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

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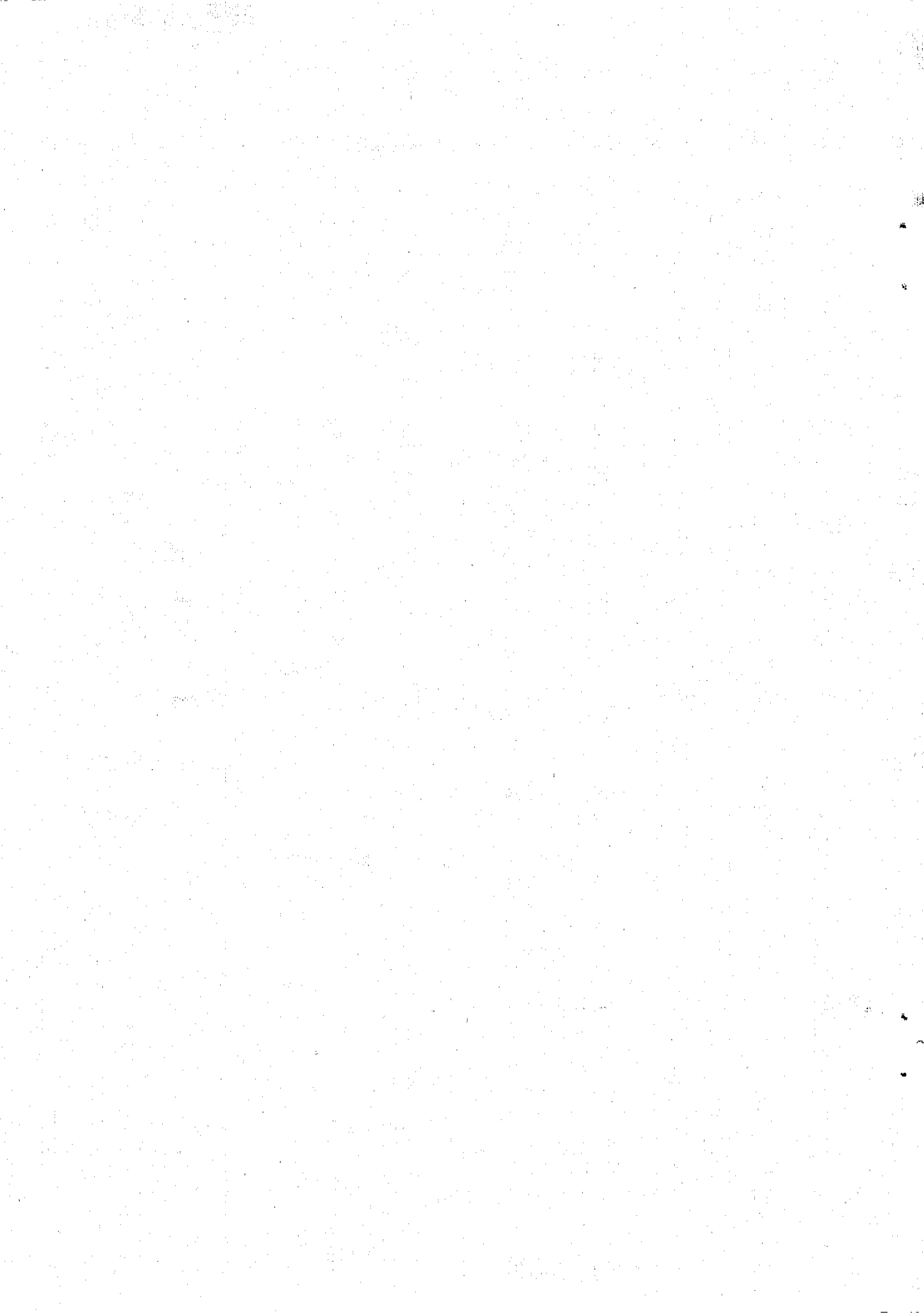
PHARE

