Republic in accordance with the criteria laid down in this Regulation

Article 2

The amount of Community resources as necessary to carry out the measures introduced by this Regulation amount to ECU 300 million for the period expiring on 31 December 1990.

<sup>(1)</sup> Opinion delivered on 14 December 1989 (not yet published in the Official Journal).

1. The aid shall be used primarily to support the process of reform in Poland and Hungary, in particular by financing or participating in the financing of projects aimed at economic restructuring.

Such projects or cooperation measures should be undertaken in particular in the areas of agriculture, industry, investment, energy, training, environmental protection, trade and services; they should be aimed in particular at the private sector in Hungary and Poland

2. Account shall be taken, *inter alia*, of the preferences and wishes expressed by the recipient countries concerned in the choice of measures to be financed pursuant to this Regulation.

Article 4

The aid shall be granted by the Community, either independently or in the form of cofinancing with the Member States, the European Investment Bank, third countries or multilateral bodies or the recipient countries themselves.

Article 5

Community aid shall in general be in the form of grants. They may generate funds that can be used for financing cooperation projects or measures.

Article 6

1. The aid may cover expenditure on import and local expenditure needed to carry out the projects and programmes.

Taxes, duties and charges and the purchase of property shall be excluded from Community financing

2. Maintenance and operating costs may be covered for training and research programmes and for other projects; however, for the latter such costs may be covered only in the start-up stage and shall be depressive

3. However, in the case of cofinancing, account shall be taken in each case of the procedures applied by the other providers of capital.

Article 7

1. In the case of assistance exceeding ECU 50 000 for which the Community is the sole source of external aid, participation in invitations to tender and contracts shall be open on equal terms to all national and legal persons of the Member States and of Poland and Hungary

2. Paragraph 1 shall apply also to cofinancing.
3. In the case of cofinancing, however, the participation of third countries in invitations to tender and contracts may be authorized by the Commission, but only on a case-by-case basis, after examination of the case.

#### *Article 8*

The Commission shall administer the aid taking into account the procedure laid down in Article 9. The general guidelines applicable to the aid and to sector-based programmes shall be adopted in accordance with that procedure.

#### *Article 9*

1. A committee on aid for economic restructuring in Poland and Hungary is hereby set up at the Commission, consisting of representatives of the Member States and chaired by the Commission representative. An observer from the European Investment Bank shall take part in the Committee's proceedings with regard to questions concerning the Bank.
2. The representative of the Commission shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter. The opinion shall be

delivered by the majority laid down in Article 148 (2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the committee shall be weighted in the manner set out in that Article. The chairman shall not vote.

3. The Commission shall adopt decisions which shall apply immediately. However, if these decisions are not in accordance with the opinion of the committee, they shall be communicated by the Commission to the Council forthwith. In that event the Commission shall defer application of the measures which it has decided for a period of six weeks.

The Council, acting by a qualified majority, may take a different decision within the time limit referred to in the first subparagraph.

#### *Article 10*

From 1990 the Commission shall draw up each year a report on the implementation of co-operation operations. The report shall be sent to the European Parliament, the Council and the Economic and Social Committee.

#### *Article 11*

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 18 December 1989.

*For the Council*  
*The President*  
R. DUMAS

I

(Acts whose publication is obligatory)

COUNCIL REGULATION (EEC) No 2698/90  
of 17 September 1990  
amending Regulation (EEC) No 3906/89 in order to extend economic aid to other  
countries of Central and Eastern Europe

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission<sup>(1)</sup>,

Having regard to the opinion of the European Parliament<sup>(2)</sup>,

Whereas the Community and its Member States have decided to take concerted action with certain non-member countries in the form of measures intended to support the process of economic and social reform under way in Hungary and Poland; whereas Regulation (EEC) No 3906/89<sup>(3)</sup> lays down the conditions for the provision of economic aid to these countries;

Whereas the Group of 24 countries and the Community decided at the ministerial meeting on 4 July 1990 that the situation in certain other countries of Central and Eastern Europe warranted an extension of the economic restructuring aid to these countries;

Whereas provision must be made annually in the general budget of the European Communities for appropriate Community financing,

HAS ADOPTED THIS REGULATION:

*Article 1*

Regulation (EEC) No 3906/89 is hereby amended as follows:

1. The title is replaced by the following:

'Council Regulation (EEC) No 3906/89 of 18 December 1989 on economic aid to certain countries of Central and Eastern Europe.'

2. Article 1 is replaced by the following:

*Article 1*

The Community shall make economic aid available to the countries of Central and Eastern Europe listed in the Annex in accordance with the criteria laid down in this Regulation.'

3. Article 2 is deleted.

4. In Article 3 (1):

— 'in Poland and Hungary' and 'in Hungary and Poland' are replaced by 'in the countries referred to in Article 1' and 'of the countries referred to in Article 1' respectively,

— the following subparagraph is added:

'The aid may also be used to provide humanitarian assistance.'

5. In Article 7 (1) and in Article 9 (1), 'of Poland and Hungary' and 'in Poland and Hungary' are replaced by 'of the countries referred to in Article 1' and 'in the countries referred to in Article 1' respectively.

6. The following Annex is added:

*ANNEX*

- BULGARIA
- CZECHOSLOVAKIA
- GERMAN DEMOCRATIC REPUBLIC
- HUNGARY
- POLAND
- ROMANIA
- YUGOSLAVIA'

*Article 2*

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Communities*.

<sup>(1)</sup> OJ No C 191, 31. 7. 1990, p. 17.  
<sup>(2)</sup> OJ No C 231, 17. 9. 1990.  
<sup>(3)</sup> OJ No L 375, 23. 12. 1989, p. 11.

GENERAL GUIDELINES

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According to art. 8 of Council regulation (EEC) N° 3906/89, of 18 december 1989, on the economic aid to Hungary and Poland, general guidelines shall be adopted by the Commission in accordance with the procedure of the committee.

The enclosed guidelines consist of two parts:

- A. Orientation
- B. Indicative allocation

A. ORIENTATION

1. INTRODUCTION

In assisting and promoting the economic restructuring of Poland and Hungary account must be taken of the immediate/short term requirements for imported inputs, so that existing output and living standards may be maintained, and the need to lay a basis of know-how and structures to facilitate the modernization, privatization and development of Polish and Hungarian economies in the medium and long term.

Both of these aspects can be addressed by the actions which will be taken under the 300 Mio ECU fund set up by the Community in respect of which all commitments must be made before the end of 1990 and expenditure completed by the end of 1991.

2. OBJECTIVES AND PRIORITIES

The overall aim of Community financial assistance to Poland and Hungary is to support the process of economic restructuring which aims to transform a rigid planned economy into one which is based on and responsive to market forces and private enterprise. This overall aim may be expressed in the terms of the following objectives :

- to meet the immediate/short term needs created by the non-availability of foreign exchange to meet essential imports of equipment, spare parts and agricultural inputs necessary to maintain present levels of output of essential goods and services;
- to provide know-how and financial assistance to help establish the structural and service environment necessary for the development of a modern market oriented business sector;
- to assist in the preparation of sectoral development plans in the agricultural, industrial, and environmental sectors;
- to focus on programmes and projects which will be of a pump-priming nature, and act as catalysts for complementary or joint further action by other Group 24 donors.

3. CAPACITY FOR AID ABSORPTION - SHORT TERM

The fact that the 300 Mio ECUs are non-dissociated credits which must be committed by the end of 1990 and spent by the end of 1991 poses some problems for Poland and Hungary who have made their plans largely

against a longer time horizon. For a project of any complexity it will be difficult to ensure that the feasibility study, specification, appraisal and preparation of a financing proposal is ready for translation, submission to the Committee, and decision by the Commission by November 1990 at the latest. It is clear that these time constraints have not fully been taken into account by the Polish and Hungarian governments when preparing their list of project proposals.

A considerable effort is now being mounted to help both countries to re-consider and re-present projects for financing. The proposed fund allocations presented later in this paper must be read with this in mind. It is also foreseen that the Commission services will have to arrange for special monitoring of the implementation of the early projects - this is also provided for.

#### 4. PROGRAMMES - AGRICULTURE

Agriculture continues to play a significant role in the economies of both countries.

In Poland it accounts for 30% of output and employment. Polish agriculture is characterised by a predominance of small private farms. Despite a considerable potential for development, in general farming methods are poor and efficiency is one of the lowest in Eastern Europe. This is due to a low level of technology, a shortage of inputs, a deficiency of the delivery system and a lack of initiatives for farmers to produce and innovate.

The recently taken reform measures create a new economic framework for the future. Nevertheless, the institutional set-up of the past has not yet been superseded by new free market institutions and mechanisms and in the coming crop year severe problems will have to be faced.

In the short term, in order to safeguard the production in the 1990 crop year urgent support is required to maintain essential inputs. Not only the supply is important, also the mechanisms through which they are supplied: the actions undertaken should contribute to the



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maximum extent possible to the development of private initiatives.

This leads to a medium term preoccupation : the definition and implementation of a sectoral strategy (or agriculture aiming at the development of private agriculture within a free market environment delivery system, credit supply, agro-processing, etc.).

For the current year the Commission therefore envisages two types of actions :

- 1) Import support programmes for plant production as well as for animal production (inputs and equipment);
- 2) Sectoral studies, in collaboration with other donors, to define the objectives and priorities for agriculture in the year to come.

In Hungary agriculture accounts for 20% of output and employment.

The sector is dominated by large state enterprises and cooperatives. The sector is an important basis for export revenue with 55% of output so destined.

Although less in need of short term input support, the need for programmes aimed at the reduction of inefficient activities, the liberalization of prices and marketing and the development and re-equipment of the agri-food sector are key targets.

In the medium term, as in the case of Poland, it is necessary to define a strategy for the development of the sector within a free market environment. Such a strategy will provide the framework for the actions to be undertaken in the years to come.

For the current year, the Commission envisages assistance for :

- 1) Training, modernisation of technology research and investment in the agro-processing activities;

2) Sectoral studies (in collaboration with other donors)

5. PROGRAMMES - INDUSTRY/INVESTMENT

The industrial sectors in both countries with few exceptions are characterised by all of the deficiencies inherent in over-protected, featherbedded production units viz. uncompetitive cost structures, poor product quality and design, out-dated technology, out-dated plant and equipment, overmanning and over-dependence on non-convertible currency markets. In Poland in particular the industrial structure is heavily biased towards smoke-stack/extraction industries, specially in the energy sector. Yet, it is clear that manufacturing industry has to be the motor force of economic development and employment in both countries. The strategy must be to create an industrial arm based on up-to-date technology, competitive cost conditions, modern management and marketing skills, and a coherent programme of initial and continuing industrial training for all workers. This requires in particular :

- imported technology and capital which will bring management skills and market access;
- the building up of industrial support services;
- special measures to support the development of small and medium sized enterprises engaged in both production and servicing.

It is clear that both Governments recognize the need to bring in technology - lists of sectors where joint ventures are being actively sought have been circulated. Less recognized is the vital role in any industrial society played by the small and medium sized businesses which produce for local needs, which service large-scale industry, and which form the seed-bed for eventual indigenous business development.

In the medium term the Community and its donor partners must assist both countries in elaborating sectoral development strategies supporting the process of privatisation and liberalization, in the implementation of which the roles of the EIB and BERD will be important.

Sectoral studies will be initiated by the Community with Community financial support to act as the basis for future actions.

In the immediate future we should concentrate our actions in the two allied areas of :

- the development of a business support environment, including the energy sector
- the development of small and medium enterprises.

In the former area the Community has extensive know-how to transfer in the fields of industrial training, management and marketing training, industrial credit supply, standards, quality control, investment and export promotion techniques. In particular the creation of 'productivity centres' capable of providing business advice and consultancy have a key role to play. Similarly the experience gained in the promotion of small industry and the creation of business innovation centres is transferable.

In the period 1990/91 these and similar actions will be mounted while the sectoral studies are being prepared which can lead to more intensive medium term development support. It is likely that in the short term demands for financial assistance for the import of essential spare parts, and vital equipment will be made and fail to be met by government or by the provision of credit lines.

6. ENVIRONMENT

Environmental protection is one of the top priorities in Poland and Hungary, not only for health reasons (life expectancy has decreased) and neighbourliness (pollution in the Baltic sea is dramatic) but, more importantly in the short term, because no new major plant can be established in industrial areas since pollution has already reached a too high level (industry counts for 70% of pollution problems).

Poland, for example, is the most threatened country in Europe with some 4.3 Mio tonnes of sulphur rejected yearly and 1.5 Mio tonnes

of very toxic wastes. Accordingly, environment is an area where the authorities wish that western assistance translates rapidly into visible actions, so as to rapidly improve the quality of daily life of the population.

The basic philosophy is to incorporate ecology into economy and to build on regional initiatives and responsibilities, therefore leading to a totally new strategy based on true energy prices, pollution monitoring systems, new standards for industry and quick actions regarding air and water pollution where efficient techniques should be introduced.

In 1990, the Community will essentially supply equipment for the setting up of automatic monitoring systems of air emissions as well as for the lakes and for certain waste water treatment plants.

Moreover, feasibility studies will be done for projects to be financed in 1991 in the following areas : incineration plants for toxic chemical wastes, gas desulphurization in coal-fired power plants and increased production of environmental protection equipment in cooperation with foreign partners.

#### 7. PROGRAMMES - TRAINING

Education, training and re-training are involved in every aspect of the process of social and economic change. In the three sectors dealt with above there is likely to be a strong training or technical assistance component. The qualifications, abilities and skills which are necessary in an open free enterprise competitive economy are not provided for in the centrally planned model even if standards of general and technical education may be high. Training when properly carried out inculcates new attitudes and motivation alongside new skills. This is thus the single most important area for investment by both Poland and Hungary, and is recognized as such. The problems posed for the donor countries are not those of resources or know-how, but those of securing a balanced programme of priority action within the recipient countries as part of an overall strategy for medium term development.

The Community's action in this area will be based on a three-pronged approach :

- Diagnosis of needs;
- Setting of priorities;
- Selection of programmes.

In the case of the first two, technical assistance will be provided to Poland and Hungary to help identify and prioritise their medium/long term needs. In the provision of programmes to meet these needs the European Training Foundation will begin to play a role as from the end of 1990. The TEMPUS scheme should provide an appropriately flexible framework within which offers and requests for exchanges can be dealt with.

Besides these measures actions will be needed in a more immediate time-scale to meet urgent training demands and equipment needs from both Poland and Hungary. Training actions fall mostly into the following areas :

- On-the-job industrial training linked to industrial restructuring;
- Export market research;
- Management courses;
- Financial services training.

Programmes in these and related areas (including training related to institutional as well as economic change) will be agreed with Poland and Hungary and presented for approval and subsequent implementation. In the longer term the programmes will become more structured and coherent as the analysis of needs and setting of priorities is achieved.

B. INDICATIVE ALLOCATION

1. In order to allow for the preparation of assistance programmes to Poland and Hungary financed by the EC fund of 300 m ECU it is necessary to earmark, at least indicatively, global amounts to the various priority areas retained in the EC's action programme - agricultural assistance, training, environment and investment - and, eventually, for new priorities which have been presented by the beneficiary countries in the meantime.

A consensus has already been reached that out of the 300 m ECU, 200 will be made available for Poland and 100 for Hungary. Because of the problems existing in Polish agriculture (low productivity and shortage of hard currency to import the necessary inputs for plant as well as animal production and equipment) consensus was reached with the Polish authorities to earmark half of the 200 m ECU allotted to that country to agriculture.

Taking into account these orientations the Services of the Commission within the context of the Task Force PHARE have prepared an indicative distribution of the available means to the various areas. The table herewith annexed sets out this distribution.

2. In putting forward this proposal the Task Force draws the attention to the provisional character of the allocations for the following reasons:
  - the preliminary character of the requests brought forward by the beneficiary countries, often without any indication as to the financial amounts involved;
  - the absence of indications of hard and local currency combinations for project financing;
  - other requests by the beneficiary countries to which the allocations need to be adapted (for example medical aid and social programmes for the disadvantaged populations) and;

- the constraints imposed by the non-dissociated nature of the 300 m ECU budget funds. Because of this nature credits have to be committed by the end of 1990 and spent by the end of 1991. The implementation of projects/programmes will also have to respect the procedures established by Council Regulations 3906/89

. Multi annual and/or projects requiring long gestation periods are therefore virtually excluded for the moment. So are projects apt for co-financing with the other G-24. As a result the allocation has been oriented towards programmes of a short or medium term nature.

- preparatory studies for future programmes of a more structural and sectorial nature to be financed with new credits on a dissociated basis will have to be made in order to be ready for implementation as soon as such credits become available.

For all these reasons it will be necessary to preserve a large degree of flexibility in the allocations and to provide for the possibility to regularly re-adapt them in time. The Task Force PHARE will re-examine the situation regularly.

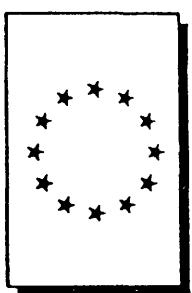
In the selection of projects great attention will be given to how they fit into regional contexts and to what extent they contribute to the reform process toward market economies.

PROVISIONAL ALLOCATION

|   | <u>POLAND</u> | <u>P/H</u> | <u>HUNGARY</u> |
|---|---------------|------------|----------------|
| <u>Agricultural support and development</u>   | 100           |            | 20             |
| <u>Industrial support and development</u>   | 35            |            | 35             |
| <u>Environment</u>  | 20            |            | 25             |
| <u>Training</u>   |               |            |                |
| - Tempus  |               | 20         |                |
| - Training Foundation   |               | 6          |                |
| - Other (bilateral) projects  |               | 10         |                |
| <u>Technical cooperation in other areas (such as energy, science and technology, privatisation agencies, social aspects of adjustment, modernisation of customs services)</u> | 13            |            | 10             |
| <u>Short studies, expertise, minor administrative costs for project implementation, monitoring and control</u>  | 4             |            | 2              |
| TOTAL   | 172           | 36         | 92             |



**PHARE**



**FINANCING  
1990-1991**

**PHARE  
FINANCIAL  
COMMITMENTS  
1990 - 1991**



| PHARE COMMITMENTS - 1990 & 1991<br>(in Mio ECU) | 20-Feb-92          | Ref.: AQ_CPET02 |
|---|--------------------|-----------------|
|   |                    | Source: PHOS 4  |
|   | Total<br>Committed |                 |
| B9001: Dev private agriculture                  | 16.0               |                 |
| B9002: Air Pollution Programme                  | 3.5                |                 |
| B9003: Maternal/child health pgr                | 5.0                |                 |
| B9101: Environment (II)                         | 7.5                |                 |
| B9102: Financial Sector                         | 10.0               |                 |
| B9103: Private agriculture 2                    | 25.0               |                 |
| B9104: Telecom                                  | 3.0                |                 |
| B9105: Enterpr. Restructur SME                  | 20.0               |                 |
| B9106: Labour                                   | 2.5                |                 |
| B9107: Energy                                   | 2.0                |                 |
| B9109: TEMPUS                                   | 5.0                |                 |
| <b>BULGARIA</b>                                 | <b>99.5</b>        |                 |
| D9001: Environment programme GDR                | 20.0               |                 |
| D9002: Tempus operations - GDR                  | 1.0                |                 |
| D9003: Regional Programme - GDR                 | 14.0               |                 |
| <b>GDR</b>                                      | <b>35.0</b>        |                 |
| H9001: Finance modernisation                    | 5.0                |                 |
| H9002: Environmental protection                 | 25.0               |                 |
| H9003: Regional Environment cntr                | 2.0                |                 |
| H9004: Dev private agriculture                  | 20.0               |                 |
| H9005: Privatisation agency                     | 5.0                |                 |
| H9006: SME Support Programme                    | 21.0               |                 |
| H9007: Research Infrastructure                  | 3.0                |                 |
| H9008: Social Welfare Hungary                   | 3.0                |                 |
| H9009: Dev/reform Voc. training                 | 1.5                |                 |
| H9010: Higher education Hungary                 | 3.0                |                 |
| H9011: Infrastructure Commerce                  | 1.3                |                 |
| H9101: Financial sector                         | 9.0                |                 |
| H9102: Environment (II)                         | 10.0               |                 |
| H9103: Energy                                   | 5.0                |                 |
| H9104: Restructuration agricul.                 | 13.0               |                 |
| H9105: Transport                                | 2.0                |                 |
| H9106: Enterpr restruct + Privat                | 40.0               |                 |
| H9107: Nat firm registr/informs                 | 1.5                |                 |
| H9108: SME (ext)                                | 4.0                |                 |
| H9109: Investment promotion                     | 5.0                |                 |
| H9110: TEMPUS                                   | 12.0               |                 |
| H9111: Customs                                  | 8.0                |                 |
| H9112: Science + Technology                     | 5.0                |                 |
| <b>HUNGARY</b>                                  | <b>204.3</b>       |                 |
| P9001: Animal feed programme                    | 20.0               |                 |
| P9002: Environmental protection                 | 22.0               |                 |
| P9003: Privatisation agency                     | 9.0                |                 |
| P9004: SME Import + Support pgrm                | 25.0               |                 |
| P9005: Agriculture credit line                  | 30.0               |                 |
| P9006: Develmt stats information                | 1.5                |                 |
| P9007: Pesticides Poland                        | 50.0               |                 |
| P9008: Rural Telecommunications                 | 6.0                |                 |
| P9009: Vocational training                      | 2.8                |                 |

| PHARE COMMITMENTS – 1990 & 1991<br>(in Mio ECU) | 20-Feb-92 Ref.: AQ_CPET02<br>Source: PHOS 4 | Total<br>Committed |
|---|---|--------------------|
| P9010: Industrial Restructuring                 |   | 4.0                |
| P9011: Equity Investments                       |   | 2.0                |
| P9012: Foreign Trade                            |   | 8.5                |
| P9101: Local Government                         |   | 4.0                |
| P9102: Environment (II)                         |   | 35.0               |
| P9103: Energy                                   |   | 3.0                |
| P9104: Municipal Dev + Training                 |   | 3.5                |
| P9105: T.A. Agriculture/Rural                   |   | 17.0               |
| P9106: Telecom                                  |   | 5.0                |
| P9107: Transport                                |   | 2.0                |
| P9108: Fin sec + polish dvlp Bank               |   | 16.0               |
| P9109: Private sector dvlp SME                  |   | 6.0                |
| P9110: Interpr restruct + privat                |   | 50.0               |
| P9111: Labour                                   |   | 18.0               |
| P9112: N G O's                                  |   | 3.0                |
| P9113: Health                                   |   | 20.0               |
| P9114: Tempus                                   |   | 13.5               |
| P9115: Education                                |   | 1.0                |
| <b>POLAND</b>                                   |   | <b>377.8</b>       |
| R9105: Technical Assist. Fund                   |   | 22.0               |
| R9106: Health                                   |   | 25.0               |
| R9107: Agricultural Supply                      |   | 25.0               |
| R9109: Agro-industry (supply)                   |   | 9.0                |
| R9110: Tempus                                   |   | 10.0               |
| R9111: Transport Roumania Supply                |   | 9.0                |
| <b>ROMANIA</b>                                  |   | <b>100.0</b>       |
| T9001: Tempus – Czechoslovakia                  |   | 4.0                |
| T9002: ENVIRONMENT PROGRAMME                    |   | 30.0               |
| T9101: Energy                                   |   | 5.0                |
| T9102: Environment II                           |   | 5.0                |
| T9103: Telecom                                  |   | 6.0                |
| T9105: Enterpr restruct + privat                |   | 19.0               |
| T9106: SME                                      |   | 20.0               |
| T9107: Technical Ass. Fund                      |   | 20.0               |
| T9108: Labour                                   |   | 15.0               |
| T9109: Tempus                                   |   | 9.0                |
| <b>CZECHOSLOVAKIA</b>                           |   | <b>133.0</b>       |
| Y9001: Financial Sector                         |   | 35.0               |
| Y9102: Tempus                                   |   | 6.0                |
| <b>YUGOSLAVIA</b>                               |   | <b>41.0</b>        |
| <b>Total National Programmes</b>                |   | <b>990.6</b>       |
| A9101: Emerg Food Aid Triangular                |   | 5.0                |
| A9103: Assistance Technique                     |   | 5.0                |
| B9108: Medical supplies Bulgaria                |   | 10.0               |
| B9111: Short Term Energy Import                 |   | 10.0               |
| R9001: Aide Urgence – Roumanie                  |   | 11.1               |
| R9003: Orphelins Roumanie                       |   | 3.0                |
| R9004: Urgent children aid                      |   | 1.4                |
| R9101: Crown Agents                             |   | 0.5                |

| PHARE COMMITMENTS - 1990 & 1991      | 20-Feb-92       | Ref.: AQ_CPET02 |
|--------------------------------------|-----------------|-----------------|
| (in Mio ECU)                         |                 | Source: PHOS 4  |
|                                      | Total Committed |                 |
| R9102: Enfants Roumanie              | 5.5             |                 |
| R9103: Medical Supplies              | 10.0            |                 |
| R9112: Emerg. aid flood victims      | 0.3             |                 |
| R9113: Humanitar. aid Romania 1      | 1.8             |                 |
| R9114: Humanitar. aid Romania 2      | 12.2            |                 |
| R9115: Humanitarian aid (wheat)      | 4.0             |                 |
| Y9101: Humanitarian Aid              | 8.0             |                 |
| Y9103: Monitor Mission               | 0.4             |                 |
| Y9104: UNICEF                        | 0.0             |                 |
| <b>Total Humanitarian Aid</b>        | <b>88.2</b>     |                 |
| B9110: Safety Nuclear Power Plnt     | 11.5            |                 |
| Z9001: Ace action coop economic      | 1.5             |                 |
| Z9002: Tempus - Technical Ass        | 2.0             |                 |
| Z9003: Tempus operation pgrm         | 18.0            |                 |
| Z9004: Contrat Cadre/Agrar           | 1.4             |                 |
| Z9101: joint venture scheme          | 20.0            |                 |
| Z9103: TEMPUS - TECH ASSISTANCE      | 3.0             |                 |
| Z9105: Customs                       | 5.0             |                 |
| Z9107: Info Central + East Europ     | 1.5             |                 |
| Z9108: Statistics                    | 3.0             |                 |
| Z9109: ACE                           | 5.0             |                 |
| Z9110: Tempus operation              | 15.0            |                 |
| Z9111: Environment                   | 20.0            |                 |
| Z9112: Nuclear Safety                | 3.5             |                 |
| Z9113: Standards                     | 4.3             |                 |
| Z9114: SIGMA                         | 3.0             |                 |
| Z9115: Tempus (T.A. extension)       | 2.6             |                 |
| Z9117: R&D Cosine                    | 2.5             |                 |
| <b>Total Regional Programmes</b>     | <b>122.8</b>    |                 |
| Z9005: PGR MULTIDISCIP POL/HUN       | 4.3             |                 |
| Z9007: Multi. 2.                     | 4.4             |                 |
| Z9102: multidisciplinaire 3          | 3.6             |                 |
| Z9104: Dangroup/Agrar 1991           | 1.4             |                 |
| Z9116: Multi-Disciplinaire (IV)      | 5.0             |                 |
| <b>Total Multidisciplinary Prog.</b> | <b>18.6</b>     |                 |
| Z9006: M I N I - B U D G E T         | 3.4             |                 |
| Z9008: Feoga - Garantie              | 51.0            |                 |
| Z9106: Stages Fonct. PECO            | 0.4             |                 |
| <b>Total Other Programmes</b>        | <b>54.8</b>     |                 |
| <b>Grand TOTAL</b>                   | <b>1 275.0</b>  |                 |



PHARE  
OVERVIEW OF OPERATIONAL PROCEDURES

1. PARTNERS OF THE COMMISSION

- (a) Management Committee : (Art. 9 of Regulation) consisting of representatives of Member States; set up to give opinion on the actions proposed by the Commission.
- (b) In each country : A National Coordinator is the main correspondent of the PHARE Operational Service. He filters the proposals formulated by the various Ministries and coordinates the preparation of the national programme. Usually assisted by a TA team funded from PHARE.
- (c) CEC Delegations : (Warsaw, Budapest and Belgrade) assure contact with national authorities, supervise implementation of projects.
- (d) Implementation Units : Set up within the relevant technical Ministry (project) to assist with the practical aspects of implementation and coordination.

2. PROJECT CYCLE

- (a) General Orientations : Discussed by the Management Committee and approved by the Commission, defining objectives, priorities and proposing indicative allocation of funds per country and per type of activity.
- (b) Programming : Definition of objectives and priorities as well as broad sectoral allocation on a country basis. Agreed between Commission and national authorities.
- (c) Identification : Specific projects are identified by recipients/Commission/consultants/other donors.
- (d) Feasibility Study/Project Preparation Documents : Analysis of identified programmes normally undertaken by hired consultants working in conjunction with the recipient country's institutions.
- (e) Project appraisal : Undertaken by the Commission in conjunction with the recipient country's institutions. Frequently during a mission whose purpose is to obtain final agreement on the proposed operation between recipient, Commission and the consultant.

- (f) Financing Proposal : Summary of the main elements of the feasibility study, preparatory papers and of the appraisal, presented to the Management Committee for opinion and afterwards to the Commission for decision.
- (g) Financing Memorandum : Agreement between the Commission and the national authorities awarding the financial commitment and defining the implementation provisions applicable to a specific project.
- (h) Framework Agreement : A once-for-all agreement between the Commission and the national authorities, defining the general conditions of PHARE aid (the "general provisions" of the financing memorandum).
- (i) Implementation : The operation is implemented by the recipient country, or, in a minority of cases, by the Commission acting on the recipient's behalf.

Typically an operation comprises the provision of services (TA, training ...) or supplies. These have to be purchased through contracts. (See separate memo on award procedures).

(j) Payments

(i) Direct payment

The Commission pays the consultants or suppliers against invoices or statements of expenditure certified by the supervising institution.

(ii) Implementation under "work programmes" with advance payments

A work programme is a detailed "business plan" for the implementing institution in the recipient country. It specifies all action to be taken, services and goods to be purchased etc. for a six-month period, and the planned expenditure. The programme is agreed with the Commission, which then pays the implementing institution an advance corresponding to the planned expenditure.

On submission of the next six-monthly work programme, the Commission evaluates progress and replenishes the advance in accordance with actual approved expenditure.

This system is always combined with six-monthly external audits.

- (k) Monitoring/Audit : Reports by independent bodies checking implementation. Contracts usually awarded by Commission.
- (l) Evaluation : So far only occasional ad hoc evaluation. Commission is now setting up a systematic and automatic evaluation system covering all projects financed, based on the Logic of Framework method.

3. CONTROL EXTERNAL TO PHARE

- (a) Missions by "Financial Control" : Financial Control is a Commission body that has to verify whether CEC Regulations on tendering, contracting, payment etc. have been respected whenever expenditures are made. FC undertakes control mission in the recipient countries in order to verify the regularity of management of the funds.
- (b) Mission by "Court of Auditors" : Court of Auditors is a body reporting to the Council and the European Parliament. CoA verifies the proper utilisation of the EC funds in accordance with the decisions of the budgetary authorities and the EC Regulations.