Sectoral Information

Compiled by the PHARE Advisory Unit

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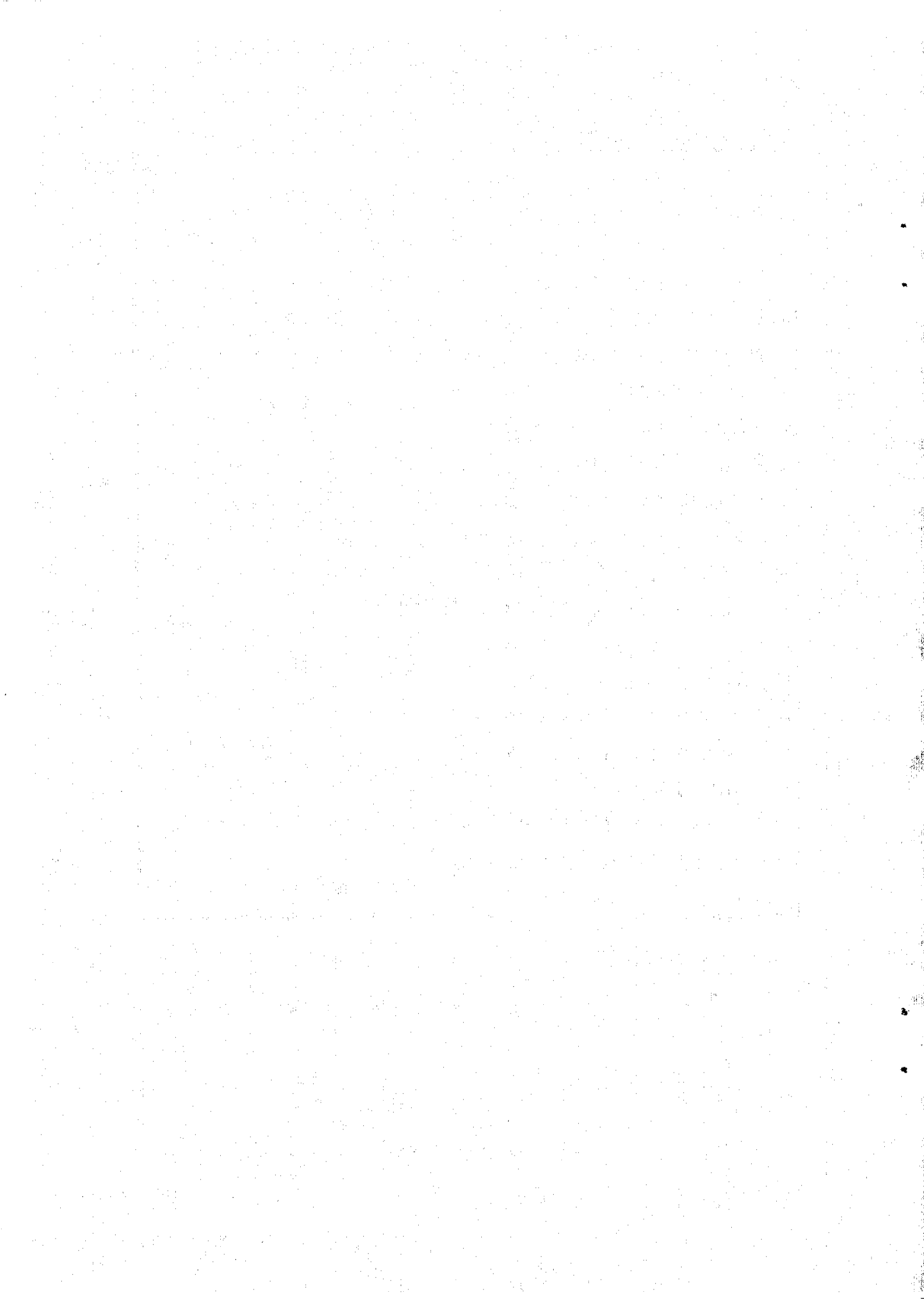