## ***C. PROGRAMME INFORMATION***

C 79  
~~B.78~~

## ***C. PROGRAMME INFORMATION***



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

*The*

*PHARE*

LIST OF  
APPROVED PROJECTS

from 1990 to July 1992

*Written & compiled by the PHARE Advisory Unit*

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## LIST OF APPROVED PROJECTS BY COUNTRY

## ALBANIA

ALBANIA 1992

Amount (MECU)

|   |     |
|---|-----|
| General Technical Assistance Facility<br><i>Project proposed July 1992 (MC 17)</i><br><i>Project Manager: Mr J. Sanchez</i>   | 4.4 |
| Support of the transport sector<br><i>Project proposed July 1992 (MC 18)</i><br><i>Project Manager: Mrs E. Malinowska</i>     | 4.4 |
| TEMPUS (see Regional Approved Projects List)<br><i>Project proposed May 1992 (MC 16)</i><br><i>Project Manager: Mr Küpper</i> | 1.2 |

## LIST OF APPROVED PROJECTS BY COUNTRY

## BULGARIA

Amount  
(MECU)**BULGARIA 1990**

|   |             |
|---|-------------|
| 1. Programme for the Development of Private Agriculture<br>Project Manager: A Castro Freire | 16.0        |
| 2. Air Pollution Monitoring Programme<br>Project Manager: H StausbCll                       | 3.5         |
| 3. Maternal and Child Health Care Programme<br>Project Manager: C Broekhuizen               | 5.0         |
| <b>Total 1991</b>   | <b>24.5</b> |

**BULGARIA 1991**

|   |             |
|---|-------------|
| 1. Regional Programme for Nuclear Safety at Kozlody<br>(Regional Facility)<br>Project Manager: M Franco   | 11.5        |
| 2. Environmental Sector Programme<br>Project Manager: H StausbCll   | 7.5         |
| 3. Financial Sector Development Programme<br>Project Manager:   | 10.0        |
| 4. Programme for the Restructuring of the<br>Agricultural Sector<br>Project Manager: A Castro Freire  | 25.0        |
| 5. Modernisation of Telecommunication Equipment<br>Project Manager: G Raad  | 3.0         |
| 6. Programme for Enterprise Restructuring /<br>Privatisation and the Development<br>of Small and Medium Sized Enterprises<br>Project Manager: C Broekhuizen | 20.0        |
| 7. Labour Market Sector<br>Project Manager: C Hughes  | 2.5         |
| 8. Assistance for the Restructuring of the Energy Sector<br>Project Manager:  | 2.0         |
| <b>Total 1991</b>   | <b>81.5</b> |

# LIST OF APPROVED PROJECTS BY COUNTRY

## BULGARIA

### BULGARIA 1992

Amount (MECU)

|   |      |
|---|------|
| Kozloduy emergency nuclear safety programme<br><i>Project proposed July 1992 (MC 17)</i><br><i>Project Manager: Mr L. Brill</i>               | 3.5  |
| Technical Assistance to the telecommunications sector<br><i>Project proposed July 1992 (MC 18)</i><br><i>Project Manager: Mr G. Raad</i>      | 3.0  |
| Programme for SMEs, regional reconversion and development<br><i>Project proposed July 1992 (MC 18)</i><br><i>Project Manager: Mr P. Mirel</i> | 22.5 |
| FFMPUS (see Regional Approved Projects List)<br><i>Project proposed May 1992 (MC 16)</i><br><i>Project Manager: Mr. Küpper</i>                | 8.0  |



## LIST OF APPROVED PROJECTS BY COUNTRY

## CZECHOSLOVAKIA

|  | Amount<br>(MECU) |
|--|------------------|
| <b><u>CZECHOSLOVAKIA 1990</u></b>  |                  |
| 1. Environment Protection Programme<br>Project Manager: H Stausbcil  | 30.0             |
| <b>Total 1990</b>  | <b>30.0</b>      |
| <b><u>CZECHOSLOVAKIA 1991</u></b>  |                  |
| 1. Assistance for the Restructuring of the Energy Sector<br>Project Manager: G Raad  | 5.0              |
| 2. Environmental Sector Programme<br>Project Manager: H. Stausbcil   | 5.0              |
| 3. Technical Assistance for the Reorganisation of the CSFR<br>Telecoms<br>Project Manager: G Raad                                    | 6.0              |
| 4. Privatisation and Restructuring of State Enterprises in<br>the Czech and Slovak Federal Republic<br>Project Manager: M Da Venezia | 19.0             |
| 5. General Technical Assistance Facility<br>Project Manager: M Priestley   | 20.0             |
| 6. SME Programme<br>Project Manager: P Mirel   | 20.0             |
| 7. Labour Market Development<br>Project Manager:   | 15.0             |
| <b>Total 1991</b>  | <b>90.0</b>      |

# LIST OF APPROVED PROJECTS BY COUNTRY

## CSFR

### CSFR 1992

Amount (MECU)

|  |     |
|--|-----|
| <p>Technical Assistance to the energy sector<br/> <i>Project proposed July 1992 (MC 17)</i><br/> <i>Project Manager: Mr C. Hiltz &amp; Mr G. Raad</i></p>      | 4.0 |
| <p>General Technical Assistance Facility<br/> <i>Project proposed May 1992 (MC 16)</i><br/> <i>Project Manager: Mr J. Füllenbach</i></p>                       | 30  |
| <p>Privatisation, restructuring and private sector development<br/> <i>Project proposed July 1992 (MC18)</i><br/> <i>Project Manager: Mr S. Da Venezia</i></p> | 31  |
| <p>Renewal of the education system<br/> <i>Project Proposed July 1992 (MC 18)</i><br/> <i>Project Manager: Mr J. Füllenbach</i></p>                            | 10  |
| <p>TEMPUS (see Regional Approved Projects List)<br/> <i>Project proposed May 1992 (MC 16)</i><br/> <i>Project Manager: Mr. Küpper</i></p>                      | 13  |

LIST OF APPROVED PROJECTS BY COUNTRY  
GERMAN DEMOCRATIC REPUBLIC

|  | Amount<br>(MECU) |
|--|------------------|
| <b><u>GERMAN DEMOCRATIC REPUBLIC 1990</u></b>  |                  |
| 1. Environmental Protection Programme  | 20.0             |
| 2. Programme for the Development of Regional Economic<br>Structure and for the Adaptation of Economic Statistics | 14.0             |
| <b>Total 1990</b>  | <b>34.0</b>      |

**LIST OF APPROVED PROJECTS BY COUNTRY****ESTONIA****ESTONIA 1992**

Amount (MECU)

|  |     |
|--|-----|
| General Technical Assistance Facility        | 9   |
| <i>Project proposed July 1992 (MC 17)</i>    |     |
| <i>Project Manager: Mr H. Abbott</i>         |     |
| TEMPUS (see Regional Approved Projects List) | 1.0 |
| <i>Project proposed May 1992 (MC 16)</i>     |     |
| <i>Project Manager: Mr. Küpper</i>           |     |

## LIST OF APPROVED PROJECTS BY COUNTRY

## HUNGARY

|   | Amount<br>(MECU) |
|---|------------------|
| <b><u>HUNGARY 1990</u></b>  |                  |
| 1. Programme for the Modernisation of the Financial System<br>Project Manager: P Mirel                        | 5.0              |
| 2. Environmental Protection Programme<br>Project Manager: H Stausböll   | 25.0             |
| 3. Community Participation in the Regional Environment<br>Centre in Budapest<br>Project Manager: H Stausböll  | 2.0              |
| 4. Programme for the Development of Private Farming<br>Project Manager: V. Alliaa                             | 20.0             |
| 5. Basic Technical Assistance Programme for the<br>Privatisation Agency<br>Project Manager: P Mirel           | 5.0              |
| 6. Programme of Assistance for SME<br>Project Manager: C Broekhuizen  | 21.0             |
| 7. Sectoral Modernisation Programme for<br>Research Infrastructure<br>Project Manager: C Broekhuizen          | 3.0              |
| 8. Programme for the Upgrading of Higher Education<br>Project Manager:  | 3.0              |
| 9. Programme for the Development and Reform<br>of Vocational Education<br>Project Manager: PHOS 3             | 1.5              |
| 10. Programme for the Promotion of Local<br>Community Development and Social Welfare<br>Project Manager: PHOS | 3.0              |
| 11. Sectoral Programme for the Modernisation of the<br>Infrastructure for Foreign Trade<br>Project Manager:   | 1.3              |
| <b>Total 1990</b>   | <b>89.8</b>      |

## LIST OF APPROVED PROJECTS BY COUNTRY

## HUNGARY

|   | Amount<br>(MECU) |
|---|------------------|
| <b><u>HUNGARY 1991</u></b>  |                  |
| 1. Financial Sector Development Programme<br>Project Manager: R Daudin                          | 9.0              |
| 2. Environmental Protection Programme Phase II<br>Project Manager: H Stausbøll                  | 10.0             |
| 3. Assistance for the Restructuring of the Energy Sector<br>Project Manager: G Raad             | 5.0              |
| 4. Programme for the Restructuring of the Agriculture<br>Project Manager: H Abbott              | 13.0             |
| 5. Technical Assistance for the Transport Sector<br>Project Manager: E Malinowksa               | 2.0              |
| 6. Enterprise Restructuring and Privatisation<br>Project Manager: P Mirel / C Broekhuizen       | 40.0             |
| 7. National Firm Registration and Information System<br>Project Manager: C Broekhuizen          | 1.5              |
| 8. Small and Medium Sized Enterprises<br>Project Manager: P Mirel                               | 4.0              |
| 9. Infrastructure Trade Development and<br>Investment Programme<br>Project Manager: M Priestley | 5.0              |
| 10. Customs Computerisation<br>Project Manager: S Christiane                                    | 8.0              |
| 11. Research and Development Programme<br>Project Manager: S Christiane                         | 5.0              |
| 12. Programme for the reform of the Hungarian<br>Statistical Information System                 | 9.5              |
| <b>Total 1991</b>   | <b>112.0</b>     |

# LIST OF APPROVED PROJECTS BY COUNTRY

## HUNGARY

### HUNGARY 1992

|  | Amount (MECU) |
|--|---------------|
| Agricultural Credit Channels                 | 5.0           |
| <i>Project proposed July 1992 (MC 18)</i>    |               |
| <i>Project Manager: Mrs R. Derichs</i>       |               |
| Environmental sector programme               | 10            |
| <i>Project proposed July 1992 (MC 18)</i>    |               |
| <i>Project Manager: Mr H. Stausbøll</i>      |               |
| TEMPUS (see Regional Approved Projects List) | 16            |
| <i>Project proposed May 1992 (MC 16)</i>     |               |
| <i>Project Manager: Mr. Küpper</i>           |               |

**LIST OF APPROVED PROJECTS BY COUNTRY****LATVIA****LATVIA 1992**

Amount (MECU)

|  |      |
|--|------|
| General Technical Assistance Facility        | 13.5 |
| <i>Project proposed July 1992 (MC 17)</i>    |      |
| <i>Project Manager: Mr H. de Chavagnac</i>   |      |
| TEMPUS (see Regional Approved Projects List) | 1.5  |
| <i>Project proposed May 1992 (MC 16)</i>     |      |
| <i>Project Manager: Mr. Küpper</i>           |      |



## LIST OF APPROVED PROJECTS BY COUNTRY

## LITHUANIA

LITHUANIA 1992

Amount (MECU)

|   |     |
|---|-----|
| General Technical Assistance Facility<br><i>Project proposed July 1992 (MC 17)</i><br><i>Project Manager: Mr F. Hesse</i>                       | 9.0 |
| Pivatisation and Small & Medium-sized Enterprises programme<br><i>Project proposed July 1992 (MC 17)</i><br><i>Project Manager: Mr F. Hesse</i> | 9.5 |
| TEMPUS (see Regional Approved Projects List)<br><i>Project proposed May 1992 (MC 16)</i><br><i>Project Manager: Mr. Küpper</i>                  | 1.5 |

## LIST OF APPROVED PROJECTS BY COUNTRY

## POLAND

|   | Amount<br>(MECU) |
|---|------------------|
| <b><u>POLAND 1990</u></b>   |                  |
| 1. Sectoral Import Programme for Animal Feed<br>and Animal Feed Additives<br>Project Manager: V Alliaa                                      | 20.0             |
| 2. Environmental Protection Programme Phase I<br>Project Manager: H StausbCII   | 22.0             |
| 3. Basical Technical Assistance Programme for<br>the Privatisation Agency<br>Project Manager: C Broekhuizen                                 | 9.0              |
| 4. Sectoral Import and Technical Assistance<br>Programme for SME<br>Project Manager: P Mirel  | 25.0             |
| 5. Establishment of Lines of Credit for Imports of Agricultural<br>Equipment and Equipment for the Food Industry<br>Project Manager: PHOS 2 | 30.0             |
| 6. Programme of Assistance for Developing Statistical Systems<br>Project Manager: PHOS 1  | 1.5              |
| 7. Sectoral Import Programme for Plant Protection Products<br>Project Manager: PHOS 2   | 50.0             |
| 8. Programme for the Development of Rural Telecommunications<br>Project Manager: G Raad / M Franco  | 6.0              |
| 9. Programme of Assistance in the Field of Vocational<br>Education and Training<br>Project Manager: J Sanchez                               | 2.8              |
| 10. Programme of Assistance for the Industrial Restructuring<br>Project Manager: PHOS 1   | 4.0              |
| 11. Programme for Equity Investments in Private Enterprises<br>Project Manager: PHOS 1  | 2.0              |
| 12. Programme for the Development of Foreign Trade<br>Infrastructure<br>Project Manager: PHOS 1   | 8.5              |
| <b>Total 1990</b>   | <b>180.8</b>     |

# LIST OF APPROVED PROJECTS BY COUNTRY

## MULTIDISCIPLINARY PROGRAMMES

|  | Amount<br>(MECU) |
|--|------------------|
| <b><u>MULTIDISCIPLINARY PROGRAMMES 1990</u></b>  |                  |
| 1. Multidisciplinary Fund I<br>Project Manager: W. Simon   | 4.3              |
| 2. Multidisciplinary Fund II<br>Project Manager: W. Simon  | 4.4              |
| <b>Total 1990</b>  | <b>8.7</b>       |
| <b><u>MULTIDISCIPLINARY PROGRAMMES 1991</u></b>  |                  |
| 1. Multidisciplinary Fund III<br>Project Manager:  | 3.6              |
| 2. Multidisciplinary Fund IV<br>Project Manager:   | 5.0              |
| <b>Total 1991</b>  | <b>8.6</b>       |
| <b><u>TEMPUS (Trans European Mobility Programme for Higher Education)</u></b>  |                  |
| 1. TEMPUS - Implementation of the Trans-European Mobility Programme for Higher Education 1990<br>Project Manager: J. Sanchez / TEMPUS Office M. Küpper   | 25.0             |
| 2. TEMPUS - Trans-European Mobility Programme for Higher Education (Hungary, Poland, CSFR, Bulgaria, Romania and Yugoslavia 1991)<br>Project Manager: J. Sanchez / TEMPUS Office M. Küpper           | 55.5             |
| 3. TEMPUS - Technical Assistance Relating to the Trans-European Scheme for University Studies (Hungary, Poland, CSFR, Bulgaria, Yugoslavia)<br>Project Manager: J. Sanchez / TEMPUS Office M. Küpper | 3.0              |
| 4. TEMPUS (Regional Projects)<br>Project Manager: J. Sanchez / TEMPUS Office M. Küpper   | 15.0             |
| 5. TEMPUS (Extension of TA)<br>Project Manager: M. Küpper  | 2.6              |
| <b>Total 1990-1991</b>   | <b>101.1</b>     |

# LIST OF APPROVED PROJECTS BY COUNTRY

## POLAND

|  | Amount<br>(MECU) |
|--|------------------|
| <b><u>POLAND 1991</u></b>  |                  |
| 1. Public Administration Reforms<br>Project Manager:   | 4.0              |
| 2. Environmental Sector Programme Phase II (ii)<br>Project Manager; H Stausbøll              | 35.0             |
| 3. Advisory Support for Energy Sector Reforms<br>Project Manager:                            | 3.0              |
| 4. Municipal Development and Training<br>Project Manager: R Redmond                          | 3.5              |
| 5. Agricultural and Rural Development<br>Project Manager: V Allia                            | 17.0             |
| 6. Modernisation of Telecommunication Equipment<br>Project Manager: G Raad                   | 5.0              |
| 7. Technical Assistance to the Transport Sector<br>Project Manager: E Mallinowska            | 2.0              |
| 8. Financial Sector Development<br>Project Manager: P Mirel                                  | 16.0             |
| 9. SME Development in the Private Sector<br>Project Manager: P Mirell                        | 6.0              |
| 10. Enterprise Restructuring, Privatisation and Demonopolisation<br>Project Manager: P Mirel | 50.0             |
| 11. Socio-Economic Development in Poland<br>Project Manager:                                 | 18.0             |
| 12. Civic Dialogue Support Programme<br>Project Manager: R Redmond                           | 3.0              |
| 13. Health Reform Programme<br>Project Manager: H Bougarde                                   | 20.0             |
| 14. Upgrading Education and Training in Poland<br>Project Manager:                           | 1.0              |
| <b>Total 1991</b>  | <b>183.5</b>     |

## LIST OF APPROVED PROJECTS BY COUNTRY

### POLAND

#### POLAND 1992

Amount (MECU)

|  |     |
|--|-----|
| Export development programme<br><i>Project proposed July 1992 (MC 18)</i><br><i>Project Manager: Mr P. Mirel</i>               | 10  |
| Tourism development programme<br><i>Project proposed July 1992 (MC 18)</i><br><i>Project Manager: Mr P. Mirel</i>              | 4.5 |
| TEMPUS (see Regional Approved Projects List)<br><i>Project proposed May 1992 (MC 16)</i><br><i>Project Manager: Mr. Küpper</i> | 26  |

## LIST OF APPROVED PROJECTS BY COUNTRY

## ROMANIA

|   | Amount<br>(MECU) |
|---|------------------|
| <b><u>ROMANIA 1990</u></b>  |                  |
| 1. Medical Aid<br>Project Manager: J Rand   | 11.5             |
| 2. Crash Heating and Repair for Orphanages<br>Project Manager: J Rand               | 3.0              |
| 3. Medico Nutritional Programme for Children<br>Project Manager: M Houben           | 1.4              |
| <b>Total 1990</b>   | <b>15.9</b>      |
| <b><u>ROMANIA 1991</u></b>  |                  |
| 1. General Technical Assistance<br>Project Manager: R Daudin                        | 22.0             |
| 2. Support for Restructuring the Healthcare System<br>Project Manager: S Christiane | 25.0             |
| 3. Agricultural Inputs and Animal Feed Programme<br>Project Manager: V Allia        | 25.0             |
| 4. Agricultural and Animal Feed Programme<br>Project Manager:                       | 9.0              |
| 5. Surface Transport Sector Support<br>Project Manager:                             | 9.0              |
| <b>Total 1991</b>   | <b>90.0</b>      |

**LIST OF APPROVED PROJECTS BY COUNTRY****ROMANIA****ROMANIA 1992**

Amount (MECU)

|   |    |
|---|----|
| General Technical Assistance Facility<br><i>Project proposed May 1992 (MC 16)</i><br><i>Project Manager: Mr R. Daudin</i>                             | 15 |
| Privatisation and Small & Medium-sized Enterprises programme<br><i>Project proposed March 1992 (MC 15)</i><br><i>Project Manager: Mr J. Sanchez</i>   | 30 |
| Development of the financial sector<br><i>Project proposed May 1992 (MC 16)</i><br><i>Project Manager: Mr J. van den Heuvel &amp; Mr M. Priestley</i> | 5  |
| Agriculture & agroindustry privatisation<br><i>Project proposed May 1992 (MC 16)</i><br><i>Project Manager: Mrs R. Derichs</i>                        | 12 |
| Environmental sector programme<br><i>Project proposed July 1992 (MC 18)</i><br><i>Project Manager: Mr H. Staushøll</i>                                | 5  |
| SME development<br><i>Project proposed July 1992 (MC 18)</i><br><i>Project Manager: Mr R. Daudin</i>  | 10 |
| TEMPUS (see Regional Approved Projects List)<br><i>Project proposed May 1992 (MC 16)</i><br><i>Project Manager: Mr. Küpper</i>                        | 13 |

**LIST OF APPROVED PROJECTS BY COUNTRY****SLOVENIA****SLOVENIA 1992**

Amount (MECU)

|  |     |
|--|-----|
| General Technical Assistance Facility<br><i>Project proposed July 1992 (MC 18)</i><br><i>Project Manager: Mr S. Da Venezia</i> | 6.7 |
| TEMPUS (see Regional Approved Projects List)<br><i>Project proposed May 1992 (MC 16)</i><br><i>Project Manager: Mr. Küpper</i> | 2.3 |



## LIST OF APPROVED PROJECTS BY COUNTRY

## YUGOSLAVIA

|   | Amount<br>(MECU) |
|---|------------------|
| <b><u>YUGOSLAVIA 1990</u></b>   |                  |
| 1. Financial Sector and Enterprise Reform Programme<br>Project Manager: | 35.0             |
| <b>Total 1990</b>   | <b>35.0</b>      |

**YUGOSLAVIA 1991**

*PIHARE in Yugoslavia was suspended in 1991.*

# LIST OF APPROVED PROJECTS BY COUNTRY

## REGIONAL

|  | Amount<br>(MECU) |
|--|------------------|
| <b><u>REGIONAL 1990</u></b>  |                  |
| 1. 1990 Proposal for ACE (Poland & Hungary).<br>(A Proposal for A Community Action for Co-operation<br>in the Field of Economics)<br>Project Managers: C. Hughes / D. Descoutures DG XII | 1.5              |
| 2. Joint Venture Support Scheme for Central and East<br>European Countries<br>Project Managers: M. Priestley /<br>J. Magnette DG XVIII-Luxembourg  | 20.0             |
| <b>Total 1990</b>  | <b>21.5</b>      |
| <b><u>REGIONAL 1991</u></b>  |                  |
| 1. Regional Programme of Customs Co-operation<br>Project Manager: S Christiane   | 5.0              |
| 2. Information Central and Eastern Europe<br>Project Manager:  | 1.5              |
| 3. Regional Programme of Statistical Co-operation<br>Project Manager: S Seaman   | 3.0              |
| 4. 1991 Proposal for ACE<br>(A Proposal for A Community Action for Co-operation<br>in the Field of Economics)<br>Project Managers: C. Hughes / D. Descoutures DG XII                     | 5.0              |
| 5. Regional Environmental Programme<br>Project Manager: H Stausböll  | 20.0             |
| 6. Programme for Nuclear Safety 1991 (Part II)<br>(Regional Facility)<br>Project Manager: PHOS I   | 3.5              |
| 7. SIGMA<br>Project Manager:   | 3.0              |
| 8. Programme Régional d'Assurance Qualité<br>Project Manager: R Daudin   | 4.3              |
| 9. Support for the Connection of Universities and Research<br>Centres to the COSINE Network Infrastructure<br>Project Manager:   | 2.5              |
| <b>Total 1991</b>  | <b>47.8</b>      |

## LIST OF APPROVED PROJECTS BY COUNTRY

### REGIONAL

#### REGIONAL 1992

Amount (MECU)

|  |       |
|--|-------|
| PHARE Democracy programme<br><i>Project proposed May 1992 (MC 16)</i><br><i>Project Manager: Ms K. Fogg</i>                              | 5     |
| TEMPUS (see country lists for breakdown)<br><i>Project proposed May 1992 (MC 16)</i><br><i>Project Manager: Mr Küpper</i>                | 102.6 |
| Information to the CEECs<br><i>Project proposed May 1992 (MC 16)</i><br><i>Project Manager: Mr Ingber, DG X</i>                          | 2.5   |
| Transport Programme<br><i>Project proposed July 1992 (MC 18)</i><br><i>Project Manager: R. Nölke</i>                                     | 21    |
| Energy Sector Programme<br><i>Project proposed July 1992 (MC 18)</i><br><i>Project Manager: Mr C. Hiltz</i>                              | 7     |
| Technical Assistance programme for telecommunications<br><i>Project proposed July 1992 (MC 18)</i><br><i>Project Manager: Mr G. Raad</i> | 7     |
| Environmental sector programme<br><i>Project proposed July 1992 (MC 18)</i><br><i>Project Manager: Mr H. Stausbøll</i>                   | 16    |
| Programme on industrial property<br><i>Project proposed July 1992 (MC 18)</i><br><i>Project Manager: Mr R. Daudin</i>                    | 3     |
| Quality assurance programme<br><i>Project proposed July 1992 (MC 18)</i><br><i>Project Manager: Mr R. Daudin</i>                         | 2     |

# **PHARE**

# **DOCUMENTATION**

COMMISSION  
OF THE EUROPEAN COMMUNITIES



## The PHARE Indicative Programmes

1992

Since 1989, the EC PHARE programme has been a major force assisting the countries of Central and Eastern Europe (the CEECs) to restructure and reform their economies.

This substantial EC effort - 1 billion ECU in 1992 - does not provide direct support or funding to individual business projects in the beneficiary countries. It is designed to help the latter's governments implement the policies, strategies and measures necessary for the reconstruction of their economies and their successful transition towards a market economy.

PHARE's activities are therefore "demand driven", responding to the beneficiary states' requests within the relevant framework of rules and procedures.

The areas of cooperation are determined on an annual basis, since PHARE funds are provided in the annual budget of the EC. Approximately 75% of the allocation is distributed among the various (currently nine) beneficiary countries on the basis of need, requests for assistance and the ability to absorb and utilise this technical and financial assistance. 10 to 15% of the allocation is spent on regional programmes (affecting three or more countries), while 5 to 10% finances humanitarian aid.

PHARE funds are aimed at providing technical assistance, start-up aids, infrastructural assistance and credits preferably in non-commercial areas or sectors too risky for commercial finance. There, their impact is most substantial, contributing to the development of a climate favourable to private investment and economic recovery.

### A) The PHARE annual programme cycle

On the basis of guidelines agreed with the EC Member States, general allocations and strategies for PHARE Assistance are worked out between the Commission's PHARE Operational Service (PHOS) and the National Coordinators, which are nominated by the recipient countries' governments. Beneficiary governments' requests are matched with the Commission's assessment of needs and, of course, available funding.

The discussions result in agreement on the general direction of PHARE assistance in each country for the year in question, including the identification of the core sectors and the amounts to be allocated to each of them. The results are recorded in the Indicative Programme.

Following these discussions, specific technical support programmes falling within the framework of the Indicative Programme are identified by the recipient country and PHOS,

PHARE



Indicative  
Programme 92

often with the help of consultants. The nature and scale of PHARE intervention is defined and laid down in a Financing Proposal submitted to the Management Committee of the EC Member States for opinion. The Commission then adopts a financing decision and a Financing Memorandum is signed by the Commission and the beneficiary country's government. The support programme is then ready to be implemented.

**B) THE INDICATIVE PROGRAMMES: what are they ?**

The Indicative Programmes act as general master plans which provide the Commission and its national counterparts with the necessary guidelines and parameters for programming in the year ahead.

Although a separate indicative programme is drawn up for each recipient country as a formal document, signed by both parties and with sums allocated to individual sectors, the financial commitments are provisional. They do not allocate in any legally binding way any funds to any individual project.

**C) THE INDICATIVE PROGRAMMES: what do they tell you?**

It is worth repeating that the Indicative Programmes give the business community at large only a general idea of the sectors for which beneficiary countries have specifically requested PHARE assistance.

It must be borne in mind that PHARE is only one of several major financing institutions active in Central and Eastern Europe. Others may be involved in financing projects in sectors not included in a PHARE Indicative Programme.

The PHARE Indicative Programmes thus do not provide a complete picture of the ongoing reform processes or underlying policies in recipient countries.

They do not provide an in-depth assessment of a country's economic performance or an indication of its business rules.

They do not act as a reliable pointer to opportunities.

**D) THE INDICATIVE PROGRAMMES: some observations**

In 1990, PHARE funds were allocated in response to the immediate situation and with short term needs in mind.

With time, experience and a refinement in procedures, a different approach had evolved by 1991. Core sectors were re-defined so that effectiveness would not be lost by dispersal over too many projects.

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It was decided to base programmes on a two year perspective whenever possible so as to better concentrate on the long term infrastructural requirements of economies converting to market principles.

The following priorities were identified and emerged as core sectors:

- \* the restructuring of state enterprises;
- \* the modernisation of financial services;
- \* the promotion of the private sector, with the emphasis on small & medium-sized enterprises;
- \* the development of labour markets and the social sectors.

Provision was made for the establishment of:

- \* the supporting governmental services and institutions;
- \* legal and regulatory frameworks, crucial if private industry is to become independent of economic aid initiatives.

#### F) The 1992 Indicative Programmes in each country

When comparing the indicative programmes, it must be borne in mind that they reflect each country's specific situation, policies and needs. The recipient countries joined the PHARE programme at three different times over the past three years, the latest additions being Albania, Estonia, Latvia and Lithuania (which joined in December 1991). Accordingly, different groups of recipients, each at different stages of restructuring, have evolved. Yugoslavia, although included in the Programme by Council Regulation 2698/90, no longer benefits from PHARE assistance, aid having been suspended in November 1991. Preparations are being made to extend PHARE aid to Croatia and Slovenia. Other states may be included after they achieve recognition by the Community and demonstrate a continuous adherence to democratic and market principles.

Despite the differing situations, policies and needs among the recipient countries, there are some common areas of concentration in their development programme

- \* The establishment of legal and institutional frameworks.
- \* Institutional development, including the modernization of public administration and greater accountability at both local and national level.
- \* The growth and development of civic society and social dialogue.
- \* The development of human resources, especially in the context of educational reform or co-operative schemes

# PHARE



Indicative  
Programme 92



such as TEMPUS (Trans-European Mobility Programme for University Studies).

- \* Increased emphasis on science and technology.
- \* The provision of effective means of investment promotion and means for channeling investment funds to firms in need of them.

Lastly, efforts will be made by both the EC and the recipient country's authorities to enhance complementarity with other sources of assistance from G-24 bilateral donors as well as from other international financing institutions.

## Albania

### *Background*

Albania is in the worst economic and social situation of all the PHARE countries. Although the new Albanian government is deeply committed to change to a market economy, especially under the new prime minister, M. Berisha, the state of the country is such that it will require special care from PHARE and other international organisations for quite some time. The government is currently selecting the key sectors of the economy and the priority industrial enterprises targeted for aid so as to restart production, which is at a virtual standstill. This is not an easy task as there are no longer any spare parts in the country and disruptions are widespread. Furthermore, the food supply situation is bad and is unlikely to improve soon: coming harvests are not expected to cover more than a fraction of needs. As a result, the majority of PHARE funds (15 MECU) have been allocated to promote reform of the agricultural sectors, with the remaining 10 MECU going to technical assistance for economic reform programmes.

### *Albania: PHARE Assistance in 1992*

|  |                |
|--|----------------|
| <b>Total commitment in 1992</b>  | <b>25 MECU</b> |
| <u>Sector</u>  | <u>MECU</u>    |
| * <b>Agriculture:</b><br><i>the funds will be used to buy emergency supplies of seed and animal feed products.</i>   | <b>15</b>      |
| * <b>General Technical Assistance Facility (GTAF):</b><br><i>used for SMEs, privatisation and finance.</i>   | <b>2.8</b>     |
| * <b>General Equipment Facility (GEF):</b><br><i>the GEF has been merged with GTAF. Funds will be used to supply equipment to the transport, health, public administration and customs services.</i> | <b>6.0</b>     |
| * <b>TEMPUS</b>  | <b>1.2</b>     |

More than 30 MECU have already been used by PHARE for humanitarian aid in order to supply much-needed spare parts and

# PHARE



Indicative Programme 92

raw materials which will enable industrial production to tick over in the short term.

### Estonia, Latvia and Lithuania

#### *Background*

These three countries acquired independence and obtained international recognition in mid to late 1991. Until recently, they were part of the former Soviet Union's centrally planned economy. As a result, all three face common problems. Since functioning political institutions, a professional civil service, financial infrastructures and a proper legal system are all essential requirements for the establishment of a democracy run on market principles, their most immediate challenge lies in acquiring functioning and impartial institutions.

EC Assistance to the Baltic States began in 1991 under the Technical Assistance to the USSR programme (TAUSSR, now known as TACIS: *Technical Assistance to the Commonwealth of Independent States*). PHARE has taken over the management of the programmes for the Baltic States, as decided by Council Regulation 3800/91.

TAUSSR commitment in 1991: 15 MECU

#### 1991 breakdown:

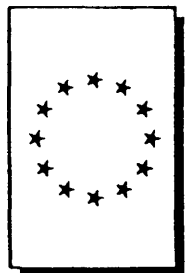
**Estonia:** *the core sector was agricultural, with an emphasis on land reform, agricultural co-operative development and institutional support for the Ministry of Agriculture.* 4 MECU

**Latvia:** *core sectors were maritime transport, agriculture and energy.* 5 MECU

**Lithuania:** *core sectors were agriculture; maritime transport systems; sectoral studies on other transport systems; energy reform: preparation of an energy saving plan, preparation of a safety plan and safety assessment of the Ignalina nuclear power plant.* 6 MECU

**Regional:** *technical assistance to the financial and industrial sectors for to the three central banks, the three Ministries of Finance and expert legal advice for institution building. Project details will be prepared in conjunction with the IMF.* 2.1 MECU

# PHARE



# Indicative Programme 92

*Estonia, Latvia, Lithuania: PHARE Assistance in 1992*

PHARE assistance to the Baltic States in 1992 (45 MECU, of which 26 MECU are provided by TACIS) will support the formation of the legislative and regulatory framework for a market economy in the core sectors.

PHARE assistance will also support preparatory tasks in key areas such as the labour markets, social security, customs, statistics, and public procurement.

The priority sectors of energy and the environment will also be supported.

This leads to the following targeting breakdown:

| Sector  | Estonia<br>MECU | Latvia<br>MECU | Lithuania<br>MECU |
|---|-----------------|----------------|-------------------|
| <b>Total commitment in 1992</b>                         | <b>10.0</b>     | <b>15.0</b>    | <b>20.0</b>       |
| • <b>Privatisation and Enterprise restructuring</b>     | 3.5             | 4.5            | 9.5               |
| • <b>Banking and reform of the financial sectors</b>    | 2.5             | 3.0            | 3.5               |
| • <b>TEMPUS</b>   | 1.0             | 1.5            | 1.5               |
| • <b>Co-operation and continuation of 1991 projects</b> | -               | 2.0            | -                 |
| • <b>Social Sector</b>                                  | -               | 1.3            | 2.0               |
| • <b>Other sectors</b>                                  | 3.0             | 2.7            | 3.5               |

**Bulgaria and Romania***Background*

In 1991 Romania and Bulgaria both received significant humanitarian and emergency aid (medical supplies, animal feed). This approach will be less important in 1992. Financial support will continue to be given to a limited number of supply programmes with specific objectives (farming, health etc.) which are aimed at overcoming transitional difficulties experienced during the adjustment period.

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*Bulgaria: PHARE Assistance in 1992*

Bulgaria's 1991 Indicative programme incorporated a two-year perspective. Consequently, the 1992 Indicative Programme emphasises the same core sectors. A new element will be to develop the role of civic society. This will be achieved by favouring the involvement of local government and of non-governmental civic associations and organisations. Such bodies may include trade unions, employers' organisations, professional organisations, consumer bodies etc.

**Total commitment in 1992** **90 MECU**

The breakdown for the two-year period 1991/1992 is as follows:

| Sector   | MECU       |
|--|------------|
| <ul style="list-style-type: none"> <li>• <b>Enterprise restructuring &amp; privatisation</b><br/><i>to finance advisory inputs to the Ministry of Industry, Trade &amp; Services; consultancy &amp; audit services for large state enterprises; a facility for the implementation of privatization; an SME support package.</i></li> </ul> | 20         |
| <ul style="list-style-type: none"> <li>• <b>Integral regional conversion and trade unions</b></li> </ul>   | 2.5        |
| <ul style="list-style-type: none"> <li>• <b>Agriculture</b><br/><i>assistance for the development of private farming; import of inputs; technical assistance for land reform, pricing &amp; trade policy; training; the creation of a commodity exchange; and a pilot project for the restructuring of collective farms.</i></li> </ul>    | 10         |
| <ul style="list-style-type: none"> <li>• <b>Energy</b><br/><i>energy conservation &amp; efficiency; environmental impact of thermal generators; training in economic analysis &amp; investment.</i></li> </ul>   | 8          |
| <ul style="list-style-type: none"> <li>• <b>Nuclear Safety</b></li> </ul>  | 3.5        |
| <ul style="list-style-type: none"> <li>• <b>Environment</b><br/><i>monitoring: air pollution, water quality, radiation; data processing; policy development.</i></li> </ul>  | 7.5        |
| <ul style="list-style-type: none"> <li>• <b>Health care (part 1)</b></li> <li style="padding-left: 20px;">(part 2)</li> <li><i>general assistance to improve standards; development of new financing procedures &amp; resource management systems.</i></li> </ul>  | 15<br>10.5 |
| <ul style="list-style-type: none"> <li>• <b>Telecommunications</b><br/><i>restructuring: separation of regulatory &amp; operational functions, management, training, tariff reform etc.</i></li> </ul>   | 3          |
| <ul style="list-style-type: none"> <li>• <b>Transport</b></li> </ul>   | 1          |
| <ul style="list-style-type: none"> <li>• <b>Human resources</b><br/><i>TEMPUS and ACE</i></li> </ul>   | 8          |
| <ul style="list-style-type: none"> <li>• <b>Reserve</b></li> </ul>   | 1          |

# PHARE



# Indicative Programme 92

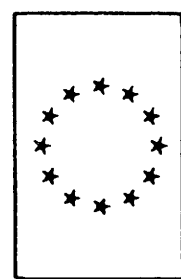
*Romania: PHARE assistance in 1992*

In Romania preliminary steps taken in the 1991 GTAF (General Technical Assistance Facility) will be developed into full scale sectoral programmes. Special attention will be given this year to developing agriculture, industry, the social sector and vocational training.

**Total commitments in 1992** **130 MECU**  
More specifically, PHARE assistance will break down as follows:

| Sector   | MECU |
|--|------|
| <ul style="list-style-type: none"> <li>• <b>Industrial restructuring and privatisation</b><br/><i>support the National Agency for Privatisation (NAP) and the Private Ownership Funds, which will together provide privatisation and restructuring credit line for commercial companies.</i></li> </ul>  | 30   |
| <ul style="list-style-type: none"> <li>• <b>Small and medium-sized enterprises</b><br/><i>including integrated training programmes, network building between government and local structures and possible credit or guarantee schemes.</i></li> </ul>  | 10   |
| <ul style="list-style-type: none"> <li>• <b>Social sector</b><br/><i>labour market restructuring, including retraining, social services (pensions, unemployment benefit, health insurance and systems). Also development of social dialogue.</i></li> </ul>  | 15   |
| <ul style="list-style-type: none"> <li>• <b>Agriculture</b><br/><i>including a Policy Unit for the Ministry of Agriculture; the creation of alternative marketing channels, commodity markets and information systems; restructuring of agroindustries, including distribution systems, to be supported by the NAP (supra). Also some emergency supplies.</i></li> </ul>   | 32   |
| <ul style="list-style-type: none"> <li>• <b>Environment</b><br/><i>including the elaboration of a national strategy and policy planning; preparation for monitoring programmes.</i></li> </ul>   | 5    |
| <ul style="list-style-type: none"> <li>• <b>Banking and Finance</b><br/><i>follow-up to 1991 GTAF; restructuring and organisation of the Central and commercial banks; development of capital markets.</i></li> </ul>  | 5    |
| <ul style="list-style-type: none"> <li>• <b>Human resources</b><br/><i>continuation of TEMPUS, ACE etc. Establishment of an International Management Foundation to be set up with G-24 bilateral donors.</i></li> </ul>  | 14   |
| <ul style="list-style-type: none"> <li>• <b>General Technical Assistance Facility (GTAF)</b><br/><i>to finance preliminary technical assistance steps in the following domains: energy: policy, planning, integrated energy saving programme, including connection to neighbouring supply networks; tourism: training, product development and promotion; local government: institutional support; telecoms: policy development, modernisation of systems; and scientific research.</i></li> </ul> | 19   |

# PHARE



# Indicative Programme 92

## Poland, Hungary and the CSFR

### *Background*

Association Agreements were initialled by these countries with the EC on 16 December 1991. These countries, the pathbreakers of reform and restructuring, are at a more advanced stage of development. As a consequence, they are now experiencing the anticipated problems of high debt, inflation, unemployment and the loss of social safety nets. Their third set of indicative programmes reflects the desires of their governments to alleviate the resulting social problems. Inter-regional co-operation between heavily industrialised regions is encouraged, especially in the CSFR.

Further efforts will be made to strengthen complementarity with other sources of grant and loan finance, notably from G-24 bilateral aid, the World Bank, the EBRD etc.

### *The CSFR: PHARE Assistance in 1992*

**Total commitments in 1992** **100 MECU**

The breakdown of PHARE aid for 1992 is as follows:

| Sector  | MECU |
|---|------|
| <ul style="list-style-type: none"> <li>• <b>Privatization, restructuring and private sector development:</b> <span style="float: right;">31</span><br/> <i>direct operational support provision (in particular for SMEs) by an enterprise restructuring fund which will provide:</i> <ul style="list-style-type: none"> <li>- <i>limited capital for selected enterprises when justified by long-term economic and social benefits such as energy conservation;</i></li> <li>- <i>help for aspects such as company reorganisation, marketing and product design;</i></li> </ul> <i>enlargement of the current loan guarantee fund and small loan fund for SMEs; extension of the pilot programme of local enterprise agencies and satellite BICs (Business Innovation Centres); promotion of external investment to increase foreign direct investment.</i> </li> </ul> |      |
| <ul style="list-style-type: none"> <li>• <b>Civic Society Development:</b> <span style="float: right;">2</span><br/> <i>In 1991 both the SME and labour market restructuring programmes in the CSFR encouraged the growth of NGOs. In 1992 PHARE will support the establishment of a Civic Development fund to boost similar organisations.</i> </li> </ul>   |      |
| <ul style="list-style-type: none"> <li>• <b>Energy:</b> <span style="float: right;">4</span><br/> <i>In 1991 the energy programme concentrated on the diversification of primary fuels and energy sources. In 1992 PHARE will support advice on regulatory institutions, electricity pricing and regional planning; the continuation of the 1991 programme; the run-down of the brown coal industry; speeding up diversification through planning gas linkages to alternative sources; and connection of the national grid to Europe's continental grid.</i> </li> </ul>  |      |

# PHARE



# Indicative Programme 92

- **Telecommunications:** 6  
*PHARE in 1991 aimed to reorganise telecommunications into profitable commercial enterprises and manage postal services effectively. The 1992 programme will continue the development of these ideas.*
- **Education:** 10  
*PHARE 1992 will support education sector reforms, especially in secondary education; curriculum development; teacher training method reforms, particularly in languages; institutes responsible for science and technology; and further reform of administration and financial systems.*
- **TEMPUS 92:** 13  
*Continuation and enlargement of 91 TEMPUS programme.*
- **GTAF 1992:** 30  
*This multidisciplinary facility will be used to fund steps in: Financing and Banking (5 MECU); Public Administration and Local Government (2 MECU); Statistics (2MECU); Health Care Management(4 MECU); Social Security (2 MECU); Transport (2 MECU); Trade Promotion (4 MECU); Standards, including support to the Patents office (2 MECU); Agricultural and food production (3 MECU).*

#### **Hungary: PHARE Assistance in 1992**

Priorities include establishing the institutional infrastructure for a market economy and strengthening the entrepreneurial basis of Hungarian society. Further, the development of human resources, the integration of social factors and the need to alleviate the adverse social and regional effects of adjustment are considered.

**Total commitment in 1992 100 MECU**

The breakdown of PHARE aid for 1992 is as follows:

| Sector  | MECU |
|---|------|
| • <b>Restructuring of the Economy:</b><br><i>Privatisation and SME programme: the 1991 programme's declared policies will be continued; further support for the Local Enterprise Agencies will be granted; and a Stateholding Company will be established (still under PHARE 1991).</i> | 11   |
| • <b>Financial Sector:</b><br><i>Enhancement of rural credit facilities; continuation of land registration projects.</i>  | 5    |
| • <b>Infrastructural:</b><br><i>Upgrading of the statistical system; integration of R&amp;D networks.</i>   | 15   |

# PHARE



Indicative Programme 92

- **Strengthening & restructuring of public administrations:** 5  
*following SIGMA, the regional programme for the reform of Public Administration established in late 1991, PHARE assistance in 1992 will aim to establish modern administrative systems in: financial management and accountability; central government information network; a professional and cost effective civil service; and improvement of local government.*
- **Regional and Local Development:** 10  
*action in the North East priority areas; strengthening the Regional Development Facility (RDF); development of inter-communal co-operation.*
- **Development of Human Resources:** 26  
*developing action programmes for the social and occupational integration of disadvantaged groups; supporting the National Council for the Reconciliation of Interests; developing employment and training and new youth training curricula (with IBRD) around Budapest.*
- **TEMPUS** 16
- **Environment, Energy and Infrastructure:** 10  
*PHARE in 1991 aimed to provide policy formulation and legislation. In 1992, PHARE will provide: Support to strengthen the Central Environment Protection Fund; administrative support to establish environmental charges and taxes; and the preparation of specific investments and funding of pilot projects focusing on environmental improvements in energy conservation and transport.*

#### **Poland: PHARE assistance in 1992**

Four issues are being prioritized by the Polish Government: economic restructuring, association with the European Communities, the development of human resources and the environment.

Total commitments in 1992 200 MECU

The breakdown of PHARE assistance in 1992 is as follows:

| Sectors | MECU |
|---------|------|
|---------|------|

#### **I. Economic restructuring:**

- **STRUDER:** 60  
*Structural development in selected regions to complement the 1990 & 1991 PHARE programmes by focussing on regional development in those parts of the country most severely affected by change: boosting productive investment, supporting SMEs, coordinating local and national actions.*

# PHARE



# Indicative Programme 92



- **EXPROM: Export promotion** 10  
*policy and institutional framework development; design and implementation of a separate operational programme; support for cooperation with foreign partners, product development and marketing.*
  - **TOURIN: development of the tourist industry** 4.5  
*support for the modification of the legal, structural and institutional framework; strategy development; financing of special advisory services; initial assistance with promotion, marketing, training, product development etc.*
  - **APRICOT:** 18  
**Agriculture - privatization and cooperatives**  
*support privatization and restructuring of the sector by breaking up large units, improving management, supporting the new Agency for State-owned Agricultural Property, further support of cooperatives and cooperative banking.*
  - **LIS: Land Information System** 5  
*support the development of a land market by improving land registration, information and cadastral systems. Includes the provision of technical assistance, training equipment.*
  - **SUPEC:** 3  
**Support to economic strategy and the creation of the Ministry of Economy - Phase I**  
*technical assistance to law reform, restructuring and future operations of the Ministry; training; support to public agencies. Implementation to be coordinated with SIGMA and OMEGA programmes.*
- II. SIERRA:** 10  
**Support to the implementation of the Europe Agreement - Phase I**  
*The Europe Agreement is a tool designed to promote the convergence of Polish laws, institutions and regulations with those of the EC. Technical assistance will be used to assist public administration, training will be provided for experts and officials and a monitoring system will be installed*
- III. Development of human resources:**
- **MOVE: Modernization of vocational education** 5  
*support to complete the design of new curricula, assist in trial implementation; support local initiatives.*
  - **TESSA: Teaching & Education in Strategically Significant Areas** 4  
*SSAs are business administration, public administration, law, economics, languages, European studies and environmental studies. The programme will support innovation by competitively funding proposals made by educational establishments.*

# PHARE



Indicative  
Programme 92

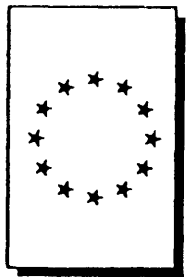
|  |     |
|--|-----|
| • TEMPUS   | 26  |
| • LAMBDA:<br>Local administration management<br>building and development<br><i>aim: to train about 1,000 regional and local civil servants.</i>  | 5.5 |
| • SCI-TECH:<br>Support for science and technology sector reform<br><i>support the pruning, consolidation and reorganisation<br/>of the existing research institutes network; assess<br/>the auditing procedures of the State Committee for<br/>Scientific Research; elaborate policy support;<br/>supply equipment; promote cooperation with EC<br/>research institutes; retrain displaced scientists.</i> | 7   |
| IV. Environment  | 18  |
| <i>strengthening of ecological education</i>   |     |
| • GTAF: General Technical assistance facility<br><i>Institutional reform and support in: public finance<br/>management; labour &amp; social policy; financial institutions;<br/>intellectual property; regional development and energy saving.</i>   | 10  |
| • Reserve fund<br><i>to be allocated by 15/9/92, mostly to SIERRA.</i>   | 14  |

*N. B.:*

Indicative programmes for the  
former Yugoslav Republics  
and the regional programmes are not yet  
available.

They will be published in due course

PHARE



Indicative  
Programme 92





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

*The*

*PHARE*

MINI-COMPENDIUM

1992

DRAFT

*Written & compiled by the PHARE Advisory Unit*

(Version 1.0 EN 7/92)

I/631/92-EN.

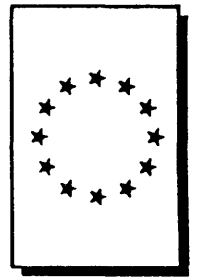
PHARE Advisory Unit P. Kalbe, J. López de Ayala, A. Rakshit, M. Rhye, Williams, P. Worms  
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**PREAMBLE TO PHARE**

In order to provide support to the process of economic and social reform to the countries of Central and Eastern Europe, the Commission passed Council Regulation (EEC) No. 3906/89 in December 1989 with the objective of providing Community aid to Poland and Hungary (hence the acronym PHARE: Poland-Hungary Aid for the Reconstruction of the Economy).

By Council Regulation (EEC) No. 2698/90 of 17 septembre 1990, the above regulation was amended to include Bulgaria, the CSFR, the former GDR, Romania and Yugoslavia.

The PHARE Council Regulation No. 3906/89 was further amended by Council Regulation (EEC) 3800/91 of 23 December 1991 in order to extend economic assistance to Albania, Estonia, Latvia and Lithuania.

The objective of PHARE is to provide systemic reform whilst the beneficiary countries change from planned to free market economies.

The priority sectors set out by Article 3 of the regulation for support are: agriculture, industry, investment, energy, training, environmental protection and trade and services, particularly in the private sector. PHARE funds may also be used to provide humanitarian aid.

Individual priority sectors for each country are agreed at the beginning of each year by the National Authority in the relevant country in dialogue with the Commission. An overall indicative programme is laid out.

The Sectoral Programmes have clear policy reform objectives. All projects and programmes for which PHARE funds are solicited and approved must be submitted to the Commission by the competent authorities of the recipient country.

The 1990 budget contained provision for 500 MECU.  
The 1991 budget contained provision for 785 MECU.  
The 1992 budget contains provision for 1,000 MECU.

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**PROJECTS DECIDED AT THE**  
**16TH MANAGEMENT COMMITTEE MEETING**  
**held on 20 May 1992**

**Agriculture and agroindustry privatization, Romania**

Sector: Agriculture  
 Funding: 12 MECU  
 PHOS Project Manager: Mrs Derichs  
 Implementing authority: Ministry of Agriculture

**Financial sector development, Romania**

Sector: Financial  
 Funding: 5 MECU  
 PHOS project managers: Mr Van den Heuvel, Mr Priestley  
 Implementing authority: National Bank, Ministry of Economy and Finance

**General Technical Assistance Facility, CSFR**

Sector: multidisciplinary  
 Funding: 30 MECU  
 PHOS project manager: Mr Füllenbach  
 Implementing authority: Bureau for the Coordination of Foreign Assistance

**General Technical Assistance Facility, Romania**

Sector: multidisciplinary  
 Funding: 16 MECU  
 PHOS project manager: Mr Daudin  
 Implementing authority:

**PHARE Democracy programme, Regional**

Sector: civic sector  
 Funding: 5 MECU  
 PHOS project manager: Mrs Fogg  
 Implementing authority: PHOS 3

**TEMPUS, Regional**

Sector: education & vocational training  
 Funding: 102.6 MECU  
 PHOS project manager: Mr Küpper  
 Implementing authority: ministries of education

**Information to the CEECs, Regional**

Sector:  
 Funding: 2.5 MECU  
 project manager: Mr Ingber, DG X  
 Implementing authority: DG X, Commission of the European Authorities

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**PROJECTS APPROVED AT THE**  
**17th MANAGEMENT COMMITTEE MEETING**  
**8 July 1992**

**Energy sector programme, CSFR**

Sector: infrastructure (energy)  
 Funding: 4 MECU  
 PHOS project manager: Mr C. Hilz  
 Implementing authority: Federal Ministry of Economy

**Financial sector development, Estonia**

Sector: GTAF - multidisciplinary  
 Funding: 9 MECU  
 PHOS project manager: Mr H. Abbott  
 Implementing authority: Ministry of Economy

**General Technical Assistance Facility, Albania**

Sector: Multidisciplinary  
 Funding: 4.4 MECU  
 PHOS project manager: Mr S. Christiane  
 Implementing authority: Ministry of Economy and Finance

**General Technical Assistance Facility, Latvia**

Sector: Multidisciplinary  
 Funding: 13.5 MECU  
 PHOS project manager: Mr H. de Chavagnac  
 Implementing authority: Ministry of Foreign Affairs

**General Technical Assistance Facility, Lithuania**

Sector: Multidisciplinary  
 Funding: 9 MECU  
 PHOS project manager: Mr F. Hesse  
 Implementing authority: Ministry of International Economic Relations

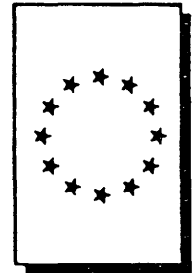
**Nuclear safety (Kozloduy) technical assistance programme, Bulgaria**

Sector: energy - environment  
 Funding: 3.5 MECU  
 PHOS project manager: Mr. G. Raad  
 Implementing authority: Energy Committee of Bulgaria

**Privatisation and small & medium-sized enterprises programme, Lithuania**

Sector: Privatisation and SMEs  
 Funding: 9.5 MECU  
 PHOS project manager: Mr F. Hesse  
 Implementing authority: Ministry of economy

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|                                     |
|-------------------------------------|
| AGRICULTURE AGRICULTURE AGRICULTURE |
|-------------------------------------|

## 1. IDENTIFICATION

|                       |   |
|-----------------------|---|
| Country               | : Romania   |
| Programme             | : Privatization of agriculture and agroindustries |
| Years                 | : 1992  |
| EC Contribution       | : 12 MECU   |
| Sector Classification | : Agriculture                                     |
| Responsible Authority | : Ministry of Agriculture                         |

## 2. SUMMARY

This 1992 PHARE programme considers the resolution of the infrastructural problems which are locked into the current systems of farming and processing of agricultural products in Romania to-day which prevent her from maximising 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 decollectivisation of the Co-operatives of Agricultural Producers (CAPs), the restructuring of State Farms and the reparcelling and redistribution of land, hence The Land Law of Feb 20 1991, The Privatisation Law and the Law on Commercial Societies. At the same time however, before structural reform could be addressed, urgent intervention of the EC through PHARE had to be sought simply to keep the sector afloat in 1991.\* Supplies of animal proteins, and equipment for the production of animal feed (25 MECU) in April 1991, and import supply of consumables, spare parts and replacement for agro-industry (9 MECU in November 1991).

Dominant issues inherent in the agro-processing sector included the creation of non state marketing channels and price liberalisation

EC PHARE Action 1992 will focus on four core activities;

. *Assisting the Ministry of Agriculture to develop an agricultural policy and implement the land reform programme in accordance with the new Land Law, (3 MECU)*

The Policy Unit set up under the 1991 PHARE GTAF (5MECU) programme will consider in particular price policy and price and trade liberalisation.

The Land measurement and registration process assisted by PHARE in 1991 will be expanded by providing further training and computerising data management and providing equipment (plotters/topographic equipment) and also legal technical assistance to prepare and interpret the vast body of new land legislation.

. *Technical, Financial and Legal Assistance to Private 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

PHARE



Romania

are well educated good specialists but have little if any individual farming experience. There will be special linkage with *Market information system*

pilot project (infra) for those farmers in hilly and mountainous areas who were never collectivised (accounting for 0.5 mio ha of the 15 mio agricultural land , 600,000 households of 2.8 million).

Legal Technical Assistance is envisaged to elaborate the Law on Agricultural Cooperatives, the establishment of credit and guarantee facilities and an agricultural insurance system.

. **Establishment of Private (non state) distribution systems and Commodity markets (4 MECU).**

Alternative marketing channels; Although the government has lifted official price control on freely available agricultural products (ie not bread, sugar, edible oils etc) it still has de facto monopolies especially in distribution. Ministry of Trade have 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 TA including information on cold storage, freezing, handling of foodstuffs and shopfitting.

*Market Information System*; The Ministry of Trade currently produce 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 over Romanias 41 districts , and report the information to the media daily in a way which will be accessible to the farmers and agricultural industry as a whole. (Equipment provision foreseen);

. **Continued support to the reorganisation of Agro Industries (2 MECU)**

Under the 1991 GTAF a long term plan to restructure the agri industries ( suitable for presentation to International Financing Institutions) is underway. It concentrates on the key food processing industries meat, dairy, edible oils fruits and vegetables and animal feed.

PHARE TA in 1992 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.

Implemented in cooperation with the Department for Food Processing Industries and the National Privatisation Agency.

Could in the future be extended to Fisheries.

### 3 PROGRESS IN IMPLEMENTATION

PIU to be attached to the Ministry of Agriculture.

Other Donors; World Bank (Critical Imports Programme 180 US\$), Bilateral Aid; FR, UK, NL, DL

Project Manager Raymonde Derichs.

# PHARE



# Romania

All PHARE Countries

|                               |
|-------------------------------|
| DEMOCRACY DEMOCRACY DEMOCRACY |
|-------------------------------|

**1. IDENTIFICATION**

Country : all PHARE countries  
 Programme : Support for Civil Society -  
                   Democracy programme  
 Years : 1992  
 EC Contribution : 5 MECU  
 Sector Classification : non specific  
 Responsible Authority : European Commission

**2 SUMMARY**

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:

- a) the acquisition of knowledge and techniques about democratic practices and techniques and the rule of law by relevant bodies and professionals in the EC.
- b) the strengthening of local associations and institutions which by their vocation can make a continuing contribution to the promotion of the pluralist democracy.

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.

The Programme is launched in response to the wishes of the European Parliament and will give concrete expression to commitments laid down in the European (Association) Agreements and CSCE conferences.

**3 PROJECT IN IMPLEMENTATION**

The project will be run by a grant aid facility on a pilot basis to provide one off non reimbursable grants (estimated average 100000 ECU, total grant not exceeding 70% of entire cost of project) 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.

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.

PHARE



Regional

Cross party political initiatives could 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, TA to develop internal decentralisation and democratic structures in political parties, TU's etc, or assistance to legislate for a responsible free press.

Submissions are likely to be requested by the autumn of 1992.

Project proposed at the 16 PHARE Management committee of May 1992  
Project Managed by K FOGG/ E VALLI

*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. One of the fundamental tenets of the Europe agreements signed with Poland, Hungary and the CSFR in December last year (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 on the other,"

The three signed Association Agreements make provision for financial co-operation through (inter alia) PHARE to achieve the above ends. To extend the principle to the other PHARE countries on the basis of our adherence to the Helsinki principles and the political declarations accompanying the recently signed EC Trade and Co-operation agreements with the Baltic States and Albania, seemed to be the next logical step. Some legal instruments are, therefore available to implement projects designed to strengthen civil society and democracy. Furthermore, the protection of democracy, rule of law, human rights and fundamental freedoms also features in its own right as part of Community foreign policy \* see Title V Article J1 in the conclusions of the Maastricht Treaty.

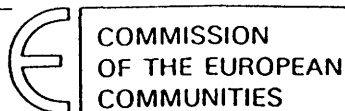
To illustrate the point, the effect of an enthusiastic and conscientious government implementing economic reform is considerably limited if the public administration and political system cannot ensure informed debate, timely decision making and appropriate allocation of human and financial resources. Effective and legitimate public administrations and political systems, which are critical to the success of economic reform 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.

NB 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 coming to terms with the past, finding places for extant minorities, 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.

# PHARE



# Regional



COMMISSION  
OF THE EUROPEAN  
COMMUNITIES

Brussels, July 1992

DIRECTORATE-GENERAL  
EXTERNAL RELATIONS  
PHARE Operational Service  
Unit 3

**P H A R E      D E M O C R A C Y   P R O G R A M M E**

Please find attached the information note\* and the model format for applications regarding the PHARE Democracy Programme that has just been launched by the Commission of the European Communities. The deadline for applications for grants is 31 October 1992.

Could you please circulate this information amongst interested parties and organisations. Enquiries and requests for additional copies of the information note may be addressed to:

Commission of the European Communities  
Directorate General for External Relations  
PHARE Operational Service - Unit 3  
PHARE Democracy Programme  
Karen FOGG / Emilio VALLI / Eva EBERHARDT  
Rue de la Loi 200 (B-68)

B-1049 Brussels

\* Will be available in French and German shortly.

## PHARE DEMOCRACY PROGRAMME

### INFORMATION NOTE

- The PHARE DEMOCRACY PROGRAMME is a new 5 million ECU grant-aid pilot scheme, launched in July 1992 by the Commission of the European Communities as part of its PHARE programme of assistance to support economic and political reforms in Central and East European Countries (CEECs). It forms part of the European Democracy Initiative of the European Parliament.
- The main aim of the programme is to contribute to the development of pluralist democratic procedures and practices and the rule of law. The programme will give concrete expression to commitments by the EC and the CEECs to promote democracy and the rule of law, respect of human rights and freedom of association which have been enshrined in the Europe Agreements, as well as in the context of successive CSCE conferences.
- While Western attention and assistance has been focused largely on the creation of market economies in the CEECs, support is also required to help establish the political, legal and civic institutions which are crucial to achieving the political consensus and stability required for economic reforms. In addition to work on economic restructuring and policy reforms, PHARE has begun to provide assistance for the reform of public administration, for local government development and for strengthening civil society. The Democracy Programme, which will seek to complement these and other bilateral or multilateral aid operations, will co-finance projects submitted by both public and private bodies bringing together partner organisations in the CEECs and in Member States of the European Community.

**The Phare Democracy Programme will cover the following countries: Albania, Bulgaria, Czech and Slovak Republics, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovenia.**

- The specific objectives of the PHARE DEMOCRACY PROGRAMME are to support:
  - a) the acquisition of knowledge and techniques about democratic practices and the rule of law by relevant bodies and professionals in the CEECs;
  - b) the strengthening of local associations and institutions which, by their vocation, can make a continuing contribution to the promotion of a pluralist democracy.
- The following themes illustrate the kind of projects that might be supported:
  - techniques of drafting, debate, amendment, budget accountability etc. - training programmes with parliamentarians and elected representatives in local and regional governments;
  - technical assistance in drafting and implementing human rights legislation, particularly minority rights and guarantee of equal treatment, including training for the legal profession and confidence building measures with minority communities;
  - technical assistance in developing internal decentralisation and democratic structures in political parties, trade unions and other major representative bodies;
  - techniques of objective journalism, assistance on legislating for a responsible free press;
  - support for local information and education campaigns on human rights and the practice of democracy, production of materials, media programmes, etc.

- Eligible projects must involve both East and West European organisations acting in partnership to achieve a European Community dimension. Therefore, projects should involve either two or more partner organisations in different Member States, or a transnational body based in the EC; and these should be engaged in a cooperative project with a partner body in at least one of the CEECs.

Projects should be self-contained operations with clearly defined operational objectives, target groups and planned outcomes; they should also indicate a coherent set of technical assistance and training activities, and have a specific duration (normally not exceeding 12 months). Projects of a partisan nature or involving one single party will not be eligible (though cross-party initiatives are encouraged). One-off conferences and research projects would normally be excluded unless part of a broader project.

- Grants will be provided to co-finance projects submitted by public or private bodies in the Member States or in the CEECs. Grants are intended to cover technical assistance and training costs. In the cases of local bodies in the CEECs, launching costs (small equipment and initial overheads) might also be financed.

In principle, grants will not exceed 70% of the total estimated cost of a project. The minimum grant awarded will normally be 50,000 ECU, but this may cover a series of sub projects with different partners in different countries.

- Applicants should have a proven record of activity in areas related to the Democracy Programme. Applicants and partner bodies should be non-profit making and be based in the EC or in the CEECs.

- **Application for funding:**

Organisations wishing to apply for co-financing under the present grant-aid facility should provide a complete project dossier set out according to the MODEL FORMAT FOR CO-FINANCING APPLICATIONS. All partners involved in a project should indicate their agreement to the detailed project proposal and budget.

- **Timing:**

- submission for funding should reach the Commission by the 31 October 1992
- applicants will be notified of the Commission's decision in December 1992
- contracts should be concluded in January 1993
- first payment may be expected as from March 1993

Payments (normally in ECU) will be made in three instalments: 50% within sixty days following the signature of the co-financing agreement, 25% following the approval of a mid-term progress report and the balance within sixty days following approval of the final report and financial statement. Recipients should have a proper accounting system allowing for financial control and audit by EC authorities.

A copy of the standard contract used by the PHARE DEMOCRACY PROGRAMME may be obtained on request.

- Grant applications (3 copies) should be sent to the following address:

Commission of the European Communities  
 Directorate General for External Relations  
 PHARE Operational Service 3  
 Karen FOGG  
 Rue de la Loi, 200 (B-68)  
 B-1049 Brussels

- For further information and inquiries please contact:

PHARE DEMOCRACY PROGRAMME  
 Eva EBERHARDT or Emilio VALLI  
 Tel: + (32 2) 299.20.21/299. 20.14  
 Fax: + (32 2) 299.16.66/299.17.00

Brussels, August 1992



**PHARE DEMOCRACY PROGRAMME**

**MODEL FORMAT FOR CO-FINANCING APPLICATION**  
Applications should be maximum 8 pages, not including annexes.

**I. IDENTITY OF PRINCIPAL APPLICANTS**

Please give the following details of all partner bodies (ie. bodies at least one CEE and two EC countries or a transnational EC body) involved in the project:

- name
- postal address
- telephone and fax numbers
- status, aims/field of activity
- staffing
- contact person

Enclose any relevant publications or reports.

**II. DESCRIPTION OF PROJECT**

Please indicate:

- title, area of activity, target groups (numbers, selection process), context, objectives
- detailed activities foreseen
- expected outcomes
- viability ( how will the activity/organisation etc. continue when co-financing ends, how will the acquired/new skills be used or transferred etc.)
- timetable

**III. PROJECT ORGANISATION**

Please indicate:

- numbers of staff and experts involved (all partner bodies)
- their tasks, qualifications, location, terms of employment ( paid/unpaid, duration etc.)
- method of organisation, form of co-operation between partner bodies
- any promotional or information activities planned in relation to the project

**IV. BUDGET**

1. Detailed breakdown of project costs (in ECU):

- personnel - in EC countries
  - in CEE countries
- secretarial and administrative costs
- technical assistance/training ( distinguish fees, travel etc.)
- translation/Interpretation (specify)
- equipment/material
- supplies/consumables
- others (specify)

2. Please specify the source and amount of applicants' share of financing:

- own resources
- donors - public or private
- others

3. Budget summary (in ECU):

- total
- community contribution (not more than 70%)
- contribution of all partners

**V. CONTRACT INFORMATION**

Please indicate the following information:

- organisation responsible for the financial administration of the project
- name and function of the person authorised to sign a co-financing contract with the EC
- bank details: name, address, account number into which Community contribution should be paid
- name of the contact person for the application

Brussels, August 1992

CSFR

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## 1. IDENTIFICATION

Count : CSFR  
 Programme : Technical Assistance to the Energy Sector  
 Years : 1992  
 EC Contribution : 4 MECU  
 Sector Classification : Energy  
 Responsible Authority : Federal Ministry for the Economy

## 2. SUMMARY

The 1991 PHARE Energy programme to the CSFR provided technical assistance from a High Level policy advice unit, which was based in the Federal Ministry of Energy, in order to develop an Energy Policy concentrating on the increase of efficiency and development of environmentally sound practises. 40 years of uncertain energy policy have lead to an energy intensive heavy industry sector and a very high consumption of carbon based fuels both of which lead to serious environmental problems.