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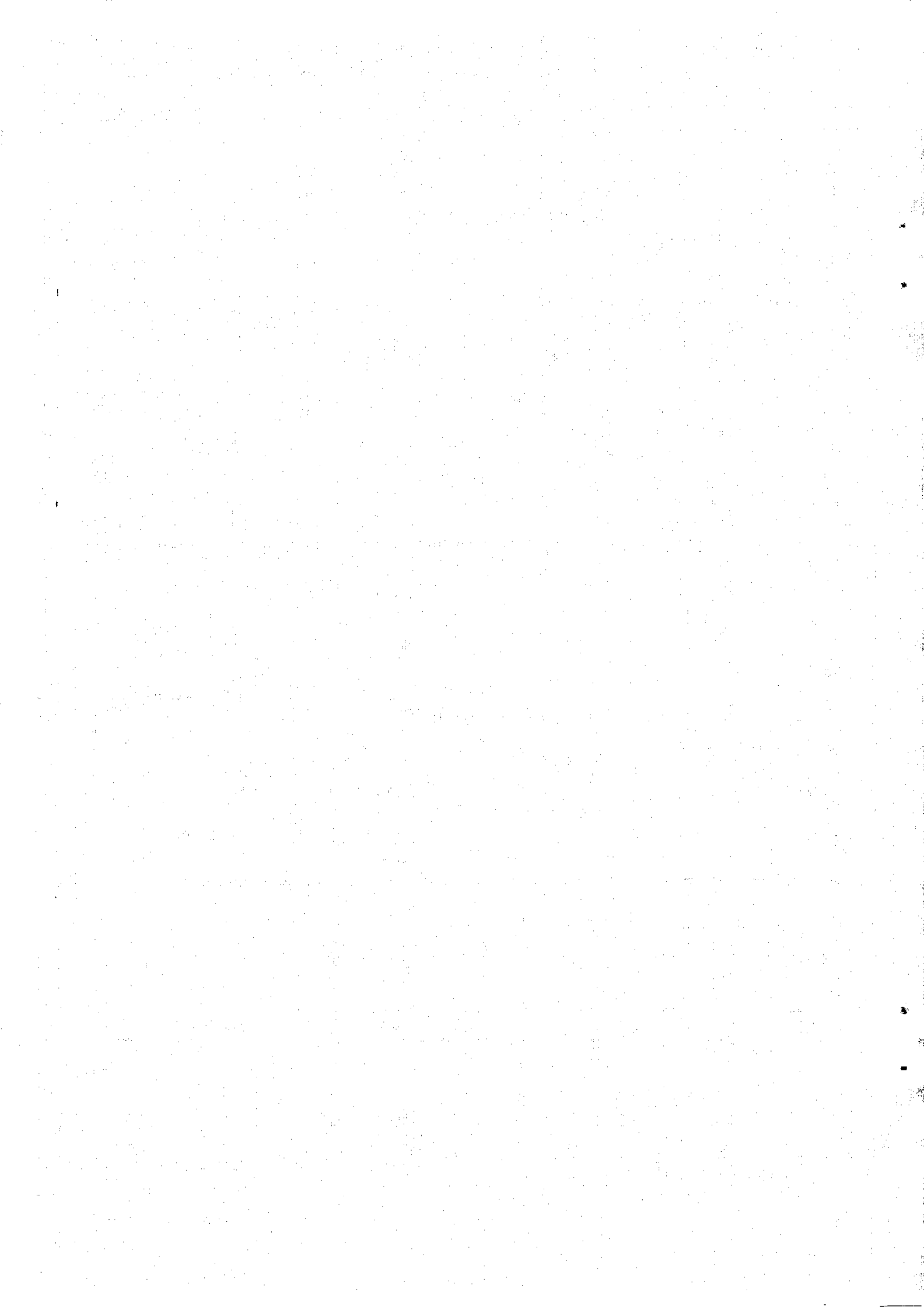
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Agriculture