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

**EC/PHARE Technical Assistance to the Energy Sector in 1992;** The Policy unit will continue to assist the government of the CSFR to implement the basic strategy of the Energy Policy they have developed together and to elaborate further Energy Policy Formulation. Particular attention will be paid to;

*Regularatory measures and the division of administrative responsibilities in the energy sector ie management structures, regional bodies and training of personnel; (following up the 1991 PHARE study, on the Development of Regularatory Institutions, Processes and Methods for Power, Natural gas and the Heating Sector);*

*The development of a pricing and taxation policy which takes into account market conditions and the possible collapse of certain enterprises;*

*The examination of the future structure of the coal and mining industry.*

The Federal Energy Agency will supervise the progress of energy enhancement in accordance with detailed policies and goals they have set (based on the long term goals of the CSFR Energy Policy document).

### **Energy Supply Diversification EC/PHARE 1992;**

Two major EC financed studies will;

(i) consider the optimal configuration of energy imports (oil and gas) into the CSFR in the future, and potential future energy grids. (Bearing in mind that the CSFR is

PHARE



CSFR

very suitable for energy transit)

(ii) in order to reduce dependence on brown coal techniques of bonification and gasification of coal will be examined (what is this) Fossil power plants will be closed down .The economic impact of these discoveries will be assessed.

#### **Regional Energy Planning EC/PHARE 1992;**

Under the PHARE 1991 PHARE/ENERGY programme analyses of energy planning in different sectors were carried out in Most,(North Bohmemia - chemical and coal), Ostrava (North Moravia - iron and engineering) and Ziar n Hronom (Central Slovakia - Aluminium). Further action can be taken under PHARE 1992 depending on the analysis.

Under PHARE 1992, the regions of Prague and Bratislava will be examined and close attention paid to coal substitution, district heating, and transformation of heat only plants to co-generation plants.

**Training EC/PHARE 1992;** Seminars and traineeships will be provided for selected personnel in the energy sector.

**Energy Efficiency EC/PHARE 1992;** The EC/PHARE studies on Energie efficiency in Buildings and Industry begun under the 1991 programme will continue.

(i) Buildings; will continue its pilot projects in selected schools and hospitals These focus on decreasing Energie consumption by retuning technique and organisation in these important sectors. The 1991 Energie audits will be included.

(ii) Industry; will concentrate on high impact - low expenditure projects which result in substantial Energie savings. Particular attention will be given to the Energie efficiency of drying technologies ; (current consumption is estimated at 10 to the 8 GJ pa)

### **3. PROGRESS IN IMPLEMENTATION**

Proposed to the 17 PHARE Management Committee of July 8 1992.

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

Other Donors; 1991 Projects: EC/World Bank; Least Cost Development Planning Study;

EC PHARE 1991 Study: Development of Regulatory Institutions, Processes and Methods for Power, Natural gas and Heating Sector.

Implementation to be concluded before the middle of 1994.

Project Manager, C HILZ/G RAAD

# PHARE



# CSFR

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| FINANCE FINANCE FINANCE FINANCE FINANCE |
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## 1. IDENTIFICATION

|                       |  |
|-----------------------|--|
| Country               | : Romania  |
| Programme             | : Development of the Finance Sector              |
| Years                 | : 1992   |
| EC Contribution       | : 5 MECU   |
| Sector Classification | : Banking & Finance                              |
| Responsible Authority | : National Bank<br>Ministry of Economy & Finance |

## 2. SUMMARY

As suggested by the title of this programme the modernisation and development of the financial sector in Romania will be the key objective of this programme. The programme follows on from the preliminary steps undertaken in the 1991 GTAF (6.6 MECU) 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 development, mobilising of domestic systems and ultimately foreign investment.

The four components of the programme will be divided as follows

- 1) Technical Assistance to the National Bank
- 2) Technical Assistance to the Commercial Banks (independent??)
- 3) Technical Assistance to the Ministry of Economy and Finance

Since the performance of the banking sector has direct impact on the growth of the economy and development of the private sector, foreign investment and mobilisation of the 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 as a Central Bank determining monetary policy and supervising banks managing external and domestic debt, developing capital markets and introducing a national payments system, while the portfolios of the former State Bank have been transferred to independent (non state owned) Commercial banks. (which the six ????)

EC PHARE ACTION: National Bank; In accordance with the 1991 PHARE GTAF Strategic study the National Bank of Romania will receive technical assistance to perform its new functions (supra) in the form of expertise, consultancy services and training.

Further Strategic studies to restructure the Savings Bank and Co-operative banking sectors are foreseen.

EC PHARE ACTION: Commercial Banks; The aim in this sector 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-

PHARE



Romania

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 to modernise banking operations are on the agenda for this programme.

Other Donors; World Bank

EC PHARE ACTION: Ministry of Economy; GTAF 1991 has financed a study which will recommend modern structure to the Ministry. It is also intended to identify areas where technical assistance needs will be required in the future. 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 informatics systems within the Ministry which will (inter alia) improve internal communication and management.

EC ACTION: Accounting Law 1993; This comprehensive Law which is due to come into force in January 1993 embraces (inter alia) reporting, book keeping, disclosure, publication, auditing and also 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 materials in order that this deadline can be met

### 3 PROJECT IN IMPLEMENTATION

The PIUs set up under the 1991 GTAF in both the National Bank and the Mof EF will continue to be responsible for the day to day running of the programme including preparation of invitation to tender.

Both units are staffed by Romanian counterparts and a PHARE funded programme administrator.

# PHARE



# Romania

## ALBANIA

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## 1. IDENTIFICATION

Country : Albania  
 Programme : GTAF  
 Years : 1992  
 EC Contribution : 4.4 MECU  
 Sector Classification : Multidisciplinary  
 Responsible Authority : Ministry of Economy and Finance

## 2. SUMMARY

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 has been of humanitarian or emergency nature (see table). The use of the GTAF as a flexible financing mechanism occurs to advantage in this the first Albanian PHARE GTAF. Reform strategies are to be developed in the areas of SME, Privatisation and restructuring, financial sector, tourism, customs and health.

The PHARE 1992 ALBANIA GTAF 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 additional 0.8 MECU pilot project (from the 1991 multidisciplinary fund), 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.

The initial steps of this pilot measure were considered successful and so the Albanian authorities in consultation with the SME Unit in charge of the above have decided to go on with reform in this sector. The Community's PHARE programme will finance this SME project, continuing with the above micro-loan for start up equipment, as well as establishing a new one from this GTAF (for 0.8 MECU of the 1.3 to be allocated), a credit expert to provide managerial technical assistance in its current and future running (0.1 MECU), an SME expert for the supervision of further institution building (framework and bodies necessary for active growth 0.2 MECU) and support to the Business Advisory Centres (equipment, development of training resources etc 0.2 MECU).

Privatisation and Restructuring in Albania in 1991; A PHARE financed report containing recommendations on the strategy for Privatisation and Restructuring in Albania, has been approved by the Ministry of Economy and Finance. It is likely that the privatisation of the Albania 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 PHARE ALBANIA GTAF 92 Privatisation component (0.8 MECU); will oversee the restructuring of certain companies which are up and running and in the business of exporting. This should result in at least some flow of foreign currency.

PHARE



Albania

Financing of management contracts for some State Owned Enterprises and training at a managerial level of selected companies on how to run management in a market economy will also be managed under the privatisation component.

Privatisation's legal framework will be revised via technical assistance to the National Agency for Privatisation and preparatory steps for other pilot privatisations overseen.

Responsible Authority for Privatisation; Ministry of Economy and Finance;

**The PHARE ALBANIA GTAF 92 Financial sector component (500,000 ECU);** 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 and different demands will be made on Albania's system of revenue collecting and administration. 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 IFI and 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 a base, the Hungarian and Bulgarian authorities have been re-drafting their Accounting Laws which will also be used in Albania. 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 bank, 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 deeming the Bank of Albania The 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).

**PHARE GTAF 92 ALBANIA Tourism component (0.2 MECU);** The EC 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), the other strategic guidelines for investors developing coastal sites (EBRD plus PHARE funded environmentalist) financed a second PHARE expert from the *multidisciplinary fund* to identify the training needs of the tourism sector, and a third expert on-retainer to assist in the evaluation of offers from the from potential investors.

**UNDER The PHARE ALBANIA GTAF 1992 tourism component:** A complementary study on guidelines for the development of non-coastal sites, general tourist promotion and basic training activities for managers and employees has been suggested to the Ministry of Home Trade and Tourism as activities under the PHARE facility. Some training activities working on the results of the above study are foreseen.

**PHARE GTAF 1992 ALBANIA VARIOUS (equipment); (1.6 MECU)**  
(*Administrative Equipment, Customs equipment, Health equipment*)

# PHARE



# Albania

Administration (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 since problems are encountered there even finding such things as the simple pencil sharpener, and such unsustainable administrative conditions would obviously impede the reform process.

PHARE will be sending buses (see transport programme of supplement 11) as well as supplying fax machines, photocopiers, and PC's.

Customs (0.2 MECU); The opening of the borders, will cause, if nothing else, vulnerability to drugs and fraud at customs, reported a PHARE fact-finding mission in February this year, since there is non-existent basic equipment for detection, communication (within the country and also internationally) and 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 (0.7 MECU); A survey of medical equipment made by the WHO in July 1991 found that the average age of the medical equipment in Albania is 25 years old, and that purchase needs of the sector fall dramatically short compared to need.

PHARE will provide basic equipment for the main hospitals in Tirana as a complement to the TA 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

Project Proposed at the 17 Management Committee meeting of July 1992  
Project Manager J Sanchez

PHARE



Albania



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## 1. IDENTIFICATION

Country : Czechoslovakia  
 Programme : General Technical Assistance Facility II  
 Years : 1992  
 EC Contribution : 30 MECU  
 Sector Classification : Multidisciplinary  
 Responsible Authority : Bureau for the Coordination of Foreign Assistance

## 2. SUMMARY

The general objective of the GTAF II/92 is to assist the Czechoslovak government to develop appropriate sector reforms in areas where market oriented legislative policies and appropriate institutions are required and where the necessary amount of external (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 social security public administration and agriculture. The funds may also be used to cover the foreign exchange costs of equipment if integral to the projects.

An asterisk denote projects which build on GTAF I projects.\*

**Financial Sector\*** (5 MECU) : GTAF I is providing for feasibility and design studies in Banking 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 capacity to manage state expenditure and improve the information system of the Ministry of Finance. New training structures will be set up for insurance companies.*

**Transport\*** ( 2MECU): GTAF I has reviewed in the transport field, inter alia, transport management , human resources, Ministry of Transport organisation and transport legislation; also bankable projects ie pre-investment and user charges studies in road transport (with other IFI's).

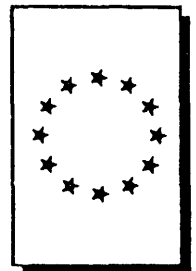
*GTAF II will restructure and when appropriate privatise the major state enterprises for transport (rail, intercity and urban) and consider infrastructural priorities for investment planning (feasibility studies and environmental impact evaluations).*

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

a UN/EDIFACT (Electronic Data Interchange for Administration, Commerce and Transport).

At the current time most transactions in the CSFR are by paper. 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)

PHARE



CSFR

b) Customs\* (3 MECU) GTAF II will work on the results of the feasibility study set up in the GTAF I of 1991 to set up a data processing system which includes the procedures for import and export, customs automation, and the application of combined Nomenclature and integrated tariff as used in the EC. (Linked with the Regional Programme for customs co-operation 1991).

c) The Czechoslovak Chamber of Commerce (CCCI); (0.5 MECU) 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.

d) Standards\* (1.5 MECU). In line with the Association agreements the 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 Regional programme for Quality Assurance)

e) Industrial Property (0.5 MECU) The Federal office for Inventions (FOI) in conjunction with the European Patent Office is drawing up a five year modernisation plan linked to a detailed investment schedule. The new IP Laws of 1991 will result in eventual Czechoslovak accession 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 the GTAF II.

f) Statistics (2 MECU) TA 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, (iii) set up a training programme. A steering group will be set up for this programme.

g) Social Sector development (4 MECU) Health; 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 and monitoring health insurance systems.

PHARE SME loan facilities will be accessible to GPs to allow the setting up of private practices.

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) Following SIGMA basic civil servant policy is being redesigned and reformed. The GTAF II will provide further national TA 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

PHARE



CSFR

Agriculture (3 MECU ) In the main GTAF II will set up a wide ranging sector study to find alternatives 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 ecolosisation 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 unit which will be responsible for the overall management of the GTAF programme.

Project Proposed at the 16 Management Committee meeting of May 1992  
Project Manager J Fuellenbach

PHARE



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LATVIA, LITHUANIA, ESTONIA

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## 1. IDENTIFICATION

Country : Estonia, Latvia, Lithuania  
 Programme : General Technical Assistance Facilities  
 Years :  
 EC Contribution :  
 Sector Classification :  
 Responsible Authority :

## 2. SUMMARY

The GTAF has proved to be an invaluable enabling device in development finance which permits the financing of short and medium term technical assistance to core areas and more limited exploratory studies and prognoses in other sectors central to the overall establishment of an independent and sustainable market economy.

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.

General Technical assistance facilities are to be set up in all three countries. An emphasis on creating opportunities for co-financing and complementary donor assistance will be high on the agenda for all three GTAF.

### Banking and Financial Sector reform

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

#### BANKING

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

**LITHUANIA 1992 GTAF: Banking (1.6 MECU):** representatives of the banking profession in Lithuania will receive from PHARE technical assistance 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

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accounting standards and their future will take place.

Co-ordination: IMF (especially with regard to the bank accountancy project).

**LATVIA 1992 GTAF: Banking (1.5 MECU):** This component is for these purposes identical to the Lithuanian Banking Sector programme parts (i) and (ii) described above.

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

Other Donors; Nordic Investment Bank and EBRD.

**ESTONIA 1992 GTAF: Banking (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 through this TA.

Other Donors; IMF, EBRD.

## FINANCIAL

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 1992 GTAF: Financial (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 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 1992 GTAF: Financial (1.2 MECU):** This component is for these purposes identical to the Lithuanian financial sector component.

Other Donors: IMF.

**ESTONIA 1992 GTAF: Financial (1.2 MECU):** This component is for these purposes identical to the Lithuanian financial sector component.

In particular, the Estonian government has expressed a desire to boost the human resources of the tax administration with provision in the programme for organisational changes and staff motivation.

Other Donors: IMF, EBRD.

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## Privatisation and small & medium-sized enterprises

For a summary of the projects considered, please see the attached Lithuanian SME Project Summary.

*LITHUANIA 1992 GTAF: privatization & SMEs (9.5 MECU)*: In addition to the 9 MECU committed for the Lithuanian GTAF.

*LATVIA 1992 GTAF: privatization & SMEs (3.5 MECU)*

*ESTONIA 1992 GTAF: privatization & SMEs (4.5 MECU)*

## Promotion of foreign investment

*LITHUANIA 1992 GTAF: promotion of foreign investment (1 MECU)*

*LATVIA 1992 GTAF: promotion of foreign investment (0.5 MECU)* (From the Privatisation and Restructuring Programme)

*ESTONIA 1992 GTAF: promotion of foreign investment (0.2 MECU)*

Foreign investment could play a vital role in providing capital, technology, management, knowhow 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:

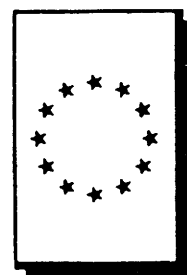
- (i) Policy Framework
- (ii) Investment Promotion
- (iii) In Latvia and Lithuania only: Trade Development (Tourism)

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.

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- (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 commitment 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 1992 GTAF: labour market development (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 1992 GTAF: labour market development ( 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 eg unemployment benefit, and other social protection schemes will also be considered.

#### *ESTONIA 1992 GTAF: labour market development & social security (0.6 MECU)*

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

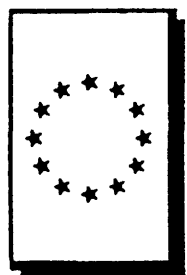
May 1992 saw some 10,000 unemployed Estonians being handled by a network of 20 local labour offices supported by only one central office. Forecasts say that this figure could rise to 70,000 - 80,000 by September. The programme will initiate similar measures to improve the Labour Market network as those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

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**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 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 audiovisual, 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 1992 GTAF: customs, statistics and public procurement (1 MECU):***

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

The Latvian government have 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 1992 GTAF: customs and statistics (0.7 MECU):***

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

**Environment*****LATVIA 1992 GTAF: environment (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 1992 GTAF: environment (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.

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## Health sector

### *LITHUANIA 1992 GTAF: health (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 1992 GTAF: health (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 1992 GTAF: agriculture (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 1992 GTAF: agriculture (700,000 ECU)*

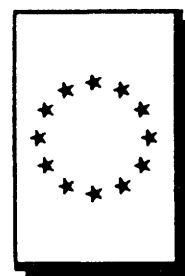
Activities concentrate on the promotion of agricultural productivity, improvement of farmers' access to financial extension and technical services and to foreign currency for imports of agricultural inputs and machinery. Studies under the TAUSSR 1991 programme included the introduction of the rural banking stuctures, demonopolisation 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 componenet 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.

## Energy

### *LITHUANIA 1992 GTAF: energy (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.

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***LATVIA 1992 GTAF: energy (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 1992 GTAF: energy (300,000 ECU)***

PHARE funded studies for the Ministry of Industry and Energetics 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.

**Transport*****LITHUANIA 1992 GTAF: transport (0.3 MECU)***

In 1991 a preparation for the formation of a masterplan 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 1992 GTAF: transport (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 masterplan and a priority investment programme for the ports. Complementary sectoral studies eg on the Current and future traffic flow in Latvia are foreseen.

***ESTONIA 1992 GTAF: transport (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.

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## Foreign aid coordination

### *LITHUANIA*

Long term economic assistance will be provided to the Ministry of International Economic Relations to develop the insitutional 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.

### PROJECT OFFICERS.

LITHUANIA: F. Hesse.

LATVIA: H. de Chavagnac

ESTONIA: H. Abbot

### **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 6M ECU 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.

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ROMANIA

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## 1. IDENTIFICATION

Country : Romania  
 Programme : General Technical Assistance Facility II  
 Years : 1992  
 EC Contribution : 15 MECU  
 Sector Classification : Multidisciplinary  
 Responsible Authority : Romania Development Agency (RDA)

## 2. SUMMARY

The Romanian Technical Assistance facility has the same basic procedural and management structure as the GTAF for the CSFR (supra). The Romanian GTAF sectoral objectives will concentrate on infrastructure (energy telecommunications and transport), tourism, local government and scientific research.

Expenditure for equipment is foreseen to achieve the programmes objectives.

Energy, Transport, 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 a) set up a resident consultancy unit for Energy Saving, based on the PHARE 1991 GTAF. This will be attached to the Romanian Agency for Energy saving.

- b) jointly-finance (with the Romanian environmental budget) a study on the environmental impact of power generation.
- c) 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.

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.

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

PHARE



Romania

currency would circulate as well as jobs being created so stimulating economic development. Environmental problems exist which currently limit development.

GTAf II will a) 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 support of municipal services 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 TA will concentrate mainly on curriculum development and in service training in particular for public administration (SIGMA links), public enterprises and utilities.

PROGRESS. Act of Establishment of the Institution signed, and registration in the local courts pending. One of the PHARE experts for the PIU to be recruited especially for this "IMF"

Other Donors; G.24 (esp Sp, UK, Japan),

### 3. PROGRESS IN IMPLEMENTATION

Project Proposed at the 16 PHARE Management Committee of May 1992  
Project Manager R Daudin

# PHARE



# Romania

BULGARIA

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| <b>NUCLEAR SAFETY    NUCLEAR SAFETY</b> |
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**1 IDENTIFICATION**

|                       |   |
|-----------------------|---|
| Country               | : Bulgaria  |
| Programme             | : Continuation of the 1991 Emergency Kozloduy Nuclear safety programme            |
| Years                 | : 1992  |
| EC Contribution       | : 3.5 MECU  |
| Sector Classification | : Energy Environment  |
| Responsible Authority | : Energy Committee of Bulgaria<br>Committee for the Peaceful Use of Atomic Energy |

**2. SUMMARY**

PHARE Assistance to Kozloduy in 1992 follows from the 11.5 MECU committed in June, last year, to this nuclear power station in response to world concern about the safety of its VVER-230 reactors (1 - 4)

The 1992 programme will have two main components;

**HOUSEKEEPING/OUTAGE - "keeping the nuclear house in order"**

(i) 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 in the order of 12 will go as reinforcements to the nuclear operators who are implementing PHASE 1/91 of the assistance programme to KOSLODUY. The OUT's programme will include maintenance and housekeeping activities to restore the initial physical conditions of the equipment and buildings in KOSLODUY and the up-grading of the safety level by implementation of design modifications and improvement of Plant management and organisation as well as operating and maintenance procedures.

NB WANO with the assistance of PHARE and TACIS is co-ordinating and exchanging information with the similar programmes operators in the CSFR and Russia who have similar VVER-440-230 reactors.

WANO will also arrange a twinning scheme between Kozloduy and BUGEY (Fr) where it is hoped that awareness will be tuned to international standards whilst taking into account local conditions and that the concept of a safety culture can be cultivated. Maintenance and operating procedures particularly for emergency and abnormal operation are to be developed. In the main, permanent experts will be seconded to Bulgaria but visits to BUGEY are also envisaged by the Bulgarian experts.

(ii) The WANO six months programme. Through this component, the competent Bulgarian authorities will be reinforced by the final line up of a consortium of 4 safety Western regulatory bodies which were selected after an international bidding process. The objectives are to improve the regulatory

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Bulgaria

framework and the capacity of the regulatory authorities to inspect and enforce the safety regulations in the future. Bulgarian authorities will also develop methods and practise in investing authorities with the concept of a power to grant or refuse a licence to operate.

The CONSORTIUM in co-operation with the Committee for the Peaceful Use of Atomic Energy will have the very important role of evaluating the WANO outage programme .

### 3 IMPLEMENTATION

WANO has set up a Programme Implementation Unit geographically balanced between its Paris Centre and Sofia to assist in overall co-ordination and contract management. (addresses to BE ADDED IN )

The Commission initiated steering committee has representatives from Member States and the International Organisations.

The Financing MEMorandum was concluded between the Commission and the Bulgarian authorities.

Project Manager L Brill

Project put to the 17 PHARE Management Committee Meeting in July 1992

#### *Background information*

*based on briefing by M Franco, Head of PHOS 1 8 July 1992*

*The subject of nuclear safety is somewhat topical; the second week of July will see it as a discussion point for the G7, the OECD, the Atomic Energy Commission not to forget its recent exposure at the Lisbon conference in May. A number of orientations are expected to crystallise from these High Level meetings, which will influence the future actions not only of PHARE but all the world wide organisations involved in the field.*

*Bulgaria shares similar energy problems to the rest of the CEEC but a particular weakness inherent is its dependence on nuclear energy which must account for some 40% of the national energy supply. Bulgaria cannot simply therefore immediately close down the the VVER 230 reactors which run at the Kosloduy nuclear power plant, despite world unease about their safety, but may only do so as soon as quickly as it is economically viable over the medium term (estimated 4 \_ 7 years). In the short term, the Bulgarian authorities hope to re-open Unit 2 in safe conditions such that it may provide electricity this winter. These are objectives which the PHARE programme, which committed 11.5 MECU last summer to these ends, has helped the Bulgarian authorities to fulfil. At the same time the project sees that the "house is being kept in order" and , that a modern safety culture is encouraged. Additionally and concurrently (October 1991) a PHARE energy programme for 10 MECU set up a High Level Advisory unit in the Committee for the Peaceful Use of Atomic Energy, to determine energy policy, diversification and the conversion of Kosloduy to a "clean gas supply unit" and also to consider alternative methods of disposing of the nuclear waste which was previously transported to the former USSR.*

*The Kosloduy 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. The 3.5 MECU to be committed will continue this good work.*

*A steering committee report is available to Perm. Reps on request.*

# PHARE



# Bulgaria



## ESTONIA, LATVIA, LITHUANIA

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| PRIVATIZATION & SMEs | PRIVATIZATION & SMEs |
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## 1. IDENTIFICATION

|                       |   |
|-----------------------|---|
| Country               | : Lithuania, Latvia, Estonia  |
| Programme             | : SME/PRIVATISATION   |
| Years                 | : 1992 - 5  |
| EC Contribution       | : 9.5 MECU, *4.5 MECU, 3.5 MECU   |
| Sector Classification | : Private Sector Development  |
| Responsible Authority | : Ministry of Economy (Li)<br>Ministry of Economic Reform (La)<br>Department of State Property<br>* see <i>BALTIC GTAF</i> under which these components |

*are financed.*

## 2. SUMMARY

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

The Programme aims to do this by concentrating on three main areas and promoting them as follows;

(A) 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;

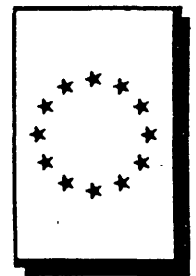
(B) SME DEVELOPMENT through eg Business Advisory Services

(C) FOREIGN INVESTMENT by launching Investment and Trade Promotion investigation and investive.

**A1 LITHUANIA; STATUS of Private Sector.** Since 1990 Lithuania has pursued economic reform adopting important legislation to regulate private ownership, privatisation of state property, foreign investment and taxation. Within the last six months, broadly speaking prices have been liberalised. Macro-economic stabilisation procedures are being prepared with the IMF in preparation for new currency and fiscal discipline. Up until now, privatisations have been by voucher and of 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 SME establishments have not really taken off. It is hoped that the PHARE 1992 privatisation programme in Lithuania can rectify some of these issues building on the technical assistance seconded to the Department of Privatisation Privatisation under the 1991 TAUSSR measures.

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LATVIA; STATUS of the Private Sector. As in Lithuania, the 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, which makes provision for (inter alia) 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 (inter alia) clarify the insitutional 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, and at the same time a law on the transfer of state property which allows foreigners to invest in Latvia with limited trade restrictions (on media, fishing, 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.(infra)

The STATUS of the private sector in ESTONIA is slightly different, the development of SME having begun before the break down of the Soviet Union. The Business Acts of 86 and 87 permitted SME. Although in theory these SME 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). Here then, support needs to be given to the businesses already set up, and to provide the skills and attitudes necessary for entrepreneurs to operate successfully. Start up capital is obviously crucial here as in Lithuania and Latvia until such times as the financial sector is stabilised.

#### A1.1 PRIVATISATION and RESTRUCTURING

A1.1.1 Institutional support; Lithuania .An organisational and legislative streamlining 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, under this component of the PHARE Lithuania programme.

Some supply of equipment is foreseen under this component;

LATVIA and ESTONIA have a similar components, and the Institutions to receive the majority of the TA will be The Ministry of Economic Reform in Latvia and The Department of State Property and Ministry of Economy in Estonia.

A1.1.2 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 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 have a component directed at the instillation of new management skills and aimed at senior managers and Board members. Modular training courses will be designed with PHARE assistance.

#### B.1 SME DEVELOPMENT

B1.1 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.

Policy Advice to the lead Ministries in Latvia and Estonia.  
The Ministry of Economic reform in Latvia will receive one long term expert and the Ministry of Industry and Energy in Estonia a long term support unit .

**B.1.2 Business Advisory Services;** As a complement to the Privatisation Activities in Lithuania (see above A), business advisory centres will provide advice on how to capitalise on demonopolisation 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 outside the Ministry. In this way independent professional or entrepreneurial societies can influence the operational aspects of the project.

**LATVIA;** Similar activities are foreseen under the GTAF 1992

**ESTONIA;** The PIU will identify selection criteria for the identification of suitable advisory bodies and enterprises or policy areas requiring central assistance for development of policies. It will develop consultation procedures which enable private enterprise to make its views known to the government and its agencies.

**B1.3 Financing Scheme;** Since the financing institutions are re-adjusting from the effects of their severance from the Central Banking system of the USSR and inflation has affected the value of personal savings so badly, it is little wonder that the small businessman has not had ready access to start up capital.

PHARE will set up in Lithuania, a 3 MECU financing scheme offering credit facilities to eg the small farmer to purchase equipment. 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 and ESTONIA will have similar schemes but the total credit available will be a total of 2 MECU (1 MECU in each country). The schemes are likely to be operated by the Investment Banks of each country both of which are also receiving aid under the 1991 USSR programme.

## C.1 FOREIGN INVESTMENT PROMOTION

**C.1.1** Diagnostic studies will be under taken in this sector and on the basis of the results an assessment of some of the quanta hitherto unknown for the foreign investor should be able to be evaluated. Long term Government policies can then be formulated.

For further detail please refer to the PROMOTION OF FOREIGN INVESTMENT SECTION in the Baltic GTAF summary.

Lithuania (1 MECU from the SME/PRIVATISATION project)

Latvia (0.5 MECU from the Latvian GTAF)

Estonia (0.2 MECU from the Estonian GTAF)

**Economic Legislation;** LATVIA There is a further component to the Latvian component under the GTAF 1992.(300,000 ECU) 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 with advise on drafting and texts and also to organise a training programme on economic law drafting and enforcing for policy makers, legal administrative staff, magistrates and company lawyers.

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

Local Counterparts; Ministries of Justice and Economy, a national officer to ensure co-ordination.

### 3. PROGRESS IN IMPLEMENTATION

LITHUANIA Implementation; NQ PIU, the Ministry of Economy will be responsible for overall co-ordination of the line ministries and agencies.

SME Advisory Council to be set up to guide overall SME policy in Lithuania (Ministries, Chambers of Commerce etc)

Other Donors; Lithuanian Programme open to other donors; Nordic bank (see credit line for start up capital supra).

Project Manager F Hesse

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.

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| PRIVATIZATION    PRIVATIZATION |
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## 1. IDENTIFICATION

|                       |  |
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| Country               | : Romania  |
| Programme             | : Privatization & Restructuring of undertakings  |
| Years                 | : 1992 to 1995   |
| EC Contribution       | : 30 MECU  |
| Sector Classification | : Privatization & restructuring  |
| Responsible Authority | : National Privatization Agency (NPA), Ministry of Industry, Romanian Development Agency (RDA) |

## 2. SUMMARY

Update No 1 corresponding to the 15th Meeting of the PHARE Management Committee of March 1992.

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 the 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.

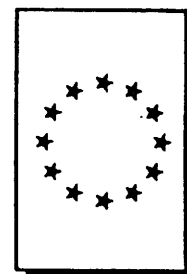
With guidance from PHARE, equitable ownership of 30% of State "commercial" companies will be transferred (free of charge) to Romanian citizens between the ages of 18 - 65. Ownership certificates were flown over and distributed by PHARE to 17.5 million eligible adults during April and May 1992. The control of the companies will be divided over five Private Ownership Funds. The remaining 70% will remain state controlled commercial companies under the aegis of the State (public) ownership fund. 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.

The programme will comprise the following six components:

- a) Technical assistance for the Ministry of Industry.
- b) Technical assistance for the National Privatisation Agency and the 5 Private ownership funds and State Ownership fund.
- c) The provision of a revolving privatisation and restructuring fund from the NPA.
- d) Financial Assistance for the Promotion of Investment.
- e) Pilot projects for Integrated Regional Restructuring;
- f) General Management of the Privatisation Programme;

a) 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 aegis but it will nevertheless be responsible for the national business incentives, promotion and training concerning them.

PHARE



Romania

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 on which state commercial companies are suitable for privatisation in the future may be developed.

Under the GTAF 1991, 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. (Industrial and consumer goods companies have been chosen to date)

Management of the independent state sector enterprises will also alter since the MoI will have to develop a form of management responsive to national and international competition which still safeguards the public interest.

b) National Privatisation Agency; The Property ownership funds (Private and State);

Under PHARE GTAF I/91 The National Privatisation Agency ran two studies, one on the establishment of operating procedures for the sale of shares and assets, and the second on the setting up of the property funds.

In order to accurately evaluate undertakings for privatisation PHARE 92 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 and also 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 (long term). Other Romanian managers of the Funds will receive management training through the PHARE programme.

c) Revolving Privatisation and restructuring funds

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 b) supra the Privatisation law provides inter alia for the State Property fund to provide 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 them funds which it is intended 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 or 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) Assistance for Investment Promotion

PHARE GTAF I/91 funded a strategic study on the promotion of foreign investment in Romania. Building on this technical assistance will be provided for;

- i) investment promotion specialists;
- ii) training abroad and at home for the managers and staff of the Romanian

# PHARE



# Romania

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;

also

v) technical promotional equipment such as video/ duplicating equipment is foreseen.

e) Pilot Projects for an 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.\* The target regions will be industrial areas where it is expected that the privatisation process areas will hit hardest in terms of job loss. 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.

\* trade unions, chambers of commerce , RDA, Ministry of Labour

f) General Management of the 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 MO Industry, the RDA and the NPA (see below) to assist with organising invitations to tender and procurement on their respective selves.

### 3 PROGRESS IN IMPLEMENTATION

The NPA will co-ordinate the overall administrative management of the programme with the Commission via a high level PHARE financed consultant 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.

Decided at the 15th Meeting of the PHARE Management committee  
 Update 8 of May 1992

Project Manager J Sanchez

PHARE



Romania

ALL BUT ALBANIA

|                                    |
|------------------------------------|
| TEMPUS TEMPUS TEMPUS TEMPUS TEMPUS |
|------------------------------------|

## 1. IDENTIFICATION

Country : CSFR, HU, PO, BU, RO, LIT, LAT, EST  
 Programme : TEMPUS  
 Years : 1992  
 EC Contribution : approx. 100 MECU  
 Sector Classification : Training  
 Responsible Authority : Ministry of Education of each country

## 2. SUMMARY

This is the third (pilot) year of the five year TEMPUS (Trans European Mobility Programme for University Studies) programme.

The programme is divided into the three following components namely a national operating budget a regional budget and a budget for the Commission's management of the TEMPUS office in Brussels.

The objectives of the programme remain the modernisation of higher education in the CEEC and the promotion of interaction between these and suitable Member State bodies in eg education and industry. Access for the CEEC to European associations and youth movements is also encouraged in 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 for teachers and training staff which provide for teaching or advisory placements and also for students which enable study or industrial placements will also continue in 1992.

National operating budget will provide grants for the more seasoned PHARE countries and launch new measures in Latvia, Lithuania and Estonia.

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 provide for the selection process and general support in conjunction with the national TEMPUS authorities in the beneficiary countries.

Estimated for 1992; Poland 25 MECU, Hungary 16 MECU, CSFR 13 MECU, Romania 14 MECU, Bulgaria 8 MECU. Others to be confirmed.

## 3 Progress in Implementation

a) JEPP; To date, TEMPUS has carried out 458 JEPP enabling over 3,100 students and 4400 teachers to take part in exchanges involving 1250 institutions over the Member States.

b) Over 1000 teachers and 700 students have received individual grants from the

PHARE



TEMPUS



PHARE TEMPUS programme.

The increase in budget in 1991 meant that the average success rate for applicants doubled.

c) Regional projects

45 Projects were started up in 1990 (7.7 MECU)

71 Projects were started up in 1991 (12.1 MECU)

3. PROGRESS IN IMPLEMENTATION

Project proposed at the 16 Management Committee Meeting of May 1992  
Project Manager; M Kupper, TEMPUS office Brussels.

PHARE



TEMPUS



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

*The*  
***PHARE***  
*programme for*

Privatisation & Restructuring  
in  
Central & Eastern Europe

*Written by Rémi Daudin*  
september 1992

PHARE Advisory Unit P. Kalbe, J. López de Ayala, A. Rakshit, M. Rhys Williams, P. Worms  
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PHARE PROGRAMME: PRIVATISATION and RESTRUCTURING in CENTRAL & EASTERN EUROPE

## I. BACKGROUND

A fundamental objective of the PHARE programme is to support the Central and Eastern European States transform their economies from a centralised command economy to one based on market forces. This process requires a series of far reaching reforms including: establishing a regulatory and institutional framework; introducing management skills and a business "culture" in enterprises; modernising factories and introducing appropriate technologies; and breaking up monopolies and restructuring and/or privatising state owned enterprises. The development of a strong and dynamic private sector capable of meeting this challenge is paramount to achieving this transformation.

In Central and Eastern Europe, where a significant number of enterprises are still owned by the State, large-scale privatisation and restructuring of enterprises are one of the priority objectives to revitalise the enterprise sector and spread ownership widely amongst the citizens and foreign investors. Privatisation not only provides a way to transfer ownership from the State to the individual but is also a way of injecting capital into the economy by attracting investors, both domestic and foreign, to take a stake in an enterprise and transferring skills and knowledge. Given the decline of their traditional markets, restructuring of enterprises, including the adaptation of modern technologies and production methods, takes on added importance for these countries. It will place companies in a better position to adapt to new markets and produce more efficiently.

Extensive programmes in this field are being undertaken in all of the Central and Eastern European countries. In the case of privatisation there are a number of approaches presently in use. For example, for small enterprises the technique used may involve local auctions. For large operations, which are generally more complex, other methods may include:

- \* "spontaneous" privatisation (sales of a firms assets to investors initiated by management);
- \* "active" privatisation (public sales directed by the government);
- \* mass transfer of shares (free distribution of a proportion of shares to the citizens through Investment Funds).

Restructuring of enterprises is closely linked to privatisation. Many firms may remain in public hands for some time before being privatised and, in some cases, restructuring will be required ex ante. This may include modernising plant capacity and managerial techniques as well as breaking up large monopolies into smaller units and addressing employment and retraining issues.

To carry out these reforms institutions play a key role: to regulate and monitor the process in order to ensure there are no commercial distortions; to process privatisation transactions; to educate the public about the market economy; and to provide advice and finance to companies undergoing restructuring (pre and post privatisation).

## II. PHARE PROGRAMMES

Against this background, foreign assistance to these countries is most important to maintaining the momentum of reform. The European Commission, based on requests made by the National Coordinators of the recipient governments, is contributing to a number of programmes which support demonopolisation, privatisation and restructuring in the countries listed below.

### Restructuring and Privatisation Programmes

| YEAR | COUNTRY   | MECU |                                 |
|------|-----------|------|---------------------------------|
| 1990 | Poland    | 9    | (privatisation)                 |
|      |           | 4    | (restructuring)                 |
|      | Hungary   | 5    | (privatisation)                 |
| 1991 | Poland    | 50   | (privatisation & restructuring) |
|      | Hungary   | 40   | (privatisation & restructuring) |
|      | CSFR      | 20   | (privatisation & restructuring) |
|      | Bulgaria  | 20   | (privatisation & restructuring) |
|      | Romania   | 30   | (privatisation & restructuring) |
| 1992 | Estonia   | 1.3  | (privatisation & restructuring) |
|      | Latvia    | 2.0  | (privatisation & restructuring) |
|      | Lithuania | 3.0  | (privatisation & restructuring) |
|      | Albania   | 0.8  | (privatisation & restructuring) |
|      | Slovenia  | 1.8  | (privatisation & restructuring) |

In addition to the above, there are a number of other programmes to support the development of the private sector, such as specific operations aimed at assisting the development of Small and Medium sized enterprises. Information on these latter programmes is available separately and may be obtained from Mr. Peter Kalbe of the PHARE Operational Services (see page 4).

## III. TYPE of ASSISTANCE FUNDED by the EUROPEAN COMMUNITY

Through the provision of technical and financial assistance, PHARE funded Privatisation and Restructuring programmes aim to support the governments' efforts to restructure and reform ownership of State enterprises. The programmes consist of a mix of the following types of technical and financial activities which are tailored to meet the requirements of individual countries:

### 1) Support to key institutions.

- \* Provision of advisory services (long- and short-term) for strategy and policy formulation;
- \* Supply of equipment and material eg. information systems.

### 2) Provision of Training.

- \* Training the staff of institutions;
- \* Training of managers and workers of enterprises at different levels;
- \* Development of appropriate training courses in educational institutions.

- 3 -

- 3) Technical Assistance Fund to carry out.
  - \* Diagnostic studies and evaluations of State Enterprises;
  - \* Sectoral and sub-sectoral studies;
  - \* Privatisation transactions.
- 4) Financial Support.
  - \* Quasi equity funds for State holding structures to inject capital into ailing enterprises;
- 5) Management of Programme.
  - \* Establishment of decentralised Programme Management Units (PMUs), composed of government counterparts and foreign experts and located in the relevant institutions; PMUs report to the Ministries in which they are established.

It should be noted that the programmes are managed by the recipient agency responsible for privatisation and/or restructuring in the country concerned, with the assistance of the PMU.

#### IV. PARTICIPATION OF FIRMS IN CONTRACTS

Participation in contracts financed under Community assistance to the countries of Central and Eastern Europe is open to firms or legal persons of the EC Member States or beneficiary countries. The selection of the firms to carry out service contracts is normally done on the basis of a restricted consultation or tender, under the authority of the recipient agency responsible for the programmes concerned. A list of recipient agencies and PMUs for the privatisation and restructuring programmes currently underway is provided in the annex, from whom further information on the programmes may be obtained.

For major privatisation transactions, that require a wide range of specialist services (legal, financial, management and organisational consultancy), firms were invited to express an interest in participating in possible service contracts for such transactions (Official Journal, 5/10/90, PHR/090/020/1). Based on an evaluation of capacity and relevant experience of the responses, a list of companies which could be included in a possible short lists for major privatisation transactions was drawn up .

As this is not a closed list, there will be opportunities for firms not on the list to be considered for inclusion following periodic reviews. Interested companies should send in the required details (supporting documents on skills and experience) as stipulated in the afore-mentioned Official Journal.

For services in the field of privatisation and restructuring other than contracts for major privatisation transactions (such as individual business or financial evaluation of state companies, legal or management consultancy, training, sector studies...) there is no specific list; companies may express their interest in being considered for possible contracts by writing, with details of their sector of interest, field of specialisation, experience and full information on their company (structures, staffing, regional offices...) to the PHARE Operational Service at the address given in the annex, indicating the purpose of the request clearly on the letter.

Given the growing interest in industrial restructuring, the Commission is considering publishing a special expression of interest for this field in the Official Journal, similar to that for major privatisation transactions cited above, probably between November and December 1991.

ANNEX

ADDRESSES FOR FURTHER INFORMATION AND EXPRESSION OF INTEREST

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Peter KALBE

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Programme Management Units (PMUs)

For details on the programmes, contact should be made with the PMUs concerned.

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Miroslav Hála

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Minister  
Mr. Dan Constantinescu  
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State Secretary in charge of  
Programme  
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Head of PMU  
Ms. Arabela Aprahamian

Foreign Expert  
Mr. Yves van Frausum

President  
Mr. Misu Negritoiu  
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Head of PMU  
Mr. Costea Munteanu

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

*The*  
**PHARE**  
*programmes for*  
investment promotion  
in  
Central & Eastern Europe

*Written by Bettina Rafaelsen & Peter Maher*  
september 1992

PHARE Advisory Unit P. Kalbe, J. López de Ayala, A. Rakshit, M. Rhys Williams, P. Worms  
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## Investment Promotion Central and Eastern European Countries

### Background

#### *Foreign Direct Investment*

Foreign direct investment has a vital role in relation to furthering the objectives of fostering a strong private sector and integrating the Central and Eastern European Countries into the greater European and international economic system. The importance of this type of investment is not merely limited to the role it may have within the privatisation and restructuring process but also in its "green-field" form, it can make a critical contribution to employment, exports and growth.

The importance of foreign investment is attributable to the following factors:

- \* it can be the major source of non-borrowed external capital,
- \* it is one of the most effective vehicles for the transfer of technology,
- \* it provides management, marketing and production know-how,
- \* it secures market and distribution system access,
- \* it can have important consciousness raising demonstration effects on indigenous enterprises and on local commercial culture

There are two fundamental determinants of foreign direct investment; the guarantee of security and the opportunity for a good return on the invested resources. In this regard, certain issues still need to be addressed in most Central and Eastern European Economies, namely development of an appropriate legal framework which defines policy and guarantees security to potential investors. Other factors such as labour force quality, wage levels, infrastructure, tax regime etc. can have an important influence on investor location decisions.

#### *Investment Promotion*

A proactive approach is often essential for attracting foreign investment. Investment promotion has had a significant influence on foreign investment flows in a wide range of countries and, particularly important, promotion programmes have proved effective in attracting specific target groups of investors who meet criteria which ensure their optimum value to the host country.

Most surveys<sup>1</sup> on the experience of the last three decades show that foreign investors, industrialists and financiers have to be identified and approached, solicited and attracted against competition in the international arena. This is

<sup>1</sup>(World Bank, FIAS (IFC & MIGA): Occasional Papers 1 and 2, Marketing a Country - Promotion as a tool for attracting Foreign Investment, Wells and Wint, 1990 and Facilitating Foreign Investment, Government Institutions to Screen, Monitor and Service Investment from Abroad, Wells & Wint 1991)



recognised as a highly specialised activity requiring special experience and knowledge. It is most effectively achieved by the establishment of a strong and competent executive body, operationally autonomous from normal line ministries, which can also effectively execute promotional programmes - i.e. a Foreign Investment Agency or an equivalent body.

#### *"One-stop-shop"*

The justification for the "one-stop-shop-approach" is well established. Too many layers of decision making in potential target countries can be a real deterrent to investor interest. A source of frustration for investors is often that an unreasonable number of institutions have to be approached and that the time frame for an approval is unacceptably long. In order to address these problems it is important to create a body which can service and assist investors both before and after the investment decision.

Investor servicing is a competitive activity involving providing assistance to prospective investors in an effort to bring them closer to arriving at positive location decisions. These services include project counselling, streamlining dealings with relevant government agencies and ministries and pre-feasibility studies. In the post investment context it involves securing priority treatment for securing infrastructure, utilities and other project support services.

#### PHARE approach

Augmenting the promotion of foreign direct investment is an essential element of the PHARE programme's support for the transformation of the former command economies in central and Eastern Europe.

The actions of the PHARE programme attempt to address directly these investor servicing issues and through education and increasing awareness of the benefits of foreign investment, thereby have a positive impact on the general investment climate. Consequently, the main approach adopted by PHARE is broadly in two areas:

The first area is to assist in clarification of the policy function by support to the appropriate ministries and by assisting in developing a strategy and a legal framework which reflects both national priorities and investor concerns.

The second area is to initiate pro-active support to encourage business interest. This includes reforming and augmenting the institutional competence for investor servicing within these countries and developing their promotional capabilities on the main source markets.

To date PHARE has launched Investment Promotion Programmes in 9 countries namely Poland, Hungary, the Czech and Slovak Republics, Romania, Bulgaria and the three Baltic countries.





## PHARE Actions to date

|  | POLAND  | HUNGARY   |
|--|---|---|
| Programme Framework and Year           | Privatisation and Restructuring. 1991   | Investment Promotion and Export Development. February 1992  |
| Institutional Responsibility           | The State Foreign Investment Agency (SFIA) was created in April 1992.   | The Agency for Investment and Trade Promotion of the Ministry of International Economic Relations.  |
| Programme/Agency objectives            | The SFIA's main purpose is to attract foreign investment and promote foreign involvement in Privatisation. In addition the SFIA will assist the Polish Government in regulatory matters connected to foreign investment | The programme is expected to generate significant new investment and to lead to substantial increase in exports in selected sub-sectors.                            |
| Technical Assistance provided by PHARE | Short and long term advisors have been provided for assistance in investment generation and servicing, image building activities and investor research.   | Investment Promotion Advisors have been provided to support the Programme Management Unit and considerable support is being given to Agency promotional operations. |

| COUNTRY                                | CZECH and SLOVAK REPUBLIC  | ROMANIA  |
|--|--|--|
| Programme Framework and Year           | GTAF 1991 & Privatisation & Restructuring 1992   | Privatisation & Restructuring 1991   |
| Institutional Responsibility           | The Czech Agency for Foreign Investment (CAFI)<br><br>The Slovak National Agency for Foreign Investment and Development (SNAFID)   | Romanian Development Agency.   |
| Programme/Agency objectives            | SNAFID: The Agency was set up as a Government Agency in 1991. It's current status is as a semi-autonomous Agency. The purpose is to attract foreign investment and new business development.<br><br>CAFI: The Agency was formed in October 1990. It assists foreign investors in finding appropriate Czech enterprises and private partners in the Czech Republic. | The Agency was established by Government decision in March 1991. The ARD is a separate legal entity and functions as a public institution. The main aim of the ARD is to assist the Government in defining and directing policy measures that relate to economic development based on foreign capital. |
| Technical Assistance provided by PHARE | Short and long term advisors have been provided for assistance in investment generation and servicing, image building activities and investor research.  | On the basis of a study completed by experts aimed at examining the policy, legislative framework and the needs for institutional support, a comprehensive programme was defined to be funded during 1992-93 by PHARE.   |

| COUNTRY                                | BULGARIA   | BALTIC STATES  |
|--|--|--|
| Programme Framework Year & Amount      | Privatisation & Restructuring 1991   | Latvia: GTAF (MECU 1)<br>Estonia: GTAF (MECU 0,5)<br>Lithuania: Privatisation & Restructuring 1992 (MECU 0,2)  |
| Institutional Responsibility           | Ministry of Industry and Trade   | N/A  |
| Programme/Agency objectives            | N/A  | Based on the recommendation of the diagnostic study conducted jointly between PHARE and the Foreign Investment Advisory Service (FIAS) supportive action will be taken to address the problems identified in both legislative and institutional terms. |
| Technical Assistance provided by PHARE | Identification study is foreseen under the 1991 P&R programme, which will be conducted during QTR. 4 1992. | Diagnostic studies conducted jointly with Foreign Investment Advisory Service (FIAS) examining institutional and legislative issues.   |

INVESTMENT PROMOTION  
TRADE DEVELOPMENT  
INDUSTRY & FINANCE UNIT  
PHARE Operational Service  
DG-1

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 Director : Mr. FARKAS  
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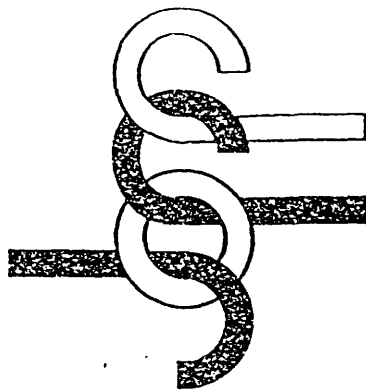
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I/352/92



# Joint Venture PHARE Programme

## FOR FURTHER INFORMATION

The JOPP programme is financed and managed by the Commission of the European Communities. Full details are available by contacting:

Directorate General XVIII  
Credit and Investments  
Mr Enrico Cioffi, Director General

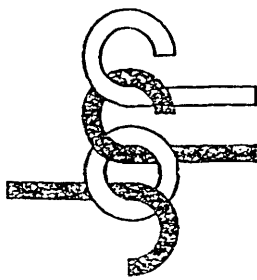
Mr Jean Marie Magnette JOPP Assistance Unit  
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Directorate General I - External Relations  
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Mr Peter Kalbe  
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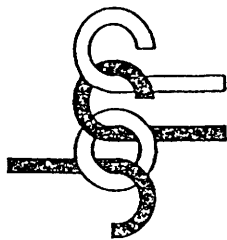


## INTRODUCTION

'JOPP' IS A  
EUROPEAN COMMUNITY PROGRAMME  
TO HELP COMPANIES SUCH AS YOURS  
ESTABLISH JOINT VENTURES  
IN EASTERN AND CENTRAL EUROPE.

JOPP (JOINT VENTURE  
PHARE PROGRAMME)  
IS PART OF PHARE,  
A COMMUNITY PROGRAMME  
SET UP TO ASSIST THESE COUNTRIES  
IN THEIR ENDEAVOUR TO  
RESTRUCTURE THEIR ECONOMIES.





## WHERE DOES JOPP OPERATE?

The Joint Venture PHARE Programme (JOPP) is open to companies from the Member States of the European Community, which are interested in establishing or developing joint ventures with enterprises in Central and East European countries supported by the PHARE Programme.

## WHO CAN BENEFIT?

In general, companies from any sector, including the service sector, are eligible to receive assistance from JOPP as long as the intended venture involves a direct and productive investment.

Priority will be given to small and medium-sized enterprises.

## HOW DOES JOPP OPERATE?

JOPP operates through a network of financial institutions which act as intermediaries between the Commission and the beneficiaries. The role of the network is to:

- promote the scheme;
- identify potential investors;
- evaluate project proposals;
- follow up approved projects.

Companies interested in benefitting from JOPP should apply to one of the selected Financial Intermediaries (see overview for further details).



## WHAT ASSISTANCE DOES JOPP OFFER?

JOPP offers a number of facilities to assist in the different phases of a joint venture investment.

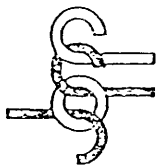
### PREPARATORY PHASE

Financing is available for the preparatory phases for the creation or development of a joint venture.

For example, this could include financial assistance for feasibility studies or pilot projects. The beneficiary can receive up to 50% of the eligible costs, with a ceiling of ECU 75,000, if the project succeeds, 100% of the eligible costs may be reimbursed through a grant. The maximum grant available may therefore amount to ECU 150,000.

### CO-FINANCING

This facility contributes to joint venture financing requirements, up to 20% of total investment. For JOPP to make a contribution, a Financial Intermediary must also co-finance directly or indirectly the joint venture.

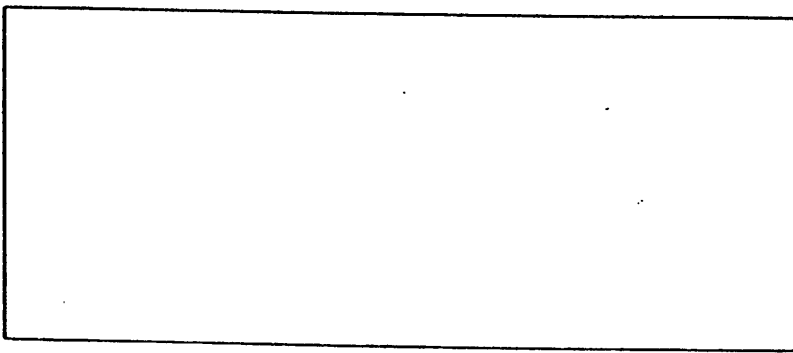
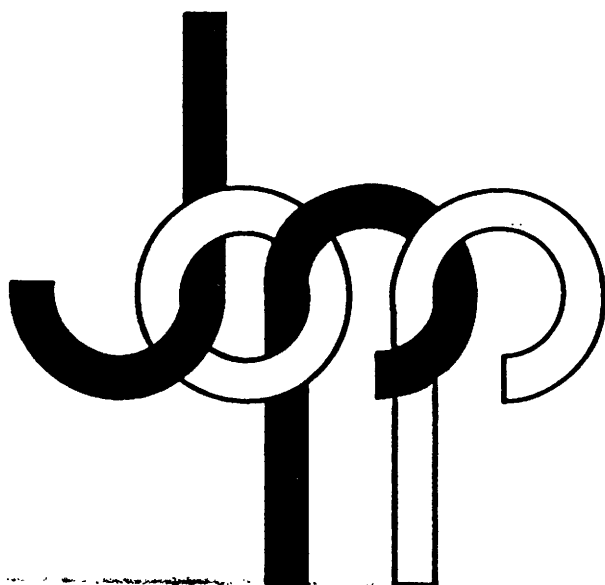


### TECHNICAL ASSISTANCE

Interest free loans are available for financing assistance to strengthen the human and technical resources of a joint venture. The JOPP contribution is 50% of the eligible costs. The maximum contribution amounts to ECU 150,000.

### GENERAL ASSISTANCE

General assistance for the identification of investment opportunities and partners in Central and Eastern Europe. This facility applies to Financial Intermediaries.



**Joint Venture  
PHARE  
Programme**







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## 1. Introduction

The scheme is part of the PHARE programme. The aim is to encourage private sector investment in the countries of central and eastern Europe (CEEC) <sup>(1)</sup> through the creation and development of joint ventures between businesses in the Community (primarily small and medium-sized enterprises) and local partners. The scheme consists of four facilities designed to cover the whole process of joint venture investment:

- Facility 1 - identification of possible projects and potential partners (general action);
- Facility 2 - preliminaries to establishing a joint venture;
- Facility 3 - capital requirements;
- Facility 4 - technical assistance.

## 2. General operation of the scheme

### 2.1 Definitions

#### 2.1.1. Joint venture

For the purposes of the scheme a joint venture is a business:

- which satisfies the specific criteria for joint ventures in the legislation of the CEEC concerned;
- in which the capital is held by the partners, of whom at least one is resident in an EC Member State and at least one other is resident in a CEEC;
- in which the share of the capital held by the partners in the EC Member States and in the CEECs is not less than 75%; the participation of the partner(s) resident in the EC Member States and in the CEECs must be representative and enable the partners to be represented on the bodies of the joint venture.

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(1) Currently: Albania, Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Czechoslovakia and Yugoslavia.

### 2.1.2 Establishment of a joint venture

In the context of the scheme a joint venture is regarded as having been established when:

- the joint venture is properly registered in accordance with the regulations of the CEEC concerned;
- the share capital is subscribed;
- an adequate amount of capital has been released by the shareholders;
- the joint venture has commenced operation (hiring of staff, signing of contracts, etc).

### 2.1.3 Community business or partner, CEEC business or partner

The following definitions apply for the purposes of this programme:

- **Community business or partner:** a company constituted in accordance with the legislation of a Member State whose registered office, headquarters or main establishment lies within the Community;
- **CEEC business or partner:** a company constituted in accordance with the legislation of a CEEC whose registered office, headquarters or main establishment lies within a CEEC.

## 2.2 Network of financial intermediaries

The scheme depends on a network of financial intermediaries selected by the Commission throughout the Member States. The role of this network is to promote the scheme, to identify potential investors, to assess the projects which are submitted, to arrange co-financing if necessary, to administer the funds allocated to the beneficiaries on behalf of the Commission and to follow up the projects which are approved by the Commission.

The list of financial intermediaries which form this network is not final. New financial intermediaries may be added as required, while others may be withdrawn if their performance is considered inadequate by the Commission.

### 2.2.1 Obligations of the financial intermediary

Any financial intermediary involved in the scheme will undertake:

- to promote the programme;
- to identify potential investors in joint ventures in the CEEC countries;
- to analyse and assess the applications submitted by the potential investors;
- to appraise and forward applications for support (together with reasoned opinions) to the Commission;
- to arrange the co-financing (if necessary), either directly or through another financial institution, of the projects which are submitted to and approved by the Commission; co-financing is optional for Facilities 2 and 4 but is a requirement for the granting of a Community contribution in the case of Facility 3.

If the financial intermediary's normal activities include specific financing operations of the kind covered in Facilities 2 and 4, co-financing will be a requirement for the granting of any Community contribution. In certain exceptional cases, however, the Commission may agree to waive this requirement, provided that a specific justification is given.

- to administer (on behalf of the Commission and for each project which is approved) the Community contribution granted to the beneficiary and to represent the interests of the Community in dealings with the beneficiary.
- to follow up the projects which are approved in accordance with the provisions laid down below for each facility.

### 2.3 Beneficiary companies

The companies receiving support under the scheme are:

- Facility 2: a company or companies intending to establish a joint venture, or an existing joint venture in a CEEC where significant diversification, expansion or development of the activity is planned;
- Facility 3: the joint venture itself;
- Facility 4: the joint venture itself; exceptionally, the Community or CEEC partner.

Priority will be given to small and medium-sized Community businesses with fewer than 500 employees, with net fixed assets below ECU 75 million and with no more than a third of their capital held by a large company.

Priority will also be given to joint ventures set up in a CEEC country with net fixed assets below ECU 10 million.

In other instances, applications will be assessed on a case-by-case basis. Special attention will be given to the additionality of the Community funds and in particular to the decisive contribution of the Community aid for the start-up of the project.

In general, the financial intermediaries in the network and joint ventures in which the financial intermediary is the main Community or local partner may not, as beneficiary companies, receive Community support under Facilities 2, 3 and 4.

#### Other conditions

##### - Facility 2:

The business must be a Community or CEEC business planning to form a joint venture.

The aim of establishing a joint venture will be assessed on the basis of an agreement in principle between the two partners indicating the intention to establish a joint venture and on the basis of a pre-feasibility study which must be included with the application.

- Facilities 3 and 4:

The application must refer to a new joint venture being established or to an existing joint venture which is being expanded or restructured.

#### 2.4 Sectors of activity

As a general rule, the beneficiary companies may operate in any sector, including the service sector, on condition that the planned venture involves:

- a direct investment and not a financial investment (placement of funds, portfolio investment, etc);
- a productive investment (in the broad sense: including the service, transport, tourist sectors, etc) and not a speculative investment (purchase of real estate, etc).

The beneficiary companies may not be in the bank lending sector.

#### 2.5 Application procedure

Applications for Community support under this scheme must be submitted in duplicate by the financial intermediaries to:

Mr J.M. Magnette  
Commission of the European Communities  
Head of Unit  
Wagner Building  
L-2920 Luxembourg

Tel. (352) 4301-6261; Fax (352) 43 63 22

Applications must be made on special forms available from the financial intermediaries.

Each application must be accompanied by the financial intermediary's reasoned opinion and information on any co-financing which is planned.

Where appropriate (and especially in the case of Facility 3) the financial intermediary must indicate how it is planned to provide the funds, specifying the amount, the conditions and the risk cover available.



## 2.6 Eligible expenses

Only expenses incurred after the approval of the application by the Commission will be considered. The kinds of expenses which may be considered are listed in paragraphs 4.2.2 (Facility 2) and 6.2.2 (Facility 4) below.

## 2.7 Ceiling of Community contribution

The total Community contribution to Facilities 2, 3 and 4 may not exceed ECU 1 000 000 for all the projects relating to a single joint venture.

## 2.8 Currency unit, exchange rate, interest

2.8.1 All Community contributions referred to below will be denominated and paid in ecus in the absence of special provisions to the contrary.

2.8.2 The interest due to the Community will be calculated at the three-month ecu LIBOR published on the ISDA page of the Reuter screen at 11.00 a.m. London time on the day on which the funds are paid to the beneficiary. If a payment is due to the Community in a currency other than the ecu, the interest due to the Community will be calculated at the three-month LIBOR published on the ISDA page of the Reuter screen at 11.00 a.m. London time on the day on which the funds are paid to the beneficiary. If a payment is due to the Community in a currency not appearing on the ISDA page of the Reuter screen at 11.00 a.m. London time, the interest rate applicable will be the official discount rate for the currency multiplied by 1.2.

2.8.3 The contributions referred to in each application will be expressed in ecus, using, where appropriate, the monthly ecu accounting rate, published by the Commission, applicable to the month prior to that in which the application is submitted.

2.8.4 The procedure for determining the exact amounts in ecus of the contributions to be paid to the beneficiary under Facilities 2 and 4 will be to convert the eligible costs incurred in currencies other than the ecu into ecus at the monthly ecu accounting rate published by the Commission which applied for the month during which the expenditure was incurred.

2.8.5 If the co-financing is effected in a currency other than ecus and/or local exchange control legislation makes this compulsory, the debt of the beneficiary corresponding to the Community contribution will be denominated in the currency; in all other cases debts will be denominated in ecus.

The financial intermediary will inform the Commission as early as possible of the exchange rate applied in converting ecus into this currency for the purpose of paying the beneficiary and of the final amount; the exchange rate and the amount concerned will be stipulated in a specific additional clause to the "terms and conditions" accepted by the Community and the financial intermediary under the financing agreement.

2.8.6 All payments to the Commission of debts expressed in ecus shall be made in ecus unless there are specific written instructions to the contrary or local exchange control legislation stipulates otherwise. In such cases the exact amount to be paid in currencies other than the ecu shall be obtained by applying the official exchange rate applicable on the date of payment, in accordance with paragraph 2.8.3 above.

2.8.7 If the beneficiary's debt is expressed in a currency other than the ecu in accordance with paragraph 2.8.5 above, it shall be reimbursed in the same currency.

## 2.9 Payment procedures

The Commission will pay all Community contributions to the final beneficiary to the account indicated by the financial intermediary.

## 2.10 Supervisory procedures

The final beneficiary, the financial intermediary and any representative must allow the services of the Commission and of the Court of Auditors of the European Communities to carry out any check which they deem necessary and must make available any information or documents which are requested of them.

In addition, the Commission reserves the right to have auditing and assessment carried out by an independent expert.

## 2.11 Reports and information

The financial intermediaries undertake to provide the Commission with the following reports and information:

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- general information:

- details and evidence of payments made to final beneficiaries and of repayment of the Community contribution when due;
- any factor likely to jeopardize the proper operation of the joint venture;
- any major event (bankruptcy, etc) affecting or about to affect the joint venture;
- any other information requested by the Commission;

- particular information and documents:

- Facility 2:

- immediately after the feasibility study has been completed, details of the actual eligible costs and supporting documents must be submitted;
- where appropriate, if the joint venture is not established, the feasibility study must be submitted to the Commission which may transmit it without indicating its source to all the financial intermediaries in the network or use it in any other way it wishes;
- if the joint venture is established, or if it is not established and the Community contribution is repaid, a summary report of the feasibility study must be submitted;

- Facility 3:

- the annual report of the joint venture and any other information received by the shareholders must be submitted each year;
- a summary report on the progress and prospects of the joint venture must be submitted each year;

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- after ten years, or any other period to be specified by the Commission, all the information required for the calculation of repayments must be submitted;
- Facility 4:
  - the annual report of the joint venture must be submitted each year;
  - a report on the impact of the activities and details of actual eligible costs, together with supporting documents, must be submitted.