May 1993

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AGRICULTURAL SUPPORT

PHARE support for agricultural reform and development (excluding food aid) has been provided as follows:

	MECU			
<u>Country</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>Total</u>
Poland	100	17	23	140
Hungary	20	13	5	38
Romania	-	39	32	71
Bulgaria	16	25	10	51
Albania	-	-	15	15
Estonia	-	3,2	0,3	3,5
Latvia	-	1,25	0,75	2,0
Lithuania	-	1,5	0,6	2,1
TOTAL	136	99,95	86,65	322,60

Share of agriculture in the national assistance budget

Overall, agriculture sector technical assistance (TA) programmes account for about 12% of total PHARE assistance for the above countries.

In the first years of PHARE assistance, particularly where allocations have been made for large-scale supply programmes, agriculture's share of the national PHARE total is usually substantially higher. For example, allocation of 70 MECU to agricultural supply programmes and 30 MECU to the credit line provided agriculture with 50% of the total PHARE budget of 200 MECU for Poland in 1990.

1993 allocations and priorities

Programmes for 1993 are under negotiation. Support for agriculture is likely to be continued at levels broadly equivalent to 1992 levels in all the above countries. Agricultural support has not been a priority to date in the Czech and Slovak Republics, Slovenia and Macedonia.

These programmes are analysed below by sector and by country.

I. ASSISTANCE BY SECTOR

Evolution of needs

In the first phase of PHARE assistance (currently seen most clearly in Albania and the Baltic Republics), help (mainly technical expertise and equipment) is largely concentrated on:

- development of agricultural reform strategies and policies
- strengthening agricultural project implementation and supervision capabilities particularly in the ministry of agriculture
- implementing supply programmes for essential imported inputs needed to maintain essential levels of national food production

These general orientations do not prevent provision of categories of assistance normally provided in later years (see below). For example a substantial land registration project was included in Estonia's first year assistance programme.

In later years PHARE assistance is increasingly focussed on implementation of key elements of the reform strategy such as:

- restructuring/privatisation of state enterprises in major subsectors and state farms;
- development of rural financial facilities and business advisory services for private entrepreneurs;
- reorganisation of land sales registration mechanisms, land holding policies and laws;
- support for establishment of independent rural cooperatives;
- provision of capital assistance;
- development of appropriate extension or technical advisory services responsive to the needs of private farmers;
- provision of market information and forecasting systems for major commodities;
- introduction of regional or local integrated rural infrastructure and development policies for economically-depressed areas.

Relative balance between sectors

(i) Supply programmes and credit lines

Over the period covered in the above table, supply programmes (both machinery and consumable supplies) have received the largest share of resources (slightly over 40%). Establishment of credit lines has been the next largest category at 17%

Proceeds from sales of EC-funded supplies and repayments of loans from credit lines provide local currency resources which recipient governments utilise to alleviate social hardships caused by the pace of economic adjustment and reform and for implementation of further reforms.

(ii) other technical assistance

Assistance is spread fairly evenly amongst the other categories of assistance identified above. Assistance for **strategic planning, project implementation and coordination, land reform, development of business advisory services, technical extension and rural banking facilities** have high general priority. Further details are given in Annex 1.

II. ASSISTANCE BY COUNTRY

Details of individual annual programmes for each country are given in Annex 2. For the longest-established recipients, ie **Poland** and **Hungary**, the percentage share of agriculture in the national assistance programmes for 1991 and 1992 has fallen below the average figure of 12% given above as the programmes concentrate more resources on technical assistance, training and establishment of sustainable national implementation capabilities and resources.

Other countries have allocated higher percentage shares of PHARE assistance to agriculture although it should be borne in mind that a relatively small change in the absolute allocation for countries such as Albania or Latvia results in a large percentage change due to the smaller overall national budget.