### 3 Procedures for Facility 1: identification of projects and potential partners

#### 3.1 Objective

The objective of Facility 1 is to provide assistance in the exploration of business opportunities and more particularly to operations of a general nature, i.e. not focussed on individual investment projects. Community support will be provided only if the proposed operation will be of general interest, i.e. of use to the whole network of financial intermediaries and preferably also to other groups, associations and potential investors.

Operations that will lower the high documentation costs associated with foreign investment (particularly for SMEs) will be specifically favoured as they diminish perceived risks. The activities supported could take various forms such as the constitution of a field support unit, specific studies or assignments, promotion of the scheme, etc.

#### 3.2 Community contribution

A budget of ECU 2 000 000 has been set aside for this facility. This will be implemented at a later stage after the network of financial intermediaries has become fully operational for Facilities 2, 3 and 4. It will be implemented by the Commission in collaboration with the network intermediaries and possibly other partners such as associations or investors.

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#### 4 Procedures for Facility 2: Preliminaries to establishing a joint venture

##### 4.1 Objective

Under the arrangements for Facility 2, investment projects may be supported financially to cover part of the eligible costs (see paragraph 4.2.2 below) prior to the establishment of a joint venture.

##### 4.2 Community contribution

###### 4.2.1 Amount of Community contribution and procedures

The Community contribution is intended to cover part of the costs involved in establishing a joint venture or in implementing a significant diversification, expansion or development of activity in the case of an existing joint venture.

The amount and the procedures for this contribution are as follows:

###### Pre-feasibility study:

The pre-feasibility study provides the prior information which is essential for the preparation of the feasibility study and also makes it possible to develop contacts with the future partner.

A maximum of ECU 2 500 may be reimbursed to the promoter of a project to cover expenses in connection with a pre-feasibility study (as defined in paragraph 4.2.2 below) after the supporting documents have been submitted and generally when the Commission approves the application for the financing of preliminaries to establishing a joint venture.

###### Feasibility study:

Up to 50%, with a limit of ECU 75 000, of the eligible costs (as defined in paragraph 4.2.2 below) in the form of an interest-free advance.

This advance will be transformed into a grant if the joint venture is actually established (see paragraph 2.1.2) within 12 months of the completion of the feasibility study (official confirmation of the actual date of completion of the study will be required). In this case, the remaining 50% of eligible costs may also be borne by the Commission, with an overall limit of ECU 150 000 (100%).

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The duration of the feasibility study may not exceed by more than 90 days the duration indicated in the application to the Commission.

The periods of twelve months and 90 days referred to above may be extended if the financial intermediary submits a written and justified request to the Commission, which must give its prior consent.

The payment of the first 50% of the Community contribution, following receipt by the Commission of a letter from the final beneficiary indicating that the feasibility study has commenced, will be effected as follows:

- 60% (of the 50%) will be paid to the account of the final beneficiary within seven days of receipt of the funds by the financial intermediary or written acceptance by the Commission if use is made of the advance payment procedure;
- the remaining 40% will be paid after approval of the invoices and supporting documents submitted to the Commission within 60 days of the completion of the feasibility study.

If half of the total actual eligible costs is less than the 60% paid in advance (see above), the difference between the two amounts will be repaid to the Commission within 14 days of the completion of the study. Interest will also be due on this amount for the period between the date of payment of the advance and the date of the repayment of the difference to the Commission.

In the event of payment after the 14-day deadline, the rate applicable to the excess period will be that stipulated for interest on arrears (see section 7).

If the joint venture is in fact established, the scheduled additional payment (to a maximum ECU 150 000 in all) will be made after supporting documents have been submitted.

#### 4.2.2 Eligible costs

The eligible costs which will be considered in calculating the Community contribution are as follows:

**Pre-feasibility study:**

External costs relating to negotiations with the potential partner as part of a pre-feasibility study such as travel and accommodation expenses. These expenses will be calculated in accordance with the rules applied by the Commission (see Annex 1).

**Feasibility study:**

- (a) Additional costs strictly and directly linked to the feasibility study incurred by the promoters of the project for the establishment of a joint venture.

These include, for example:

- Consultants' or experts' fees directly connected with the feasibility study. The consultants or experts must be selected as a result of an invitation to tender. The fees must be in line with market rates and/or those accepted by the Commission. The fees charged by companies in which the financial intermediary or the final beneficiary has a major direct share shall be excluded.
- Properly documented travel and accommodation expenses in the countries connected with the feasibility study. These expenses will be calculated in accordance with the rules applied by the Commission (see Annex 1).
- Properly documented exceptional fees or commissions to internal experts directly related to the feasibility study.

The following, for example, are not covered:

- salaries of staff of the joint venture or of potential partners of the joint venture involved in the scheme;
- general expenses;
- VAT;
- interest;
- promoters' profits;
- passport fees and personal expenses;
- any other exceptional expenditure;
- other costs not directly related to the feasibility study.

- (b) Seed money for early-stage investments: pilot and test projects and construction of prototypes.

#### 4.2.3 Repayment

If the joint venture is not established within 12 months of the completion of the feasibility study, the beneficiary of Community support may choose between:

- making the feasibility study available to the Commission which may transmit it without indicating its source to all the financial intermediaries in the network or use it any way it wishes;

or

- repaying the Community contribution within 14 days of the end of the 12-month period indicated above; in the event of payment after the 14-day deadline, interest will be due on the amount to be refunded for the period between the deadline and the actual date of repayment, under the conditions stipulated for interest on arrears (see section 7 below).

The Commission reserves the right to ask for its contribution to be refunded if the costs incurred are clearly disproportionate to the scope and/or quality of the study.

Repayment will be made to an account specified by the Commission.

### 5 Procedures for Facility 3: Medium and long-term capital requirements

#### 5.1 Objective

This facility applies to joint ventures being established or to joint ventures undergoing renovation or expansion.

The Community may contribute to the financing requirements and take on part of the risks if other investors are also involved in the medium/long-term financing of the venture, especially using their own resources. These investors must be the Community partner, who must hold a significant share of the capital of the joint venture, and the financial intermediary (either directly or indirectly).



## 5.2 Special conditions regarding the financial intermediary for Facility 3

- The pre-condition for the granting of Community support is that the financial intermediary, or another financial institution in cooperation with the financial intermediary, must provide medium and long-term financing in the form of own resources to the joint venture which is being established, renovated or expanded. This financing will be in addition to the funds made available by the partners in the joint venture.
- The financial intermediary or financial institution co-financing the venture may ask to be insured by national credit insurance schemes or private insurance companies against risks of a political nature or of transfer, natural disaster, embargo, exchange rate fluctuations or other risks connected with the funds being made available to the joint venture. However, the financial intermediary or financial institution co-financing the venture will be required to bear all other risks associated with the financing. This limitation of risk cover applies solely to that part of the financial resources which is considered in calculating the amount of the Community contribution.
- The financial intermediary or financial institution co-financing the joint venture will as a rule provide financing to the joint venture for a maximum period of ten years.

## 5.3 Community contribution

### 5.3.1 Amount of the Community contribution

Irrespective of the ceilings indicated above, the Community contribution may not exceed:

- the amount of medium and long-term financing made available to the joint venture by the financial intermediary (directly or indirectly) under Facility 3;
- the amount of the share in the joint venture held by Community partners on their own behalf.

Ceiling of the Community contribution:

The Community contribution may not exceed 20% of the total capital needs of the joint venture being established, renovated or expanded, given the proposed overall ceiling of the scheme.

5.3.2 Procedures for providing the Community contribution

5.3.2.1 Form of the Community contribution

The Community contribution will be provided in a form similar to that used by the financial intermediary either directly or indirectly for the provision of medium and long-term financing, especially as equity or quasi-equity, to the joint venture under Facility 3. This form may be, for example:

- (1) Acquisition of capital in the joint venture by the financial intermediary or financial institution co-financing the venture. In this case, the Community contribution will be provided in the form of an equity loan to the joint venture.
- (2) Debt equity swap, or the conversion by the financial intermediary or financial institution co-financing the venture of a debt into an acquisition of capital in the joint venture. In this case, too, the Community contribution will take the form of an equity loan.
- (3) Investment loan, i.e. a loan (as a rule, not mandatorily linked to the supply of goods) which reflects, by virtue of the repayment or call conditions, the acceptance by the lender of a joint venture risk, e.g.:
  - a subordinated loan as defined in Article 21 of the Council Directive of 8 December 1986 (85/635/EEC) and Article 4 of the Council Directive of 17 April 1989 (89/299/EEC) (see Annex 2);
  - a convertible loan;
  - a shareholder's loan.

In this case the Community contribution will take a form identical to the form of financing used by the financial intermediary, whether direct or indirect.

#### 5.3.2.2 Payment of the Community contribution

The Community contribution will be paid through the financial intermediary to the joint venture itself in accordance with the terms and conditions of the offer relating to the project which has been accepted by the financial intermediary.

Payment will be made in proportion to the actual financing made available directly or indirectly by the financial intermediary under Facility 3. The total Community contribution must, however, be paid within two years after the date of approval of the project by the Commission. Any part of the contribution which is not paid during this period may not be paid thereafter.

The Community contribution will be paid in ecus and may be denominated either in ecus or in the currency used for financing by the financial intermediary or financial institution co-financing the venture.

#### 5.3.2.3 Repayment of the Community contribution

Repayment of the Community contribution will be made in proportion to the repayment made to the financial intermediary or financial institution co-financing the venture.

The contribution must as a rule be repaid within ten years after the date of approval of the application by the Commission.

If the financing provided under Facility 3 by the financial intermediary or financial institution co-financing the project is not repaid within this ten-year period, the Commission may ask the beneficiary for an estimate of its contribution (if it has been granted in the form of an equity loan, for example) and the beneficiary must forward this estimate to the Commission via the financial intermediary within 60 days of the date of the Commission's request for repayment. If there is disagreement over the estimate, the Commission will have the option of requesting a second estimate from an independent expert of its choice. In the event of a dispute, the Commission may consult the international technical expertise centre of the International Chamber of Commerce (ICC).

The Commission may, however, decide to defer the repayment of all or part of the Community contribution on the basis of a properly justified request submitted by the financial intermediary.

Repayment of the Community contribution will be in the currency in which the contribution was denominated.

Repayment will be made to the account specified by the Commission.

#### 5.3.2.4 Earnings on the Community contribution

The earnings on the Community contribution (dividends, capital gains, etc) will be equal to the earnings due to the financial intermediary or financial institution co-financing the venture for the financing made available to the joint venture under Facility 3. The Commission will, however, surrender half of these earnings to the joint venture. These amounts will be entered as exceptional income for the year in which they are obtained.

They will be paid to the account specified by the Commission in the currency

in which the contribution was denominated in proportion to the earnings due to the financial intermediary or financial institution co-financing the venture.

### 6 Procedures for Facility 4: Technical assistance

#### 6.1 Objective

This facility is intended to strengthen the human capital base of joint ventures, either new or already in existence, by co-financing specific technical assistance measures and the transfer of know-how associated with their creation or revitalization.

#### 6.2 Community contribution

##### 6.2.1 Amount of the Community contribution and procedures

The Community contribution is intended to cover part of the costs involved in strengthening the human capital base of a joint venture which is being set up or which already exists. In the latter case, however, these costs will be limited to those incurred in connection with a significant diversification or revival of the existing joint venture's activities.

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The contribution will also cover part of the costs connected with the acquisition or transfer of know-how.

The amount of the Community contribution and the procedures are as follows:

- The eligible costs (as defined in paragraph 6.2.2 below) may be financed up to 50%, with a ceiling of ECU 150 000, in the form of an interest-free loan.
- The operations proposed by the beneficiary must be completed within twelve months of the date of approval by the Commission. This deadline may be extended on submission of a written and substantiated request by the financial intermediary for the prior agreement of the Commission.
- Co-financing by the financial intermediary is optional, but financial involvement in the venture by the intermediary will ensure preferential consideration.
- With regard to the payment of the financial contribution, 60% of the amount approved will be paid to the final beneficiary's account within seven days of receipt by the financial intermediary of the funds or the Commission's written acceptance where use is made of the advance payment procedure. The remaining 40% will be paid after the invoices and supporting documents relating to the eligible costs which have been actually incurred have been submitted to and approved by the Commission.
- If half of the eligible costs is less than the amount paid as an advance (see above), the difference between the two amounts must be refunded to the Commission within 14 days of submission of the invoices and supporting documents. Interest will be due on this amount for the period between the date of payment of the advance and the date of refund of the difference to the Commission. In the event of payment after the 14-day deadline, interest will also be due on this sum for the period between the end of the 14-day period and the date on which repayment becomes effective under the conditions stipulated for interest on arrears (see paragraph 7).

#### 6.2.2 Eligible costs

The eligible costs which will be considered in calculating the Commission's financial contribution are as follows:

- additional costs strictly and directly linked to training schemes and/or transfer of know-how which are incurred by the joint venture or one of its shareholders.

Eligible costs include:

- cost of attending a training course locally or in a Community country;
- external cost of organizing on-the-spot training by a local or Community company;
- special fees and commissions to internal staff of the joint venture or its shareholders in direct connection with technical assistance or the transfer of know-how.

Eligible costs do not include:

- normal salaries and costs of internal staff even if they are involved in technical assistance or the transfer of know-how;
- royalties for know-how.

#### 6.2.3 Currency unit and rate of exchange

Contributions will be calculated and paid in ecus. The amount owed by the final beneficiary will be denominated immediately in the local currency. The financial intermediary will inform the Commission as early as possible of the exchange rate applied in converting ecus into this currency for the purpose of paying the beneficiary and of the final amount; the exchange rate and the amount concerned will be stipulated in a specific additional clause to the "terms and conditions" accepted by the Community and the financial intermediary under the financing agreement. This provision is an exception to the general provisions set out in paragraph 2.8 above.

#### 6.2.4 Repayment

Contributions under Facility 4 will be due for repayment after four years and repayment must be completed by the end of five years in accordance with the terms laid down in the agreement signed by the Commission and the financial intermediary.

Repayment will be made in ecus or local currency to the account specified by the Commission.

- 21 -

## ANNEX 1

Reimbursement of expenses(a) Travel expenses

- rail: first class
- air: economy-class fare (maximum);
- car: first-class rail fare.

(b) Subsistence expenses

The rate of the daily subsistence allowance will be as follows:

| Within the Community                   |       | Outside the Community  |    |                      |
|--|-------|------------------------|----|----------------------|
| Overall daily allowance<br>Lux. francs |       | Daily allowance<br>ECU |    | Accommodation<br>ECU |
| Belgium                                | 4 455 | Bulgaria               | 43 | Actual costs         |
| Denmark                                | 5 814 | Czechoslovakia         | 33 | Actual costs         |
| France                                 | 4 085 | Hungary                | 33 | Actual costs         |
| Germany                                | 4 014 | Poland                 | 33 | Actual costs         |
| Greece                                 | 2 736 | Romania                | 43 | Actual costs         |
| Ireland                                | 4 973 | Yugoslavia             | 48 | 100                  |
| Italy                                  | 5 334 | Albania                | 33 | Actual costs         |
| Luxembourg                             | 4 213 | OTHER COUNTRIES        | 33 | Actual costs         |
| Portugal                               | 3 942 |                        |    |                      |
| Spain                                  | 4 968 |                        |    |                      |
| The Netherlands                        | 4 707 |                        |    |                      |
| United Kingdom                         | 5 467 |                        |    |                      |

which are not established in the Community but which satisfy the definition in Article 1 of Directive 77/780/EEC.

#### Article 19

##### Liabilities: Item 2 — Amounts owed to customers

1. Amounts owed to customers shall include all amounts owed to creditors that are not credit institutions within the meaning of Article 18, regardless of their actual designations.

The only exception shall be liabilities represented by debt securities or by any other security, which must be shown under Liabilities item 3.

2. Only deposits which satisfy the conditions laid down in national law shall be treated as savings deposits.

3. Savings bonds shall be shown under the corresponding sub-item only if they are not represented by negotiable certificates.

#### Article 20

##### Liabilities: Item 3 — Debts evidenced by certificates

1. This item shall include both debt securities and debts for which negotiable certificates have been issued, in particular deposit receipts, 'bons de caisse' and liabilities arising out of own acceptances and promissory notes.

2. Only acceptances which a credit institution has issued for its own refinancing and in respect of which it is the first party liable ('drawee') shall be treated as own acceptances.

#### Article 21

##### Liabilities: Item 8 — Subordinated liabilities

Where it has been contractually agreed that, in the event of winding up or of bankruptcy, liabilities, whether or not evidenced by certificates, are to be repaid only after the claims of all other creditors have been met, the liabilities in question shall be shown under this item.

#### Article 22

##### Liabilities: Item 9 — Subscribed capital

This item shall comprise all amounts, regardless of their actual designations, which, in accordance with the legal

structure of the institution concerned, are regarded under national law as equity capital subscribed by the shareholders or other proprietors.

#### Article 23

##### Liabilities: Item 11 — Reserves

This item shall comprise all the types of reserves listed in Article 9 of Directive 78/660/EEC under Liabilities item A.IV, as defined therein. The Member States may also prescribe other types of reserves if necessary for credit institutions the legal structures of which are not covered by Directive 78/660/EEC.

The types of reserve referred to in the first paragraph shall be shown separately, as sub-items of Liabilities item 11, in the balance sheets of the credit institutions concerned, with the exception of the revaluation reserve which shall be shown under item 12.

#### Article 24

##### Off-balance sheet: Item 1 — Contingent liabilities

This item shall comprise all transactions whereby an institution has underwritten the obligations of a third party.

Notes on accounts shall state the nature and amount of any type of contingent liability which is material in relation to an institution's activities.

Liabilities arising out of the endorsement of rediscounted bills shall be included in this item only if national law does not require otherwise. The same shall apply to acceptances other than own acceptances.

Sureties and assets pledged as collateral security shall include all guarantee obligations incurred and assets pledged as collateral security on behalf of third parties, particularly in respect of sureties and irrevocable letters of credit.

#### Article 25

##### Off-balance sheet: Item 2 — Commitments

This item shall include every irrevocable commitment which could give rise to a risk.

Notes on accounts shall state the nature and amount of any type of commitment which is material in relation to an institution's activities.



## Article 4

1. The commitments of the members of credit institutions set up as cooperative societies referred to in Article 2 (1) (7), shall comprise those societies' uncalled capital, together with the legal commitments of the members of those cooperative societies to make additional non-refundable payments should the credit institution incur a loss, in which case it must be possible to demand those payments without delay.

The joint and several commitments of borrowers in the case of credit institutions organized as funds shall be treated in the same way as the preceding items.

All such items may be included in own funds in so far as they are counted as the own funds of institutions of this category under national law.

2. Member States shall not include in the own funds of public credit institutions guarantees which they or their local authorities extend to such entities.

However, the Kingdom of Belgium shall be exempt from this obligation until 31 December 1994.

3. Member States or the competent authorities may include fixed-term cumulative preferential shares referred to in Article 2 (1) (8) and subordinated loan capital referred to in that provision in own funds, if binding agreements exist under which, in the event of the bankruptcy or liquidation of the credit institution, they rank after the claims of all other creditors and are not to be repaid until all other debts outstanding at the time have been settled.

Subordinated loan capital must also fulfil the following criteria:

- (a) only fully paid-up funds may be taken into account;
- (b) the loans involved must have an original maturity of at least five years, after which they may be repaid; if the maturity of the debt is not fixed, they shall be repayable only subject to five years' notice unless the loans are no longer considered as own funds or unless the prior consent of the competent authorities is specifically required for early repayment. The competent authorities may grant permission for the early repayment of such loans provided the request is made at the initiative of the issuer and the solvency of the credit institution in question is not affected;
- (c) the extent to which they may rank as own funds must be gradually reduced during at least the last five years before the repayment date;
- (d) the loan agreement must not include any clause providing that in specified circumstances, other than the winding up of the credit institution, the debt will become repayable before the agreed repayment date.

## Article 5

Until further coordination of the provisions on consolidation, the following rules shall apply.

1. Where the calculation is to be made on a consolidated basis, the consolidated amounts relating to the items listed under Article 2 (1) shall be used in accordance with the rules laid down in Directive 83/350/EEC. Moreover, the following may, when they are credit ('negative') items, be regarded as consolidated reserves for the calculation of own funds:
  - any minority interests within the meaning of Article 21 of Directive 83/349/EEC, where the global integration method is used,
  - the first consolidation difference within the meaning of Articles 19, 30 and 31 of Directive 83/349/EEC,
  - the translation differences included in consolidated reserves in accordance with Article 39 (6) of Directive 86/635/EEC,
  - any difference resulting from the inclusion of certain participating interests in accordance with the method prescribed in Article 33 of Directive 83/349/EEC.
2. Where the above are debit ('positive') items, they must be deducted in the calculation of consolidated own funds.

## Article 6

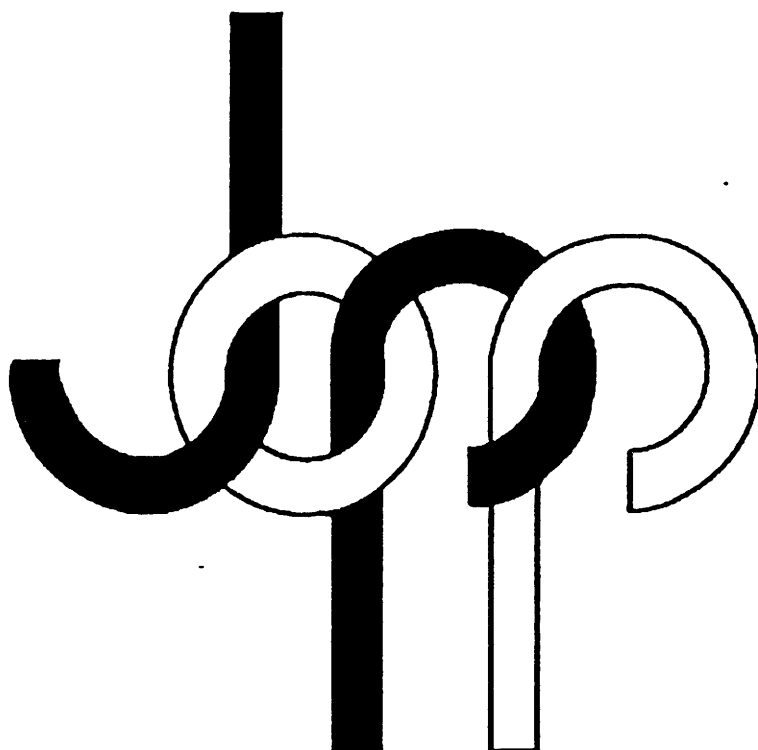
## Deductions and limits

1. The items referred to in Article 2 (1), points 3 and 5 to 8, shall be subject to the following limits:
  - (a) the total of items 3 and 5 to 8 may not exceed a maximum of 100 % of items 1 plus 2 minus 9, 10 and 11;
  - (b) the total of items 7 and 8 may not exceed a maximum of 50 % of items 1 plus 2 minus 9, 10 and 11;
  - (c) the total of items 12 and 13 shall be deducted from the total of all items.
2. The item referred to in Article 2 (1) (4) shall constitute a separate category. Provisionally, it shall be included in own funds without limit, but shall not be included when the basis of the limit for the items referred to in points 3 and 5 to 8 is fixed. Within six months of the implementation of this Directive the Commission shall, in accordance with the procedure provided for in Article 8, propose the final treatment for this item either in original own funds or in additional own funds.
3. The limits referred to in paragraph 1 must be complied with as from the date of the entry into force of the implementing measures for the Council Directive on a solvency ratio for credit institutions and by 1 January 1993 at the latest.



7. Interest on arrears

The interest due to the Commission will be calculated using the three-month ecu LIBOR published on the ISDA page of the Reuter screen at 11.00 a.m. London time on the date of payment of the funds to the beneficiary, plus 3%. If a payment is due to the Community in a currency other than ecus, the interest due to the Community will be calculated at the three-month LIBOR published on the ISDA page of the Reuter screen at 11.00 a.m. London time on the date of payment of the funds to the beneficiary, plus 3%. If a payment is due to the Community in a currency not appearing on the Reuter screen, ISDA page, at 11.00 a.m. London time, the interest rate applicable will be the official discount rate for the currency multiplied by 1.4.



FINANCIAL  
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**Joint Venture  
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| COUNTRY        | FINANCIAL INTERMEDIARY ADDRESS  | CODE | TOWN         | OPERATIONAL CONTACT PERSONS NAME       | DEPARTMENT                          | TELEPHONE                    | FAX          |
|----------------|---|------|--------------|--|-------------------------------------|------------------------------|--------------|
| <u>BELGIUM</u> | B.B.L. (Banque Bruxelles Lambert)<br>24, Avenue Marix                             | 1050 | BROUXELLES   | Mr NIHOUL Jules<br>Mr SIKET Bruno      | Grande Exportation-Projets Speciaux | 32/2/5172904<br>32/2/5173653 | 32/2/5173191 |
|                | FUND NEW EUROPE (G.I.N.P. Investment Company for Flanders)<br>37, Karel Constraat | 2018 | ANTWERPEN    | Mr DE WILINGAERT Jan                   | Project Development                 | 32/3/2482321                 | 32/3/2384193 |
|                | GENERALE BANK<br>3, Montagne du Parc  | 1000 | BROUXELLES   | Ms STEEL Kathleen<br>Mr TROUVEROY Yves | International Commercial Banking    | 32/2/5162553<br>32/2/5162551 | 32/2/5163403 |
|                | S.B.I. (Société Belge d'Investissement International)<br>63, Rue Montoyer         | 1040 | BROUXELLES   | Mr SPEH Jean                           | Service Pays de l'Est               | 32/2/2302785                 | 32/2/2311331 |
| <u>DENMARK</u> | I.P.U. (Investment fund for Central & Eastern Europe)<br>4, Bremerholm            | 1069 | COPENHAGEN K | Mr KRUSE Max                           | Investment Fund for C. & E. Europe  | 45/33142575                  | 45/33322524  |

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| DENMARK | UNIBANK A/S<br>8, Kongens Nytorv                              | 1786  | COPENHAGEN V | Mr FLEMING BROCHNER Pete         | Service Central and Eastern European Department | 45/33335045    | 45/33324308    |
| FRANCE  | BANQUE NATIONALE DE PARIS (BNP)<br>27, Boulevard des Italiens | 75002 | PARIS        | Mr LAVRIL Xavier                 | Direction du Commerce Extérieur                 | 33/1/4014-5803 | 33/1/4014-8020 |
|         |   |       |              | Ms GUERINTEAU-GUILBERT L.        | Direction Europe                                | 33/1/4014-2723 | 33/1/4014-5096 |
|         |   |       |              | Ms DESMARAIS M.-Antoinette       | Direction du Commerce Extérieur                 | 33/1/4014-6236 | 33/1/4014-7949 |
|         |   |       |              | Mr FOURARD Jacques               | Direction du Commerce Extérieur                 | 33/1/4014-5913 |                |
| FRANCE  | CREDIT LYONNAIS<br>1, Rue des Italiens                        | 75009 | PARIS        | Mr COSSARDEAUX Richard           | Direction des Financements                      | 33/1/4295-1588 | 33/1/4295-1430 |
|         |   |       |              | Mr FAUQUET Pierre                | et Services aux Entreprises                     | 33/1/4295-3219 |                |
|         |   |       |              | Mr DUPRESSOIR Jean-Marie         |   | 33/1/4295-6157 |                |
| FRANCE  | CREDIT NATIONAL<br>45, Rue Saint-Dominique                    | 75700 | PARIS        | Ms GROS Catherine                | Direction Affaires Internationales              | 33/1/45509024  | 33/1/45561127  |
|         |   |       |              |                                  |   |                |                |
| FRANCE  | SOCIETE GENERALE<br>29, Boulevard Haussmann                   | 75009 | PARIS        | Mr MONTEY Jean-René              | Direction Internationale                        | 33/1/4098-2431 | 33/1/4098-5720 |
|         |   |       |              | Mr TUFFERY Jean-Yves             | Direction Internationale                        | 33/1/4098-0307 | 33/1/4098-9204 |

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|----------------|--|-------|-------------|-------------------------------------|----------------------------------|------------------------------|------------------------------|
| <u>GERMANY</u> | BANQUE POUR L'EUROPE S.A. - EUROPA BANK AG (Dresdner Bank)<br>13, r. Beaumont (Pass. 56, Grand-Rue)<br>2017 LUXEMBOURG |       |             | MR CRUSEMANN Wolfgang               | Firmen Kunden Betreuung          | 352/470830-28                | 352/470830-39                |
|                | COMMERZBANK<br>32-36, Neue Mainzer Strasse   | 6000  | FRANKFURT 1 | MR BARCHELE Jan                     | Eastern and South Eastern Europe | 49/69/1362-1                 | 49/69/13622123               |
|                | LANDESBANK RHEINLAND PFALZ<br>Grosse Bleiche 54-56   | 6500  | MAINZ 1     | Dr. WITTE Harald                    | International Division           | 49/6131/13-2704              | 49/6131/13-3170              |
| <u>GREECE</u>  | AGROTII (Agricultural Bank of Greece S.A.)<br>4, Panepistimiou Str.  | 10671 | ATHENS      | MR IOANNOU E.<br>MR ARGYROPOULOS P. | Correspondent Banking Department | 30/1/3618202<br>30/1/3632344 | 30/1/3625238                 |
|                | E.T.A.A. (Hellenic Industrial Development Bank)<br>18, Panepistimiou Str.  | 10672 | ATHENS      | MR ARGYROPOULOS J.                  |                                  | 30/1/9215311<br>30/1/9232054 | 30/1/9232089<br>30/1/9232809 |

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|---------|---|-------|----------|--|-----------------------------------|--|--|
| IRELAND | I.C.C. (Industrial Credit Corporation plc)<br>32-34, Harcourt Street              |       | DUBLIN 2 | Mr. AHERNE Michael   | Corporate Finance Department      | 353/1/720055                                     | 353/1/781902                                     |
| ITALY   | ENL (Banca Nazionale del Lavoro)<br>119, Via Vittorio Veneto                      | 00187 | ROMA     | Dott. BIALETTI Giorgio<br>Dott. GARLASCHI Attilio<br>Dott. DUPRE' Andrea | Servizio Commerciale e Marketing  | 39/6/4702-7861<br>39/6/4702-7871<br>32/2/5137610 | 39/6/4702-7890<br>39/6/4702-7890<br>32/2/5137602 |
|         | CARIFLO (Cassa Risparmio Provinciale Lombarde) (**)<br>8, via Montebello di Pietà | 20121 | MILANO   | Dott. MAZZAMUTO Giovanni R.  | Servizio Estero                   | 39/2/88662704                                    | 39/2/88663250                                    |
|         | IMI (Istituto Mobiliare Italiano)<br>25, Viale dell'Arte                          | 00144 | ROMA     | Dott. MASTRONARDI Francesco<br>Dott. BISSI                               | Ufficio Organismi Comunitari      | 39/6/5959-3493<br>39/6/5959-3461                 | 39/6/5959-3640<br>39/6/5959-3640                 |
|         | ISTITUTO BANCARIO S. PAOLO di TORINO<br>156, Piazza S. Carlo                      | 10121 | TORINO   | Dott. IZZO Riccardo<br>Dott. PELAZZO Ferdinando                          | Servizio Relazioni Internazionali | 39/11/555-2877<br>39/11/555-2587                 | 39/11/555-2563<br>39/11/555-2563                 |



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| <u>LUXEMBOURG</u> | CREDIT EUROPEEN<br>52, Route d'Esch                      | 2965  | LUXEMBOURG | Mr LIMPENS Marc<br>Ms MARQUANT Sylvie | Department Corporate<br>Institutional | 352/44991-270<br>352/44991-433                       | 352/499297    |
| <u>PORTUGAL</u>   | BANCO DE POBENTO & EXTERIOR<br>59, Av. Casal Ribeiro     | 1000  | LISBOA     | Mr MOREIRA ANDRADE Albert             | Servicio de Pomento                   | 351/1/36-1071/2021<br>351/1/3561071<br>351/1/3562021 | 351/1/3521540 |
|                   | CAYA GERAL DE DEPOSITOS<br>2, Largo do Calhariz          | 1109  | LISBOA     | Ms CONSTANCIO Maria José              | Gabinete de Estudos                   | 351/1/3461981  | 351/1/3471400 |
| <u>SPAIN</u>      | BANCO NUBEO VICIAJA S.J.A.<br>81, Paseo de la Castellana | 28046 | MADRID     | Mr DE MIGUEL JUSTE Ramon              | Dep. de Comercio Internacional        | 34/1/3746161   | 34/1/5566136  |
|                   | BANCO EXTERIOR DE ESPANA<br>Goya, 14                     | 28001 | MADRID     | Mr SALDANA Marcos                     | Financiacion de Proyectos             | 34/1/5378405   | 34/1/5761645  |

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| SPAIN           | BANQUE EUROPA (Banco Español de Crédito)<br>103, Paseo de la Castellana        | 28046   | MADRID            | Mr DE LA FUENTE MUELAS             |                                  | 34/1/556-3697-3751 | 34/1/5564614   |
|                 |  |         |                   | Mr MIGUEL CORTES ARCAS Jo          |                                  |                    |                |
|                 |  |         |                   | Ms CIFUENTES CORTES Lydia          |                                  |                    |                |
|                 | COFINES (Compañía Española de Financiación Desarrollo)<br>58, Oranse, Planta 9 | 28020   | MADRID            | D SOLDES MITRA Manuel              |                                  | 34/1/5550128       | 34/1/5586559   |
|                 |  |         |                   |                                    |                                  |                    |                |
| THE NETHERLANDS | EUROVENTURES (Greater Europe) B.V.<br>10, Julianaplein                         | 5211    | BC'S-HEROGENBOSCH | Mr ARNOUTS Erik                    | Euroventures B.V.                | 31/73/137800       | 31/73/122395   |
|                 |  |         |                   | Mr HARMAN Chris                    | Euroventures Greater Europe B.V. |                    |                |
|                 | P.M.O. (Netherlands Development Finance Company)<br>2509 AB DEN HAAG           |         |                   | Mr METTENBERG A.J.                 | Eastern and Southern             | 31/70/34-19641     | 31/70/34-71733 |
|                 | M.M.B. BANK (Nederlandsche Middenstandsbank)<br>De Amsterdamse Poort           | 1102 NC | AMSTERDAM         | Mr ROEL Robert<br>Mr BOERHA Harmen | Eastern Europe Desk              | 31/20/563-5083     | 31/20/563-5853 |

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|----------------|---|----------|------------------|---|---------------------------------|----------------------------------|----------------|
| UNITED KINGDOM | C.D.C. (CENTRAL DEVELOPMENT CORPORATION)<br>1, Bessborough Gardens              |          | SW1V 2JQ LONDON  | Mr ERZOWSKI Andrej                          | Business Development            | 44/71/8284488                    | 44/71/8286505  |
|                | MORGAN GERRARD & CO. LTD<br>23, Great Winchester Street                         |          | EC2P 2AX LONDON  | Mr KENNEDY Nicholas<br>Mr MACGEORGE Richard |                                 | 44/71/8267156<br>44/71/8267165   | 44/71/8267130  |
| MULTINATIONAL  | E.B.R.D. (European Bank Reconstruction & Development)<br>122, Leadenhall Street |          | EC3V 4QL LONDON  | Mr KIEMAR Ullrich<br>Mr WELTERS Johan       |                                 | 44/71/338-6356<br>44/71/338-6204 | 44/71/638-2375 |
|                | I.P.C. (International Finance Corporation)<br>1818, R Street NW                 | DC 20433 | WASHINGTON (USA) | Mr ROSE Alakadri K.                         | Technology and Development Unit | (202) 473-0551                   | (202) 334-8705 |



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

# ***PHARE***

*selected documentation*

*on*

programmes in the investment &  
industry, financial and  
privatisation sectors

*Written by the PHARE Advisory Unit*



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## 1. INTRODUCTION

|                           |   |
|---------------------------|---|
| Country                   | : Bulgaria  |
| Programme                 | : Financial Sector Development Programme  |
| Year                      | : 1991  |
| Cost                      | : 10MECU  |
| Sector Classification     | : Financial   |
| Responsible Authority     | : Ministry of Foreign Economic Relations<br>(MFER)                                  |
| Specific Proj. Responsib. | : National Bank of Bulgaria<br>: State Insurance Institute<br>: Ministry of Finance |

## 2. SUMMARY

The Commission's programme aims to strengthen the Bulgarian government's capacity to solve the existing Financial Sector problems and, at the same time to lay the grounds for the development of a self-sustaining sector.

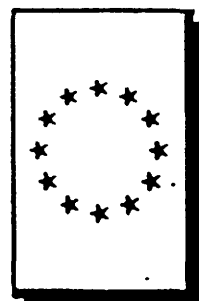
The proposal takes into account the desire to approximate to EC regulations and practices.

The Programme covers restructuring of the banking and insurance sectors, reforms of taxation and the fiscal administration, as well as modern accounting and auditing and the institution of a programme management unit.

Specific assistance will be given by the Commission in the field of banking by drafting legislation and relevant respective regulations (in particular for the Law of Banks and Crediting Activity and the Laws of the National Bank of Bulgaria). EC banking organizations, Central Banks and banking supervisory authorities, such as the Bank for International Settlements, the IMF and the World Bank will also provide drafting assistance. Provisions are made for secondments of NBB officials to EC institutions.

Assistance is programmed for the implementation of the Bank Supervisory Department at NBB. Consultancy services are envisaged to developing banking control and accounting regulations and also to design of training for (NBB) staff. Feasibility studies for information systems and the procurement of basic hardware and software will also be undertaken as part of this package.

# PHARE



# Financial

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## 1. IDENTIFICATION

|                       |  |
|-----------------------|--|
| Country               | : Republic of Hungary  |
| Programme             | : Financial Sector Development   |
| Year                  | : 1991   |
| Cost                  | : 9MECU  |
| Sector Classification | : Financial  |
| Responsible Authority | : Minister of State, responsible for Financial Sector - <i>Dr. Botos</i> |

## 2. SUMMARY

The objective of the EC PHARE 1991 financial sector programme is to assist the Hungarian Government strengthen its institutional framework, develop appropriate reform strategies in the financial sector, and consolidate reform measures already taken.

A programme has been worked out with the authorities which focuses on advice to the Minister of State, responsible for the Financial Sector.

The six main components are:

- 1 Advice to the Minister of State, (Dr. Botos) responsible for the Financial Sector;
- 2 Improvements of the General Turnover Tax-System (Type of VAT introduced on 1 January 1988 largely unsuccessful)
- 3 Assistance to the interbank clearing system GIRO RT in establishing a data security system to prevent un-authorized access to electronic data transmission between banks;
- 4 Assistance for the development of the accounting and auditing profession;
- 5 Assessment of needs for technical assistance in the financial sector and the execution of feasibility studies;
- 6 Staffing of a Programme Management Unit (PMU)

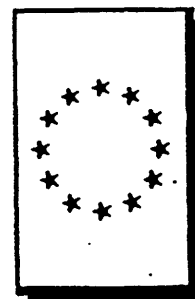
## 1 Assistance to Minister Responsible for Financial Sector

The responsibility for the development of the banking sector and security market and the evolution of the institutional infrastructure of the whole financial sector was separated from the Ministry of Finance in December 1990 and transferred to Dr. Katalin Botos, Minister of State without portfolio.

The specific tasks of Minister Botos include, inter alia:

- improvement and renewal of legal framework of banking (Banking Law, Law on Investment Funds, Central Bank Law, Securities Law, etc.
- creation of new financial institutions, such as a national bank for reconstruction and development, a mortgage bank, an export credit insurance company, credit unions and cooperatives;
- introduction of merchant banking, credit cards, automatic teller machines;
- working out the concept of bank privatisation, taking into account the problem of bad debts at commercial banks;

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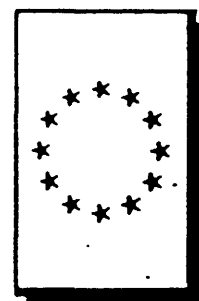
**1. IDENTIFICATION**

|                              |   |
|------------------------------|---|
| <b>Country</b>               | : Hungary                                 |
| <b>Programme</b>             | : Modernization of the Financial System   |
| <b>Years</b>                 | : 1990                                    |
| <b>EC Contribution 1990</b>  | : SMECU                                   |
| <b>Sector Classification</b> | : Financial                               |
| <b>Responsible Authority</b> | : Ministry of Internal Economic Relations |

**2. SUMMARY**

Hungary's national bank is negotiating with the World Bank for a loan of approximately USD 66 million for the modernization and strengthening of the financial system.

The Community will finance part of the technical assistance and institutional support needed for the modernization programme. The programme will be implemented by the national bank in close cooperation with the World Bank and the Hungarian banking association.

**PHARE****Financial**



- giving guidance to the Hungarian Bank Reform Commission;
- establishment of a national payment system;
- supervision of the State Banking and State Securities Supervision Agencies.

Under the present programme, 1.25MECU (approximately 50 man-months) is allocated in order to provide Minister Botos and her staff with the necessary European assistance to cope with this multitude of tasks.

2-6 The rest of the EC PHARE facility will be used to develop these components.

**EC PHARE Financial Sector initiative 1990:**

**Progress:**

Under the 1990 budget, PHARE (in conjunction with a \$66 million World Bank loan) made Technical Assistance available to six major financing institutions. This project is well under way. About 50% of the funds have been used at present (Nov. 91) and it is expected that another 35% will be used during the first half of 1992. The Hungarian government recognises that further improvement and support is required if the financial sector is to become an efficient operator in the emerging market economy.

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## 1. IDENTIFICATION

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|-----------------------|--|
| Country               | : Poland                                 |
| Programme             | : Financial Sector Development Programme |
| Year                  | : 1991                                   |
| Cost                  | : 16MECU                                 |
| Sector                | : Financial                              |
| Responsible Authority | : Ministry of Finance                    |

## 2. SUMMARY

The Financial Sector Development Programme aims at assisting the Polish authorities in their efforts to realize reforms in the fields of banking, insurance, taxation and accounting and auditing. For all these subsectors, emphasis is put on training. These needs are to be identified in close co-ordination with the Polish institutions to benefit from such assistance.

Reforms in these areas are essential to a successful transition from a centrally planned command economy to an open market-oriented economic system.

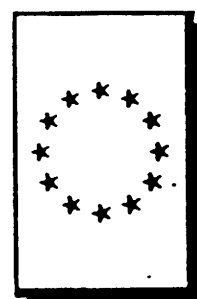
The proposed Programme includes technical assistance for each of the above mentioned sub-sectors and consists notably of expert advice, training and management support. Only a small proportion of the total amount will be used for the procurement of equipment (teaching and administrative aids).

The Programme is fully compatible and complementary to the actions undertaken and funded by other donors, and reflects the priority choices of the Polish authorities.

The Programme will be implemented on the basis of 6-monthly work programmes under the supervision of a Programme Management Unit which will be located at the Ministry of Finance. This Unit will be responsible for the organisation and coordination of the implementation of the programme as well as for the monitoring of progress and the initiation of corrective action when required.

The total cost of the Programme amounts to 16MECU and the duration is estimated to be three years.

# PHARE



# Financial

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**1. IDENTIFICATION**

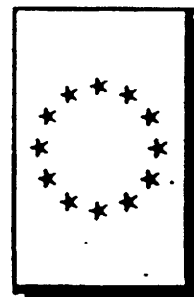
Country : Poland  
Programme : Programme for Equity Investments in Private Enterprises  
Year : 1990  
Cost : 2MECU  
Sector : Investment  
Responsible Authority : EIB

**2. SUMMARY**

The project consists of an equity fund established in the Export Development Bank (EDB) and which could be exclusively used to make equity investments, on behalf and for the account of the Cooperation Fund established by the GOP, in enterprises undertaking projects which would benefit from financing under the global loan.

On the basis of proposals presented by EDB, each individual equity investment would be subject to EIB approval.

# PHARE



# Financial

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## 1. IDENTIFICATION

|                       |   |
|-----------------------|---|
| Country               | : Yugoslavia  |
| Programme             | : Financial Sector and Enterprises Reform Programme |
| Year                  | : 1990  |
| Cost                  | : 35MECU  |
| Sector Classification | : Financial Sector                                  |
| Responsible Authority | :   |

## 2. SUMMARY

The proposed Programme envisages to provide Technical Assistance (including some support facilities to the Government of Yugoslavia in order to assist it in achieving its economic restructuring objectives with regard to enterprises, banking, accounting and auditing and to fiscal reform. The Programme covers all these areas because they are closely related and form a coherent package for the reform of the entire financial and enterprise sectors.

The proposed programme is in general part of a comprehensive programme of medium-term stabilisation which is supported by an IMF stand-by Arrangement and a 400 million US\$ World Bank Structural Adjustment loan, and is in particular part of a Financial Sector Adjustment Operation which will be supported by a 300 million US\$ Sectoral Adjustment loan of the World Bank.

PHARE



Financial



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## 1. IDENTIFICATION

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| Country               | : Hungary, Poland, Czechoslovakia, Bulgaria, Romania                   |
| Programme             | : Joint Venture Support Scheme for Central and East European Countries |
| Year                  | : 1991   |
| Cost                  | : 20MECU   |
| Sector                | : Joint Venture  |
| Responsible Authority |  |

## 2. SUMMARY

This project has been designed in order to stimulate small and medium scale enterprises in the Community to create and/or expand joint ventures in Central and Eastern Europe. Its desired effect is to extend and direct foreign investment in those countries. There will be a transfer of know-how and technology from the West this will involve co-operation between the Community and the Eastern European Private Sector. The programme should last for three years. Four types of scheme will be supported covering identification of joint venture opportunities up to supporting its extant.

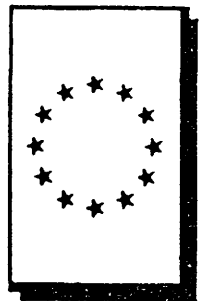
- a) Identifying potential projects and partners and providing general information and pin-pointing sectors of interest by means of general studies. Actions that will lower the high informational costs associated with foreign investment will be specifically favoured as they diminished perceived risks.
- b) Investment projects that have been identified and are sufficiently circumscribed will be financially supported. This will usually take place in the form of a feasibility study containing a market analysis, business plan and possible contract negotiations between the future partners. Seed money for early-stage investments will be covered by the facility.

EC support will be available in the form of an interest free advance covering half of the costs not repayable in the event of a successful outcome.

- c) Contributing to the capital requirements of existing and new joint ventures. EC might contribute to the financing requirements and take on part of the risks on equitable terms with other investors. (20% of the total capital needs of the company).
- d) Supporting the overall transfer of know-how by training, technical and managerial assistance related to the particular joint venture. This could be in the form of on site training or sending an ex-patriot manager to take part in the running of the company. EC contribution will be in the form of an interest free loan and could be combined with a (c) contribution.

This scheme will be implemented by a network of financial institutions (development banks, investment funds multilateral organizations etc) in the Community which will participate in the financing from their own funds in order to ensure involvement with all EC Member states. The financial institutions will handle all relations with investors. Total cumulative amount for a single joint venture in facilities (b), (c) and (d) is 1MECU: for (a) 2MECU.

PHARE



JOPP



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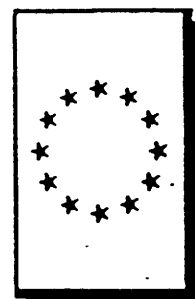
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| Country               | : Czech and Slovak Federal Republic                    |
| Programme             | : Privatisation and Restructuring of State Enterprises |
| Years                 | : 1991   |
| EC Contribution       | : 19MECU   |
| Sector Classification | : Economic Restructuring                               |
| Responsible Authority | : Federal Ministry of Economy                          |

## 2. SUMMARY

To assist the transition to a free market economy from the previously centrally planned system 19MECU has been committed by the Community for the privatisation of industry in the Czech and Slovak Federal Republic over the next three years. Following government requests, short term PHARE assistance has already been given in the pharmaceutical, steel and armament industries but this programme aims at more long term and structured support. The requisite federal legislation on "small" privatisation, has been in force since December 1990 and "large" since April 1991. The bulk of these funds (14MECU) will be spent on an Enterprise Support Scheme which will provide targeted and precise information for enterprises in their formative stages on a grant cost-sharing basis. The rest will be spent on institutional support, policy reform and training the indigenous managers to play an increased role in the privatised institutions.

A certain duplication resulting from the existence of two republics in the CSFR means that a privatisation agency at federal level is unlikely.

PHARE



Privatisation



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| INDUSTRY INDUSTRY INDUSTRY INDUSTRY |
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## 1. IDENTIFICATION

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|-----------------------|---|
| Country               | : Hungary   |
| Programme             | : National Firm Registration and Information System |
| Years                 | : 1991  |
| EC Contribution 1990  | : 1.5MECU   |
| Sector Classification | : Industry  |
| Responsible Authority | :   |

## 2. SUMMARY

The Hungarian Ministry of Justice will receive 1.5MECU to extend and update a country wide information and processing system which will manage individual registrations of private companies. Although privatisation and foreign investment are increasing rapidly, the present system used by the Ministry of Justice cannot cope efficiently with the work-load. The new computerised network will be accessible from all nineteen county courts.

PHARE



Privatisation

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| PRIVATISATION | PRIVATISATION |
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## 1. IDENTIFICATION

|                       |  |
|-----------------------|--|
| Country               | : Hungary                                    |
| Programme             | : Enterprise Restructuring and privatisation |
| Years                 | : 1991-1994                                  |
| EC Contribution 1990  | : 40MECU                                     |
| Sector Classification | : Economic Restructuring                     |
| Responsible Authority | : State Property Agency (SPA)                |

## 2. SUMMARY

The objective of the programme is to support the process of economic reform in Hungary in the areas of ownership reform, privatisation and enterprise restructuring. Technical and financial assistance will be provided to the key institutions involved in the process to enable them to carry out their tasks in a timely, effective and open manner.

In the field of ownership reform, assistance will be provided through technical assistance in the specification and initial operation of holding structures and other institutional arrangements, which will allow the exercise of ownership rights by the Government.

Institutional support to the State Property Agency, technical assistance for the active as well as the spontaneous privatisation programmes of this organisation will be provided.

Restructuring of industrial enterprises will be supported by financing detailed restructuring studies for selected subsectors and enterprises where possible on a cost-sharing basis. Additionally, financial support in the form of quasi-equity or subordinated loans to enterprises in envisaged for which a Restructuring and Privatisation Investment Company will be set up. Support from the EBRD is foreseen.

The programme will also meet training needs related to privatisation and restructuring, especially those of board and enterprise council members and enterprises managers.

For generally strengthening the SPA support will be provided through short-term consultancies concerning specific privatisation cases, as well as through long-term advisory services in the fields of asset management and know-how initiated privatisation.

**PROCUREMENT**

Technical assistance will be procured either by restricted tender or by direct agreement, depending on the cost or specialist nature of the services. Wherever possible, maximum participation of local consulting firms will be encouraged.

Equipment procurement will be by open international tender, or by restricted tendering if justified by the cost or special characteristics of the equipment.

Small expenditures of minor importance may be subject to direct agreement.

PHARE



Privatisation

**IMPLEMENTATION**

Invitations to tender may not be issued without the prior approval of the Commission of the European Communities. The material will be delivered directly to the institutions concerned and installed immediately.

The project cost is 40MECU with a duration of 3 years.

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| PRIVATISATION | PRIVATISATION |
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**1. IDENTIFICATION**

**Country** : Hungary  
**Programme** : Basic Technical Assistance for the  
Privatisation Agency  
**Years** : 1990  
**EC Contribution 1990** : SMECU  
**Sector Classification** : Privatisation  
**Responsible Authority** :

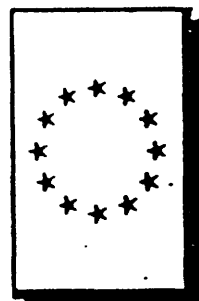
**2. SUMMARY**

The Hungarian Government has set up a privatization agency, which will privatize state-owned firms and supervise their transactions. It will select state-owned firms for sale, transform them into limited companies by selling shares, launch the privatization and supervise and approve procedures for firms carrying out their own sale.

On-the-spot foreign technical assistance will be provided by three top privatization experts, specializing in the following areas:

- (a) stock markets,
- (b) public relations,
- (c) valuing firms.

# PHARE



# Privatisation

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**1. IDENTIFICATION**

Country : Poland  
 Programme : Enterprise Restructuring, Privatisation & Demonopolisation  
 Year : 1991  
 Cost : 50MECU  
 Sector : Privatisation  
 Responsible Authority :

**2. SUMMARY**

Ownership reform and privatisation industrial restructuring and demonopolisation constitute the central elements of the transition process from a planned to a free market economy. Adjusted to each recipient country's policies the PHARE sponsored programmes in their present measures provide technical and financial assistance to the key institutions involved to enable them to carry out their tasks in an effective manner.

Specific assistance will be given to:

- a) *The Ministry of Ownership Changes (MoOC)*
- b) *The Ministry of Industry (Mol)*
- c) *The Industrial Development Agency (IDA)*
- d) *The Antimonopoly Office (AMO)*
- e) *The Foreign Investment Agency (FLA)*
- f) *Regional Initiative in these areas*

**OBJECTIVES**

Building on a 1990 programme, the MoOC's pivotal function in carrying out ownership transformation of state owned enterprises will be strengthened by technical assistance in the following areas:

- the individual privatisation of selected large enterprises in all their aspects;
- a mass privatisation programme with a view to preparing a greater number of enterprises for private ownership and management including selection criteria, enterprise appraisals and profile standardised accounting methods;
- the individual commercialisation and privatisation of small and medium sized state owned enterprises;
- a supporting marketing and investor education programme
- management training on a large scale in order to ensure the successful operations of the privatised enterprises

# PHARE



# Privatisation

### OTHER DONORS

This programme forms only a part of the activities in these areas. Activities not covered by this programme will be financed by other donors, by loans and by the institutions themselves. In particular the World Bank is planning to provide significant resources in the form of loans. The overall coordination will be ensured by the Committee for Coordination of Credits and Foreign Assistance chaired by the Deputy Prime Minister. The Programme Management Unit will be available to assist other donors in implementing their assistance projects and in promoting cofinancing projects.

### TECHNICAL ASSISTANCE AND EQUIPMENT

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. Small expenditure of minor importance may be subject to direct agreement.

The cost of the programme is 50MECU and its duration is until the end of 1984.

**INDUSTRY INDUSTRY INDUSTRY INDUSTRY****1. IDENTIFICATION**

**Country** : Poland  
**Programme** : Programme of Assistance for the Industrial Restructuring  
**Year** : 1990  
**Cost** : 4MECU  
**Sector** : Industry  
**Responsible Authority** :

**2. SUMMARY**

The short-term aim is analyse the situations of certain individual state undertakings and certain branches of industry and to improve the operational capabilities of the IRF.

The longer term aim is to provide analyses and recommendations for restructuring in these undertakings, as part of the task of making industry adapt to a market economy.

The elements of restructuring:

- a) rehabilitation of viable undertakings
- b) help to wind up non-viable enterprises
- c) development of company-related services
- d) development of a general operating environment of industry

**PHARE****Privatisation**

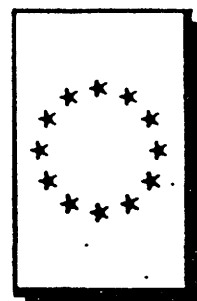
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**1. IDENTIFICATION**

**Country** : Poland  
**Programme** : Basic Technical Assistance Programme for  
the Privatisation Agency  
**Year** : 1990  
**Cost** : 9MECU  
**Sector** : Privatisation  
**Responsible Authority** : Privatisation Agency

**2. SUMMARY**

A privatization agency will have the job of drawing up legislation and establishing the necessary procedures and conditions for an orderly and equitable privatization of state-held companies. The agency will be responsible for preparing and conducting the privatization of the companies selected and for setting up a securities market. The first stage of the project will be implemented in close liaison with the International Finance Corporation.

**PHARE****Privatisation**





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## 1. IDENTIFICATION

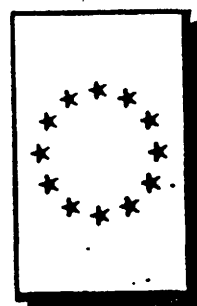
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| Country               | : Bulgaria   |
| Programme             | : Enterprise Restructuring/Privatisation and the Development of SMEs |
| Years                 | : 1991   |
| EC Contribution 1990  | : 20MECU   |
| Sector Classification | : SME  |
| Responsible Authority | : Ministry of Industry, Trade and Service                            |

## 2. SUMMARY

To strengthen the development of the private sector the Bulgarian Government will use this 20MECU over the next three years in the restructuring, privatisation and development programme for the small and medium sized enterprises: (SME's). The main emphasis of EC support will focus on institutional strengthening, sectoral studies, diagnosis and evaluation of enterprises and support for privatisation transactions and training.

The programme was developed in close co-operation with the EBRD where continuing involvement in the operation is expected. A credit line will be set up as soon as possible. The structural adjustment and stabilization programme is sponsored by the World Bank and is open to all G-24 donors. It will be implemented by the Ministry of Industry, Trade and Service with co-operation from the Privatisation Agency.

# PHARE



# SME

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## 1. IDENTIFICATION

Country : Czech and Slovak Federal Republic  
 Programme : SME Programme  
 Year : 1991  
 EC Contribution : 20MECU  
 Sector Classification : Small and Medium-sized Enterprises  
 Responsible Authority : Federal Ministry of Labour & Social Affairs,  
 CSFR

## 2. INTRODUCTION

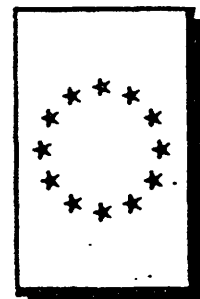
The Government of the CSFR and the Governments of the Czech and Slovak Republics aim to promote small and medium-sized enterprise development as part of their policy to create a market economy, increase the level of economic activity and generate employment.

The SME Programme will contribute to these aims by supporting a range of measures at federal, republic and local level. The Programme will have four main components which will be supported by the programme as non-refundable contributions to cover all or a major part of the costs. They are:

- i) Giving support to the development of appropriate policies and measures to create SME's (1.4MECU) by:
  - legislation concerning SME
  - strategic policy issues concerning SME
  - development of business education, training and counselling
  - small business accommodation
  - local enterprise and employment creation projects methods
  - international networks
- ii) Giving support to the development of services to SME's, including the strengthening of associations and agencies already supplying such services (5.5MECU) by:
  - information, awareness and promotion activities
  - training business counsellors
  - information and advice services by the Associations of Enterprises.
  - integrated local services to SME's.

Pilot projects will be run in the form of Local Enterprise Agencies and Business Centres in priority regions such as those undergoing major industrial restructuring and likely to experience severe job losses, and major urban centres offering the potential for developing a core of more sophisticated and innovatory enterprises such as those associated with technology institutes.

# PHARE



# SME

- iii) A credit line to provide "micro-loans" to small enterprises, through financial institutions, and a contribution to an appropriate credit guarantee scheme. (12MECU). This 12MECU will be divided in to two sections;

Micro-loan schemes (4.5MECU of the 12) This will offer "soft" terms of credit to small enterprises. The rules of the Scheme will be agreed between the Federal Ministry of Labour and Social Affairs and the PMU with the agreement of the Commission.

Credit Guarantee Scheme (7.5MECU of the 12) The purpose of this is to facilitate the supply of credit to small enterprises. This contribution by the scheme will be made on condition that at least a matching contribution will be provided by state authorities at federal and/or republic level.

- iv) A Programme Management Unit (PMU) (1.1MECU) to assist the federal, republic and local level authorities, the financial institutions and other SME organisations in developing further and implementing SME promotion measures, including the setting-up of specific rules, managing the funds and developing support services.

The unit will have three full time external experts, two in Prague and one in Bratislava. This unit will report to the Head of the SME unit of the Federal Ministry of Labour and Social Affairs. It will support the setting up and operation of the SME Advisory Council (a permanent structure comprising Ministries, entrepreneurs and other private sector organisations concerned), and present to it a quarterly progress report.

The Programme will have a duration of 2.5 years and will cost 20MECU.



EC PHARE Objectives for SME's in 1991**1991 EC PHARE Assistance to SME's in Hungary**

The objective of the Programme is to support the emerging, but still fragile, SME sector by creating and strengthening the regional SME support and banking institutional network.

The Programme complements the PHARE privatisation and industrial reconstruction programmes in that it aims to facilitate the provision of profitable employment opportunities for those individuals and large company subsidiaries rendered redundant by economic rationalisation.

The Programme is itself a transitional measure allowing time for an assessment of the effectiveness of the pilot LEAN and SSB projects. The Technical Assistance Unit (TAU) will continue to keep other potential aid donors informed of the progress of the pilot programme. In the event that the pilot programme is successful the involvement of other aid donors in expanding the programme will be sought. The terms of reference for and staffing of the TAU remains unchanged from the 1990 programme.

The programme will have a duration of one year and will cost 3.5MECU exclusive of the 0.5MECU proposed for the setting up of the business centres in 1992.

This programme is a continuation of the 1990 programme.

Project proposed at the 11th PHARE Management Committee Meeting of July 1991.

Other Donors: None

Comments: This project together with the 1990 project are reported to have been successes.

Project Manager: Pierre Mirel

PHARE



SME

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## 1. IDENTIFICATION

Country : Hungary  
 Programme : Programme of Assistance for SME  
 Years : 1990  
 EC Contribution 1990 : 21MECU  
 Sector Classification : SME  
 Responsible Authority :

## 2. SUMMARY

The Hungarian Foundation for the Development of Enterprises (HFEP) was set up to encourage the development of SME. Its function is to make loans to SME, provide a credit guarantee system to back these loans and to finance the provision of risk capital and support services for SME.

The programme for SME will contribute to attaining these goals by increasing the HFEP's resources. There will be five elements:

- (a) a contribution to the HFEP credit guarantee system:
- (b) funds for possible investment in the form of capital holdings:
- (c) a line of credit enabling loans to be granted to SME via financial institutions:
- (d) an SME support services facility to develop and strengthen the associations and bodies which provide services to SME and to provide direct finance for such services:
- (e) a technical assistance unit to help the HFEP, the financial institutions and the SME support bodies to draw up rules, manage the funds and give advice on the development of support services.

The project will last two and a half years.

# PHARE



# SME

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## 1. IDENTIFICATION

Country : Poland  
 Programme : Private Sector Development  
 Year : 1991  
 Cost : 6MECU  
 Sector : Small and Medium-sized Enterprises  
 Responsible Authority : Ministry of Industry and Trade, Under-Secretary of State for Foreign Assistance and European Integration

## 2. SUMMARY

Building on the foundations laid by 1990 PHARE SME (Small and Medium-sized Enterprises), programme, the principal purpose of this EC PHARE 1991 programme is to extend support to the development of advisory and support services for SMEs, strengthen existing SME institutions, and provide assistance to the policy, advocacy and promotion departments within the government. The 1991 programme also complements the World Bank loan for the development of the private sector in Poland.

The duration of the programme will be until the end of 1993.

**EC PHARE Assistance 1991 to the Division of Entrepreneurial Development at the Ministry of Industry and Trade**

The Division for Entrepreneurial Development (DED), headed by an Under-Secretary of State, has been recently established by the government to foster the rapid development of the private business sector.

Areas of PHARE EC Involvement are:

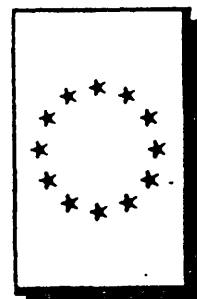
***Institutional Development:*** The capacity of the Division will be strengthened by the provision of one long-term external adviser, equipment, Polish and foreign consultants for specific studies, and training. Details of the major items are outlined below.

***Policy Formulation & Sector Studies:*** Assistance will be provided to the Under-secretary in the fields of policy formulation, the preparation of the legal and regulatory framework necessary for the development of the sector, the designing of a strategy for the support structure and mechanisms to SMEs, and the undertaking of sub-sector specialist studies.

***Business Promotion and Information Dissemination:*** Support will be provided to enable the DED to undertake activities for the sector and educational campaigns.

***Human Resources Development:*** The programme will support training of the staff of the Division and associated organisations by funding courses, seminars and study tours.