ANNEX 1

**ANALYSIS OF PHARE AGRICULTURAL SUPPORT PROGRAMMES
BY COUNTRY, YEAR AND SECTOR**

development of agricultural reform strategies and policies;	POL91	1,7	
	POL92	<u>1,5</u>	<u>3,2</u>
	HUN90	<u>1,0</u>	<u>1,0</u>
	ROM91	1,2	
	ROM92	<u>2,0</u>	<u>3,2</u>
	BUL90	0,8	
	BUL91	<u>4,0</u>	<u>4,8</u>
	ALB92	<u>0,2</u>	<u>0,2</u>
	EST91	0,9	
	EST92	<u>0,1</u>	<u>1,0</u>
	LAT91	<u>0,9</u>	<u>0,9</u>
	LIT91	0,9	
	LIT92	<u>0,2</u>	<u>1,1</u>
	<u>Total</u>		<u>15,4</u>

strengthening agricultural project implementation and supervision capabilities;	POL91	1,3	
	POL92	<u>2,0</u>	<u>3,3</u>
	HUN90	0,7	
	HUN91	<u>1,4</u>	<u>2,1</u>
	ROM91	1,2	
	ROM92	<u>1,0</u>	<u>2,2</u>
	BUL90	0,4	
	BUL91	1,0	
	BUL92	<u>0,8</u>	<u>5,2</u>
	ALB92	<u>2,2</u>	<u>2,2</u>
	EST91	0,3	
	EST92	<u>0,2</u>	<u>0,5</u>
	LAT91	0,3	
	LAT92	<u>0,3</u>	<u>0,6</u>
	LIT91	0,6	
	LIT92	<u>0,3</u>	<u>0,9</u>
	<u>Total</u>		<u>17,0</u>

programmes for farm inputs machinery, etc	POL90	<u>70,0</u>	<u>70,0</u>
	ROM91	<u>34,0</u>	<u>34,0</u>
	BUL90	<u>14,5</u>	<u>14,5</u>
	ALB92	<u>12,5</u>	<u>12,5</u>
	<u>Total</u>		<u>131,0</u>
restructuring/privatisation of state enterprises and state farms;	POL92	<u>3,0</u>	<u>3,0</u>
	HUN91	<u>7,2</u>	<u>7,2</u>
	ROM92	<u>6,0</u>	<u>6,0</u>
	BUL91	<u>2,5</u>	
	BUL92	<u>1,9</u>	<u>4,4</u>
<u>Total</u>		<u>20,6</u>	
development of rural financial facilities and business advisory services;	POL90	<u>3,0</u>	
	POL91	<u>1,0</u>	
	POL92	<u>5,0</u>	<u>9,0</u>
	HUN90	<u>0,5</u>	
	HUN92	<u>2,0</u>	<u>2,5</u>
	ROM92	<u>4,0</u>	<u>4,0</u>
	BUL90	<u>0,2</u>	
	BUL91	<u>6,0</u>	<u>6,2</u>
	EST91	<u>1,0</u>	<u>1,0</u>
	LAT92	<u>0,1</u>	<u>0,1</u>
	<u>Total</u>		<u>22,8</u>
reorganisation of land sales registration, land holding policies and laws;	POL92	<u>5,0</u>	<u>5,0</u>
	HUN90	<u>2,0</u>	
	HUN91	<u>2,5</u>	<u>4,5</u>
	ROM91	<u>2,1</u>	
	ROM92	<u>3,0</u>	<u>5,1</u>
	BUL91	<u>5,0</u>	
	BUL92	<u>3,1</u>	<u>8,1</u>
	EST91	<u>1,0</u>	<u>1,0</u>
<u>Total</u>		<u>23,7</u>	

support for establishment of independent rural cooperatives;	POL91	6,4	
	POL92	<u>4,3</u>	<u>10,7</u>
	HUN91	<u>1,9</u>	<u>1,9</u>
	<u>Total</u>		<u>12,6</u>

provision of capital assistance	POL90	<u>27,0</u>	<u>27,0</u>
	HUN90	10,0	
	HUN92	<u>3,0</u>	<u>13,0</u>
	ROM92	<u>9,0</u>	<u>9,0</u>
	BUL91	<u>7,0</u>	<u>7,0</u>
	<u>Total</u>		<u>56,0</u>

development of appropriate extension or technical advisory services for private farmers;	POL91	4,2	
	POL92	<u>1,0</u>	<u>5,2</u>
	HUN90	<u>3,0</u>	<u>3,0</u>
	ROM92	<u>3,0</u>	<u>3,0</u>
	LAT92	<u>0,3</u>	<u>0,3</u>
	<u>Total</u>		<u>11,5</u>

provision of market information and forecasting systems for major commodities;	HUN90	<u>1,3</u>	<u>1,3</u>
	ROM92	<u>4,0</u>	<u>4,0</u>
	BUL91	2,0	
	BUL92	<u>2,2</u>	<u>4,2</u>
	LAT92	<u>0,1</u>	<u>0,1</u>
	<u>Total</u>		<u>9,6</u>

introduction of regional or local integrated rural infrastructure and development schemes for economically- depressed areas.	POL91	2,5	
	POL92	<u>1,3</u>	<u>3,8</u>
	<u>Total</u>		<u>3,8</u>

Development of EC-compatible standards, legislation, market regulation measures etc	HUN90	<u>1,5</u>	<u>1,5</u>
	Total		<u>1,5</u>
other rural enterprise development projects	ROM91	<u>0,5</u>	<u>0,5</u>
	BUL92	<u>1,0</u>	<u>1,0</u>
	Total		<u>1,5</u>
TOTAL			323,0

ANNEX 2

II.1. POLAND

MECU

In 1990, assistance was given for:

- imports of animal feedingstuff ingredients 20
- imports of crop protection chemicals 50
- establishment of a credit line for financing foreign purchases of agricultural inputs 30

In 1991, 17 MECU was provided under a single technical assistance programme for:

- support services for independent rural cooperatives (co-financed with World Bank) 6,4
- rural bank development 1,0
- extension service projects 4,2
- rural business advisory projects 2,5
- establishment of a project unit (FAPA) in the Ministry of Agriculture and Food Economy 1,25
- support for policy and staff development in MAFE 1,65

In 1992, 18 MECU was similarly provided for:

- cooperatives 4,25
- cooperative banks 5,0
- privatisation of state farms 3,0
- continued support for regional business advisory centres 1,25
- extension services 1,0
- project unit (FAPA) operation 2,0
- policy support for MAFE 1,5

Also in 1992, support was provided under a separate LIS programme for the improvement of land mapping and information systems 5,0

TOTAL 1990 - 1992 140,0

II.2 HUNGARY

In 1990, 20 MECU was provided through the Ministry of Agriculture for:

- establishment of a rural credit guarantee fund	10,0
- strengthening the rural financial network	0,5
- provision of farm accountancy, market information systems, commercial networks	1,3
- quality control and good agricultural practices	1,5
- extension services	3,0
- land registration offices reorganisation	2,0
- policy and training support to Min of Ag	1,0
- Min of Ag project unit (AICU)	0,7

In 1991, 13 MECU were similarly provided for:

- land registration	2,5
- reform of agro-industries	4,6
- state farm privatisation	2,6
- independent cooperatives	1,9
- AICU and contingencies	1,4

In 1992, 5 MECU was provided for:

- establishment of a capital development fund	3,0
- institutional development of agricultural banks and cooperative savings institutions	2,0

TOTAL 1990 - 1992 38,0

II.3. ROMANIA

The first PHARE programmes for agriculture were agreed in 1991. They comprised:

- import of animal feed components, tractor spare parts and farm machinery components with associated technical studies/support of tractor manufacturing capacity and livestock production	25,0
- import of critical components for agro-industries	9,0
- land registration TA and equipment	2,1
- establishment of policy advisory unit	1,2
- business reviews in key sub-sectors	1,2
- contingencies	0,5