# PHARE



# SME



EC PHARE Assistance 1991 to the Institutions Supporting Private Sector Development at (i) Regional and (ii) National Level

- (i) At Regional Level, the support programme will include the following components:

*Expansion of the SME Programme: The existing programme will be expanded to include another four regions and to widen its functional activities. The support to the intermediate organisations will be similar to the current programme and will include a needs assessment study, continuing guidance on development, specific consultancies, staff training and provision of equipment.*

*Consultancy & Technical Programmes: The range of services offered will be widened to provide Consultancy studies on specific business topics to medium-sized firms, and quality management programmes will be established.*

*A feasibility study will be made on Hi-tech Incubators, with a view to setting up pilot incubators, where small new enterprises, alone or in cooperation with technical research institutes (technical universities), would be given the opportunity to work with new products or methods.*

- (ii) At National level, the Support programme will include the following components:

*The Information Systems: required by the private sector must be identified.*

*Export promotion: funds will be made available for an active programme, to assist in the marketing of Polish small and medium enterprises products.*

*National Chamber of Commerce (KIG): This organisation has already been identified as the main recipient of the support from this section of the programme. A detailed Needs Assessment Study will be commissioned to review the structure, organisation and functions of the KIG, with particular regard to its providing services identified as required by the private sector and complementary to the SME. Assistance will be available to implement appropriate activities targeted in the study.*

*Training for Managers and Entrepreneurs: Assistance will be provided to develop standard curricula and training programmes. A study of training needs and a review of existing provisions will be prepared as a resource document for workshops to develop the training curricula and standards. The project will be undertaken in conjunction with the relevant Government departments and Task Force for Training & Human Resource Development.*

## *PHARE Information*

### *Background to Polish SME's*

#### *Polish Government Reform*

*The first phase of transforming the centrally planned system into a free market based on private ownership has been market driven stabilisation, which, has led to a deep recession in the economy. The next and more fundamental stage is the process of structural adjustment involving the establishment of a legislative, regulatory and financial services framework appropriate for free market commercial operations, the restructuring and privatisation of the state companies and the promotion and development of the private Small and Medium-Sized Enterprises (SME) sector. A strong private sector is necessary to absorb manpower released from state firms and also to create a modern commercial and industrial sector.*

#### *Situation of SMEs*

*The Small and Medium-sized Enterprises sector is an important element in the drive towards free market conditions, and in Poland over the past eighteen months it has seen a rapid development; registered companies have increased from 11,700 to 38,500 and offered, in 1990, a national employment total of 2,400,000.*

*A number of local initiatives have been taken by intermediate organisations (Chambers of Commerce, Economic Societies, etc.) at the grass roots level to respond to the pressing demand for business services. These units are still weak in terms of skills, infrastructure and organisation, but they are a good vehicle for the provision of services to micro and small businesses. In a similar manner local training institutions have introduced programmes to assist the sector.*

*At the national level these associations are very frail, but are developing rapidly into important private institutions which have the potential to provide a useful range of services to their members. One example is the National Chamber of Commerce (KIG), which was established in 1990 and now has over 70 regional branches. It is well placed to provide information and advisory services to private businessmen.*

#### *EC PHARE Assistance to Polish Small and Medium-sized Enterprises '90 Progress made*

*The first SME programme, financed out of the PHARE '90 funds, and administered by the Cooperation Fund, is strengthening the SME institutions and infrastructure and providing, during the transitional period of structural adjustment, import credits and support services.*

*It has been decided that in the future 1991/1992 the activities of the SME programme needs to be expanded to other geographical regions, especially those which have inadequate support services, high unemployment and which are lagging behind in private sector development. The target group also needs to be broadened to cover the full spectrum of business ventures (i.e., not only manufacturing, but also rural and tourism related businesses, and trade). The range of services to businessmen will also be expanded.*

|     |     |     |     |     |     |     |
|-----|-----|-----|-----|-----|-----|-----|
| SME | SME | SME | SME | SME | SME | SME |
|-----|-----|-----|-----|-----|-----|-----|

## 1. IDENTIFICATION

Country : Poland  
 Programme : Sectoral Import and Technical Assistance Programme for SME  
 Year : 1990  
 Cost : 25MECU  
 Sector : SME  
 Responsible Authority :

## 2. SUMMARY

The aim of the programme is to give SME in the private sector access to the foreign exchange (FOREX) they need urgently, mainly for importing essential equipment and goods, but also for meeting the cost of additional advice and assistance (acquiring qualifications, training, studies, etc.), strengthening the current facilities for assisting SME and granting limited credit in local currency to small firms.

Credit could also be granted in limited amounts for importing equipment or materials needed by the businesses or organizations for providing essential products or services which have a direct effect on the health or well-being of the population.

# PHARE



# SME



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

*The*  
**PHARE**  
*programme for*  
SME development  
in  
Central & Eastern Europe

*Written by Kees Broekhuizen*  
september 1992



## P H A R E   P R O G R A M M E

### SME Development in HUNGARY, POLAND CSFR and in BULGARIA

In the framework of the PHARE Programme Small and Medium-sized Enterprise Programmes have been agreed in Poland, Hungary, CSFR and in Bulgaria.

#### 1. THE PHARE PROGRAMME

The fundamental objective of the PHARE programme is to support the process of transformation from a centralised command economy to one based on market forces. This change requires far-reaching and fundamental reforms, including the entire regulatory and institutional framework, the incultation of management skills and a business "culture", the modernisation of most of the plants and equipment and privatisation. The development of a strong and dynamic private sector capable of meeting this challenge and taking over and operating the productive capacity of the country is a central element in this process.

#### 2. THE SME PROGRAMMES

SMEs have played a vital role in the overall economic growth of market economies all over the world and still represent a very considerable share of global economic activity. In view hereof the Commission has decided, on the basis of the proposals made within the PHARE programme by the countries concerned, to finance two programmes for Small and Medium-sized Enterprise development in Poland (25 million ECU), Hungary (21 million ECU), CSFR (20 million ECU) and in Bulgaria (2.5 million ECU).

##### 2.1 BACKGROUND

###### Poland

Following 40 years of state control, the Polish economy reached a state of crisis in 1989. To remedy this situation the new Solidarity government has undertaken a very radical reform process aimed at transforming the centrally planned system into a free market economy based on private ownership. Although the economy continues to be dominated by large state-run enterprises which need to be privatised in due course, the private sector has recently grown considerably. In this regard, supporting the newly emerging SME sector over the current period of structural adjustment and economic transformation, while laying the foundation for the establishment of an institutional network for the provision of advisory and financial services to the private sector, is very important at this stage.

###### Hungary

In Hungary also large state enterprises dominated industry for decades and still continue to do so. However, since the first moves to develop SMEs began in 1982, the number of private enterprises has grown spectacularly. At this moment the Hungarian government has adopted or is preparing a number of measures aimed at encouraging the development of SMEs and to this end set up the Hungarian foundation for Enterprise Promotion (HFEP). The HFEP gives loans to SMEs backed up by a credit guarantee scheme and support services funding for SME development.

CSFR

The industrial structure in the CSFR was based on large state enterprises and prior to the legislation of private enterprise in July 1990, a relatively small number of individual entrepreneurs were operating independent business activities in the "black" or "grey" economy.

Following the legislation of private enterprise, there has been a large number of business registrations, estimated at 780.000 for the CSFR by 31 March 1991.

Small enterprise development is an important aspect of the creation of a market economy in the CSFR. Government, at both federal and republic levels, emphasises that the promotion of SMEs should have the dual aim of creating employment, especially helping to absorb the manpower released from the restructuring of state enterprises, and contributing to economic growth.

The most immediate constraint relates to difficulties of access to credit, existing gaps in the legislation and the lack of support services.

Bulgaria

The Ministry of Industry and Trade has created a SME unit for the analysis, initiation and monitoring of small enterprise development.

More than 20.000 private small and medium-sized enterprises have been established over the last year, most of them are said to be one-man enterprises and mainly related to trade and services.

The main constraints on SME development are the lack of a clear and well-established legal framework, the lack of an entrepreneurial culture and of support services to assist the line-going SMEs in formulating their projects and converting their ideas into a business and the present banking system, which is not aimed at helping SMEs to obtain credit.

## 2.2 OBJECTIVES OF THE COMMUNITY'S PROGRAMMES

Although the recent reforms in Poland and Hungary have (thus) led to a spectacular growth in the number of SMEs, there are still many constraints on SME development. The most immediate constraints are related to the financial market situation, i.e. lack of financial resources for SMEs; absence of guarantee mechanisms; high interest rates. However, the more fundamental underlying causes are the weakness of the business support services and of the financial institutions concerned. Also, there is a real lack of an entrepreneurial culture and virtually no support network to help "would-be business people".

In view of the overall process of structural adjustment and economic transformation aimed at achieving a market based economy with a strong private sector, the SME programmes aim to help achieve this objective by encouraging the development of SMEs through :

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- 1) loans to Polish, Hungarian, Czechoslovakian and Bulgarian SMEs through participating local banks acting as financial intermediaries
- 2) the setting up of credit guarantee schemes to cover partly the risks of borrowing for the SMEs
- 3) the setting up and financing of support services for SMEs (training activities, information centres, consultancy firms, market research, trade promotion etc...).

The SME programmes are being run on a decentralised basis by a special Programme Support Unit (PSU) consisting of local experts assisted by external specialists. The programmes will be started in priority regions first, possibly spreading to others. The duration of the programmes will be 2 ½ years.

### 3. PARTICIPATION OF EC FIRMS

EC companies may be involved in two ways :

- a) if an EC firm is forming a joint-venture with an SME partner in Poland, Hungary, CSFR or Bulgaria, the J.V. may be eligible for credit facility through the local participating banks. Information can be obtained directly from the Programme Support Units established in Budapest, Warsaw, Prague and Sofia(see below);
- b) an EC consulting firm, specialised in SME support services and training in particular, may express its interest by writing direct to the PHARE Operational Service and to the PSUs, enclosing supporting documents on skills and experience.



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

# *PHARE:*

## the social dimension

*Written by Karen Fogg*  
september 1992

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## THE SOCIAL DIMENSION OF PHARE

PHARE, the European Community's programme of assistance to reforms in Central and Eastern Europe, has a distinct social dimension. It is helping governments to build a social safety net and to modernise and restructure policies in the area of employment, social protection, health and education. It is also supporting efforts to build patterns of social dialogue and the kind of civil society without which a pluralist democracy and a market economy cannot function. The process of reform is nevertheless long and difficult. Moreover, the setting up of large assistance programmes also takes time. Altogether the key political challenge facing the governments of Central and Eastern European countries (CEECs) is to maintain the momentum for economic reform, whilst at the same time preserving social consensus and ensuring help for the most disadvantaged.

### The social implications of economic reform

The process of transition to a market-driven economy requires that the state reduce its role in the economy, shed its responsibility for enterprise and hence also its control of wages and employment, and reduce most if not all price subsidies. This process, which in any event was bound to lead to greater income disparities, economic inequalities and unemployment as known in Western Europe, has been made all the more difficult on account of the poor economic situation of most of the CEECs to start with, exacerbated by the sudden loss of markets and supplies following the Gulf war and the end of rouble-based trade with the ex-USSR.

### Basic needs

The immediate challenge facing some governments, with suddenly reduced access to foreign exchange, has thus been to maintain supplies of basic necessities - food, drugs, spare parts as well as fuel to keep factories open and transport services functioning. During the early stages of reform and adjustment in the CEECs, EC PHARE has, along with other Western donors, provided support for emergency imports of drugs (to Albania, Bulgaria and Romania) and other basic supplies to Albania. In Bulgaria, when part of the Kozloduy nuclear power station was closed down, PHARE financed extra supplies of electricity. Food aid too was provided by the EC, including by PHARE, to Poland as well as to Albania and Romania. Since 1990, PHARE humanitarian aid of this sort has amounted to more than 160 MECU (without including emergency relief for ex-Yugoslavia or aid for special groups like Romanian orphans).

### Poverty and the social safety net

In all the CEECs, low income groups - pensioners, single mothers, large families - are the most severely affected by the initial stages of economic reform, especially by the removal of subsidies on food, housing, transport and so on. Yet since in the past poverty was officially non-existent and unemployment scarcely recognised, completely new schemes and services have to be set up to provide basic income support, shelter and other forms of social assistance. The responsibility for this has most often been decentralised to local government which is already overwhelmed with new tasks and tends to lack both funding and management skills.

Effective action against poverty needs to be part of a broader strategy to restructure the social services as a whole, to re-think the relationship between the state and the individual, indeed change a culture of passive dependency and begin to target social assistance only to priority needs whilst fostering new forms of self-help and local initiative.

PHARE assistance with the restructuring of social services is taking various forms according to the particular plans and priorities of each government. In Hungary, PHARE has helped since 1990 with a 3 MECU grant with the launching of a new Foundation for local social networks which aims to stimulate local self-help welfare initiatives. It will also be assisting in the decentralised management and improved cost effectiveness of social services with a sizeable 6 MECU programme in Hungary, and also in Poland and Romania. Though the situation varies radically in these countries, the administration of institutional care of elderly and disabled people gives rise to particular concern. In Poland, PHARE will support major efforts to re-train staff in social benefit offices as social counsellors, and to professionalise the role of NGOs in social welfare (8 MECU).

#### Social security

The reform of social security systems, where unlike social assistance the right to a certain level of benefit is often enshrined in law, is the most daunting task facing governments in the CEECs. Given sharply declining revenues and facing unprecedented budget stringency, governments are obliged to seek for savings and share the burden of financing. Entirely new contributory schemes for unemployment compensation are being set up in great haste in most of the CEECs (often with World Bank assistance). The key task is nevertheless the reform of current pensions systems which are financially unsustainable, like a time-bomb ticking away under the national budgets, as already seen in Poland.

External assistance in this area, from PHARE, together with agencies like the ILO and the World Bank, can provide technical expertise to help clarify the policy options in social security and, when the political decisions are made, to help in streamlining and computerising the management of benefit systems including health insurance. The Czechoslovak government has already made considerable progress in this area for which 4 MECU from PHARE is used for technical assistance and complementary computerisation. This is an area of activity which will in due course require large-scale investment financing in most of the CEECs

#### Employment

The restructuring of employment and labour market policy is also an integral part of economic reform in the CEECs, given the need to come to grips with the new phenomenon of structural unemployment (previously disguised as underemployment in state enterprise), to equip local labour offices to handle registration and payment of benefits, but also to develop positive responses including counselling, job training and assistance for micro-enterprise development.

PHARE has responded to government requests for assistance, taking due account of the many other donor initiatives in this field. In Czechoslovakia, PHARE is engaged in a 15 MECU broad-based programme, including labour market policy support; strengthening the employment services; financing for innovative pro-active measures and upgrading training. A similar but smaller 2 MECU programme is being launched with Bulgaria. In Poland, the emphasis of PHARE is on local employment initiatives, with support of 7 MECU foreseen for a network of ten demonstration projects developing a 'bottom-up' approach to employment promotion. In Hungary, the focus of a 10 MECU programme is on an integrated employment and training strategy for the Budapest area complementing initiatives taken elsewhere in the country. In Romania, PHARE will be operating at two levels with technical assistance on labour market policy at national level (2 MECU) and a crash programme of 10 MECU to mount adult training and micro-enterprise support at local level using available facilities in state enterprises.

All these employment initiatives should be seen as complementing action, already strongly supported by PHARE to the tune of more than 60 MECU, to develop small and medium-sized enterprises. In Poland and Hungary in particular, large-scale programmes to support special credit lines and local business advisory centres were launched in 1990.

#### Health

High priority has been attached by CEEC governments to improving the health services since the early stages of economic reform.

Drugs supplies have fallen into disarray and a whole new production, procurement, prescription and financing policy is required. The state of primary health care, far behind Western standards, is a major cause for public concern. Most serious is the organisation, management and financing of health services which eat up a sizeable proportion of what is now a declining state budget, yet which fail to respond to public needs or give value for money. Decentralisation, financial management and accountability are therefore key themes, together with the need for a whole cultural shift, away from medical specialisation towards preventive primary care.

The importance attached to health care in the CEECs is reflected in the large-scale involvement of PHARE in this area since 1991. A 25 MECU programme in Romania is focussing on basic services, drugs supply, local clinics and setting up a new national blood transfusion service. In Poland, the emphasis of the 20 MECU PHARE programme is on human resource development, particularly for general practitioners and health managers. In Bulgaria, apart from assistance with management and financing policy, the two stage 25 MECU programme is giving support to modernise the medical emergency services.

Similar themes occur in the smaller Czechoslovak projects (4.5 MECU) as well as in the major programme for Hungary, being worked out by PHARE and the World Bank. Health is also one of the key issues in Albania and in Lithuania where PHARE is providing technical assistance in close liaison with the WHO.



### Education and Research

The major long-term task of governments in the CEECs is to develop new values, attitudes, knowledge and skills in society at all levels. Though people are highly cultured and well-schooled in comparison with much of the West, their education and environment has not equipped them to exercise initiative, creativity and flexibility in a situation of changing economic conditions. Narrow specialisation in higher education and research also leave the CEECs with a dearth of expertise in interdisciplinary fields like bio-technology and in empirical sciences such as economics and management.

Changes will come about slowly, through reforms in the formal education system, through better communications thanks to a free press and better opportunities to travel to the West, and through direct experience of economic and social change. Priority issues concern the development of new skill training provisions for unemployed adults (see above under 'employment'), changes in the structure and curriculum of vocational education for young people (previously in the hands of state enterprise in many CEECs), reform in the status and financing of higher education, re-organisation of research and generally "opening up" to Western ideas and influence.

PHARE assistance has reflected these government priorities with a particular emphasis being given from the start to academic links with the West and the EC in particular, managed through the TEMPUS scheme for cooperation in higher education (more than 200 MECU for all CEECs over 1990-92), and through the much smaller ACE scheme on economic research (11.5 MECU over 1990-92). Hungary has been far ahead in developing policy reforms and is using PHARE assistance for restructuring higher education (3 MECU), for cooperation in research (13 MECU) and for various measures to develop and extend new vocational education curricula for young people, including the most disadvantaged (9.5 MECU). In Czechoslovakia, major reforms are also planned with PHARE assistance in 1992 (10 MECU), in higher education with the move towards short-cycle courses, in basic school curricula with new emphasis on citizenship and European studies, in language teaching as well as in vocational education. PHARE is also helping in the design of a science and technology policy in Czechoslovakia. Large-scale PHARE programmes are now also foreseen to continue support for reforms in Poland in vocational and post-secondary education, and in science and research (19 MECU).

### Training and General Human Resource Development

Developing technical skills and management expertise and generally learning the "ways of the West" is clearly not the sole preserve of the education authorities. Indeed, from the early stages of economic reform in the CEECs, the call from all quarters has been for assistance with training - civil servants, bankers, farmers, managers of state enterprise, small entrepreneurs, accountants, judges, safety inspectors, social workers, mayors, ... Indeed, training is the area where most of the G24 bilateral donors have been most active, developing study visits, seminars and links of all kinds.

Because of its broader vocation and flexibility, PHARE chose first of all to focus on assisting CEEC authorities in defining the medium-term objectives of policy reform, in establishing the legislation and regulatory frameworks, and developing a broad strategy for implementation, including financing and equipment as well as training. This general approach has applied to most policy areas, from small and medium-sized enterprise through to telecommunications and environment. PHARE has nevertheless now moved on to the stage where it is engaged in supporting large-scale training programmes in a wide range of areas, including the banking and financial sector, customs, statistics, public administration, local government, and nuclear safety. Where possible, PHARE supports the build up of in-country training capacity, by financing equipment and the training of a core of instructors. This trend is bound to continue, with increasing emphasis on training and re-training linked to the reconversion of enterprise in major sectors such as coal, steel, armaments and chemicals.

#### Broadening the scope of PHARE

The emphasis of the PHARE programme has changed and developed over the first three years, taking account of progress in implementing the initial stages of economic reform and also reflecting the growing complexities of the reform process.

New priorities for action have emerged, to overcome institutional weaknesses for instance which have been greater than expected, since the public administration has yet to develop a new legitimacy and has already lost many of its competent people in the private sector. The human factor - the legacy of a past which discouraged and sometimes penalised initiative - has been generally underestimated by the optimists. There exist, moreover, few structures for dialogue with the social partners and NGOs, indeed in some CEECs there has yet to be a legal basis for trade union recognition or for an NGO to function. There are still legal bottlenecks, despite intense parliamentary activity, already producing an unprecedented amount of new legislation.

The priorities for PHARE, which are determined essentially by CEEC governments, now include institutional development of different kinds, notably support for public administration reform and for strengthening local government. There is also a trend in all five larger CEECs towards regional development which allows for an integrated socio-economic approach to industrial reconversion. There is emphasis on assistance specifically to re-inforce the role of NGOs, with Czechoslovakia seeking to develop the same kind of autonomous civil society programme as that launched with PHARE support in Poland through the Cooperation Fund in 1991. Particularly significant is the assistance foreseen in Bulgaria, Hungary, Poland and Romania for developing structures for social dialogue and strengthening the role of trade union and employers associations.

#### The Future

PHARE has given significant support since 1990 to programmes in the social sector. Altogether about 625 MECU will have been committed by end 1992 in the areas of social policy mentioned above, representing nearly 28 % of the total PHARE budget over the three years. A third of this is made up by PHARE humanitarian aid (excluding Yugoslavia)

amounting to nearly 220 MECU, which should in principle decline in future years. A further third represents expenditure on TEMPUS (also over 200 MECU), which may also take on a different profile in the years to come, for instance on industry - university links. These figures do not include the very substantial assistance to SMEs, to institution building or to general human resource development in other sectors.

The next phase of PHARE (1993-1997) will be shaped for most of the CEECs by the Europe Agreements, setting targets for cooperation and approximation of legislation with the EC, including the social sector. Large-scale PHARE finance will continue to be used to support the implementation of policy reforms and to assist in coping with the economic and social consequences of structural re-adjustment. Albania and the Baltic states are only now starting with PHARE technical assistance for policy reform. Although facing different problems from the other CEECs, they will be able to benefit from the experience of rapid economic and political reform among their neighbours.

In addition, PHARE may well focus in future on more integrated uses of investment finance to stimulate regional development and employment creation, for instance, or to facilitate industrial investment which contributes to environmental and health protection. The social dimension of PHARE in future should not therefore be looked for exclusively in specific sector programmes for health, education or employment, but also in the broader development and investment instruments, in their impact on working and living conditions and on job creation. Such a convergence of economic and social objectives requires that all the partners concerned are associated with the formulation of priorities so that they are able and willing to act in solidarity thereafter to build a stable democracy for the future.

#### Executive Summary

PHARE is helping governments in East and Central Europe to build a social safety net and to modernise and restructure policies in the area of employment, social protection, health and education. It is also supporting efforts to build patterns of social dialogue and the kind of civil society without which a pluralist democracy and a market economy cannot function.

Altogether about 625 MECU will have been committed by end 1992, representing nearly 28 % of the total PHARE budget over three years, broken down approximately as follows:

|   |          |
|---|----------|
| Supplies of basic necessities<br>and humanitarian aid | 220 MECU |
| Support for social policy reform                      | 205 MECU |
| - social protection and<br>social dialogue            | 25 MECU  |
| - employment and labour market                        | 50 MECU  |
| - education and research                              | 55 MECU  |
| - health  | 75 MECU  |
| TEMPUS cooperation in higher education                | 200 MECU |

These figures do not include related PHARE support for SMEs, for regional development and for any of the sector related training programmes, which would amount to an additional 200 MECU.

***D. ADDRESSES***





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

# The PHARE Address Book

*containing Addresses of:*

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**WARNING: All efforts are made to ensure this information is accurate on going to press. Updates are published regularly.**

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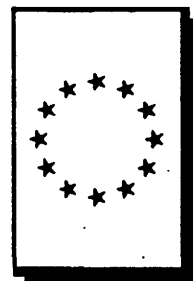
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2 Avenue de Warens, 1203 Genève, Switzerland

**UNDP - UNITED NATIONS DEVELOPMENT PROGRAMME**

Palais des Nations, CH 1211 Genève 10, SWITZERLAND  
 ☎(41-22) 798.58.50 Fax: (41-22) 798.75.24 Telex: 415464 UDP Email: udp 090

**IMF - INTERNATIONAL MONETARY FUND**

700 19<sup>th</sup> Street N.W.  
 Washington D.C. 20431, U.S.A.  
 ☎(202) 623-7000 Fax: (202) 623-4661

**IAEA - INTERNATIONAL ATOMIC ENERGY AUTHORITY**

Wagramerstraße 5, P.O.Box 100, 1400 Vienna, AUSTRIA  
 ☎(43-1) 23600 Fax: (43-1) 234564 Telex: 112645 ATOM A

**CEN - COMITÉ EUROPÉEN DE NORMALISATION**

rue de Stassart 36, 1050 Bruxelles, BELGIUM  
 ☎(32-2) 519.68.25, 519.68.11 Fax: (32-2) 519.68.19

PHARE



Addresses





***E. REGISTER FORM***





COMMISSION  
OF THE EUROPEAN  
COMMUNITIES

Brussels, February 25, 1992

DIRECTORATE-GENERAL  
EXTERNAL RELATIONS  
Operational Service PHARE

Dear Sirs,

You wrote to us expressing interest in participating in the European Community's assistance programme to the countries of Eastern Europe and the Commonwealth of Independent States.

We are currently setting up a central consultancy register for all our units. It will be used, *inter alia*, for the identification of suitable consultants for technical assistance work, including the preparation of short lists. The central register will incorporate and replace all the previous registers maintained within the units.

In order to make sure you are registered with us in your particular sector of activity, you should please complete and return to the Commission the enclosed simplified form as soon as possible. **PLEASE DO NOT SEND ANY SUPPORTING DOCUMENTATION WITH THIS SIMPLIFIED FORM.**

On receipt of the form, you will be formally registered on the database, and you may be selected for restricted tenders, consultation or direct agreement contracts.

You will receive later on a more detailed version of the form which should be completed and returned within a month from reception in order to maintain your registration, and make sure that project officers are aware of your exact capabilities. Data supplied by you will be independently verified (supporting documentation).

An individual form should be completed for each subsidiary or associate if these are to be considered independently from the company or organization to which this letter is addressed.

Copy of the present form should be addressed by mail only to :

Commission of the European Communities  
200 Rue de la Loi

DG I PHARE  
Sylvie Koch / Consultancy Register  
L84 6/6

B-1049 BRUSSELS  
BELGIUM

The envelope should be marked "Consultant Registration Form".

Thank you for your cooperation. We will contact you should any further information be needed.

Jurgen KOEPPEN



**GENERAL INFORMATION**

|                               |  |
|-------------------------------|--|
| <b>NAME OF ORGANIZATION</b>   |  |
| <b>STREET AND NBR</b>         |  |
| <b>POSTAL CODE</b>            |  |
| <b>CITY</b>                   |  |
| <b>COUNTRY</b>                |  |
| <b>REGISTER N°</b>            |  |
| <b>TELEPHONE COUNTRY CODE</b> |  |
| <b>TELEPHONE N°</b>           |  |
| <b>TELEFAX N°</b>             |  |

|                                 |  |
|---------------------------------|--|
| <b>TYPE OF ORGANIZATION :</b>   |  |
| <b>PARTNERSHIP FIRM</b>         |  |
| <b>PRIVATE COMPANY</b>          |  |
| <b>PUBLIC CORPORATION</b>       |  |
| <b>GOVERNMENT ASSISTED FIRM</b> |  |
| <b>STATE ENTERPRISE</b>         |  |
| <b>NON PROFIT ORGANIZATION</b>  |  |
| <b>OTHER</b>                    |  |

|                          |  |
|--------------------------|--|
| <b>CAPITALS / ASSETS</b> |  |
| <b>AMOUNT</b>            |  |
| <b>CURRENCY</b>          |  |

|                             |                        |
|-----------------------------|------------------------|
| <b>STAFF (NBR)</b>          | <b>CONTACT PERSONS</b> |
| <b>PROFESSIONAL STAFF</b>   |                        |
| <b>STAFF UNDER CONTRACT</b> |                        |

|                                |
|--------------------------------|
| <b>DATE OF ESTABLISHMENT :</b> |
|--------------------------------|

FINAL VERSION 25/2/92

**BRANCH OFFICES / FORMAL CORRESPONDANT  
INFORMAL CORRESPONDANT**

| <b>E.E.C.</b>         |  | <b>RELEVANT COUNTRIES</b>   |  |
|-----------------------|--|-----------------------------|--|
| <b>BELGIUM</b>        |  | <b>BULGARIA</b>             |  |
| <b>DENMARK</b>        |  | <b>CZECHOSLOVAKIA</b>       |  |
| <b>FRANCE</b>         |  | <b>HUNGARY</b>              |  |
| <b>GERMANY</b>        |  | <b>POLAND</b>               |  |
| <b>GREECE</b>         |  | <b>ROMANIA</b>              |  |
| <b>IRELAND</b>        |  | <b>ALBANIA</b>              |  |
| <b>ITALY</b>          |  | <b>C.I.S. (Pls Specify)</b> |  |
| <b>LUXEMBURG</b>      |  | <b>LITHUANIA</b>            |  |
| <b>NETHERLANDS</b>    |  | <b>ESTONIA</b>              |  |
| <b>PORTUGAL</b>       |  | <b>LATVIA</b>               |  |
| <b>SPAIN</b>          |  | <b>CROATIA</b>              |  |
| <b>UNITED KINGDOM</b> |  | <b>SLOVENIA</b>             |  |
|                       |  | <b>OTHER EX YUGOSLAVIA</b>  |  |

**COUNTRIES WHERE YOU HAVE SPECIFIC INTEREST**

|  |  |
|--|--|
|  |  |
|  |  |
|  |  |
|  |  |

- \* **Put : 1 FOR BRANCH OFFICE  
2 FOR FORMAL CORRESPONDANT  
3 FOR INFORMAL CORRESPONDANT**
- \* **PLS ATTACH SEPARATE SHEET WITH NAMES / ADDRESSE**

FINAL VERSION 25/2/92

**SPECIFIC EXPERIENCE****CAPABILITIES**

| <b>CODE</b> |                                 | <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> |
|-------------|---------------------------------|----------|----------|----------|----------|----------|----------|
| 0100        | AGRICULTURE & RURAL DEVELOPMENT |          |          |          |          |          |          |
| 0200        | ENVIRONMENT                     |          |          |          |          |          |          |
| 0300        | WATER                           |          |          |          |          |          |          |
| 0400        | ENERGY                          |          |          |          |          |          |          |
| 0400        | NUCLEAR                         |          |          |          |          |          |          |
| 0500        | CONSTRUCTION                    |          |          |          |          |          |          |
| 0600        | COMMUNICATION                   |          |          |          |          |          |          |
| 0700        | TRANSPORT                       |          |          |          |          |          |          |
| 0800        | PUBLIC SECTOR MANAGEMENT        |          |          |          |          |          |          |
| 0900        | ECONOMIC & INDUSTRIAL SERVICES  |          |          |          |          |          |          |
| 1000        | BANKING                         |          |          |          |          |          |          |
| 1100        | FINANCIAL SERVICES              |          |          |          |          |          |          |
| 1200        | INDUSTRIAL SECTORS              |          |          |          |          |          |          |
| 1300        | SME                             |          |          |          |          |          |          |
| 1400        | TOURISM                         |          |          |          |          |          |          |
| 1500        | EDUCATION POLICY                |          |          |          |          |          |          |
| 1600        | HEALTH                          |          |          |          |          |          |          |
| 1700        | SOCIAL DEVELOPMENT              |          |          |          |          |          |          |
| 1800        | LABOUR MARKET RESTRUCTURING     |          |          |          |          |          |          |
| 1900        | HOUSING                         |          |          |          |          |          |          |
| 2000        | FOOD DISTRIBUTION SECTOR        |          |          |          |          |          |          |



| CODE |               | A | B | C | D | E | F |
|------|---------------|---|---|---|---|---|---|
| 2100 | OTHER SECTORS |   |   |   |   |   |   |
|      |               |   |   |   |   |   |   |

**A : GENERAL STUDIES / PLANNING / POLICY ADVICE / ETC.**

**B : FEASABILITY STUDIES / TECHNICAL DESIGNS / ETC.**

**C : LT TECHNICAL ASSISTANCE / PROJECT CONTROL / MANAGEMENT**

**D : PROCUREMENT / TENDERING**

**E : INSPECTION / AUDIT / CERTIFICATION / QUALITY ASSURANCE**

**F : TRAINING**

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FINAL VERSION 25/2/92

## COUNTRY EXPERIENCE IN EASTERN EUROPE

| SECTOR OF ACTIVITY                 | PL | HU | BUL | RO | CZ | EX<br>YUG | ALB | C . I . S.<br>(Pls Specify) |
|------------------------------------|----|----|-----|----|----|-----------|-----|-----------------------------|
| AGRICULTURE & RURAL<br>DEVELOPMENT |    |    |     |    |    |           |     |                             |
| ENVIRONMENT                        |    |    |     |    |    |           |     |                             |
| WATER                              |    |    |     |    |    |           |     |                             |
| ENERGY                             |    |    |     |    |    |           |     |                             |
| NUCLEAR                            |    |    |     |    |    |           |     |                             |
| CONSTRUCTION                       |    |    |     |    |    |           |     |                             |
| TELECOMMUNICATIONS                 |    |    |     |    |    |           |     |                             |
| TRANSPORT                          |    |    |     |    |    |           |     |                             |
| PUBLIC SECTOR MANAGEMENT           |    |    |     |    |    |           |     |                             |
| ECONOMIC & INDUSTRIAL SERVICES     |    |    |     |    |    |           |     |                             |
| BANKING                            |    |    |     |    |    |           |     |                             |

| SECTOR OF ACTIVITY          | PL | HU | BUL | RO | CZ | EX<br>YUG | ALB | C . I . S.<br>(Pls Specify) |
|-----------------------------|----|----|-----|----|----|-----------|-----|-----------------------------|
| FINANCIAL SERVICES          |    |    |     |    |    |           |     |                             |
| SME                         |    |    |     |    |    |           |     |                             |
| INDUSTRIAL SECTORS          |    |    |     |    |    |           |     |                             |
| TOURISM                     |    |    |     |    |    |           |     |                             |
| EDUCATION POLICY            |    |    |     |    |    |           |     |                             |
| HEALTH                      |    |    |     |    |    |           |     |                             |
| SOCIAL DEVELOPMENT          |    |    |     |    |    |           |     |                             |
| LABOUR MARKET RESTRUCTURING |    |    |     |    |    |           |     |                             |
| HOUSING                     |    |    |     |    |    |           |     |                             |
| FOOD DISTRIBUTION SECTOR    |    |    |     |    |    |           |     |                             |
| OTHER SECTORS (PLS SPECIFY) |    |    |     |    |    |           |     |                             |
|                             |    |    |     |    |    |           |     |                             |
|                             |    |    |     |    |    |           |     |                             |

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