In 1992, two programmes were agreed: one of 12 MECU and one of 20 MECU. Together these two programmes provide:

- land registration TA (continued)	3,0
- market and market information development	4,0
- further business reviews	2,0
- extension, privatisation and support for voluntary organisations for private farmers	3,0
- - - - -	-
- rural credit guarantee fund	9,0
- training for rural banks	1,0
- establishment of private consultancy services for farms and agrobusiness	3,0
- support for Romanian privatisation programme for agro-service enterprises	6,0
- continuation and reinforcement of Project Management Unit in Ministry of Ag	1,0

TOTAL 1991-1992.....71,0

II.4. BULGARIA

In 1990, 16 MECU was provided for:

- supplies of agricultural inputs (seeds, fertilisers, etc)	14,4
- establishment of Programme Implementation Unit	0,4
- policy studies and support for Ministry of Agriculture reform programme	0,8
- support for Bank of Agricultural Credit	0,2
- audit of supply programme	0,1

In 1991, 25 MECU were provided for:

- land reform TA and equipment	5,0
- continuation of PIU	1,0
- continued policy support for Min of Ag and establishment of policy analysis unit	4,0
- establishment of Credit Line	7,0
- support and training for rural banks	1,5
- market information system development	2,0
- agroprocessing and farm enterprise analysis and planning services	4,5

In 1992, 10 MECU were provided for:

- land reform (restitution of historic rights)	3,1
- continuation of PIU	0,8
- privatisation support	1,9
- market and market information systems development	2,2
- extension and information on reforms	1,0
- general TA to support Min of Ag	1,0

TOTAL 1990-1992.....51,0

II.5. ALBANIA

The first PHARE technical assistance programme for Albania was agreed in 1992; It provides 15 MECU for:

- supplies of essential farm inputs and machinery	12,5
- support for policy analysis and development in the agriculture sector	0,2
- establishment of Project Implementation Unit and provision of training and equipment for project implementation	2,2
TOTAL 1992.....	15,0

II.6. ESTONIA

PHARE assistance has been available only since the end of 1991. For 1991, 3,2 MECU were provided for:

- economic analysis and support for agricultural strategy development	0,9
- establishment of Project Implementation Unit in Ministry of Agriculture	0,3
- audit review of Agricultural Land Bank	1,0
- land registration and reform development	1,0

For 1992, no specific programme allocation was made for agriculture by the government within the General Technical Assistance Facility providing TA for all

sectors. However, the government has indicated that agriculture has priority within a general allocation of 350.000 ECU for which provisional planning allocations are:

- continuation of PIU 0,2
- policy studies 0,1

TOTAL 1991-1992.....3,5

II.7. LATVIA

PHARE assistance has been available only since the end of 1991. For 1991, 1,25 MECU were provided for:

- economic analysis and support for agricultural strategy development 0,9
- establishment of Project Implementation Unit in Ministry of Agriculture 0,3

For 1992, 750.000 ECU has been provisionally allocated to the agriculture sector under the GTAF. Allocations within this overall amount are:

- expansion of PIU (to Project Management Unit) to deal with co-financed projects with World

Bank etc	0,3
- support for finance corporation planning	0,1
- development of extension services	0,3
- statistical service development	0,1
TOTAL 1991-1992.....	2,0

II.8. LITHUANIA

PHARE assistance has been available only since the end of 1991. For 1991, 1,5 MECU were provided for:

- economic analysis and support for agricultural strategy development	0,9
- establishment of Project Implementation Unit in Ministry of Agriculture	0,3
- training and support for officials in the Ministry of Agriculture	0,3

For 1992, 600.000 ECU has been provisionally allocated to the agriculture sector under the GTAF. Further allocations may be made subject to review of needs and

capacities for implementation in all sectors of the Lithuanian reform programme. Allocations within the overall 600.00 ECU are:

- continuation of PIU 0,3
- improvement of cereal production 0,2
- marketing information systems 0,1

TOTAL 1991-1992.....2,1

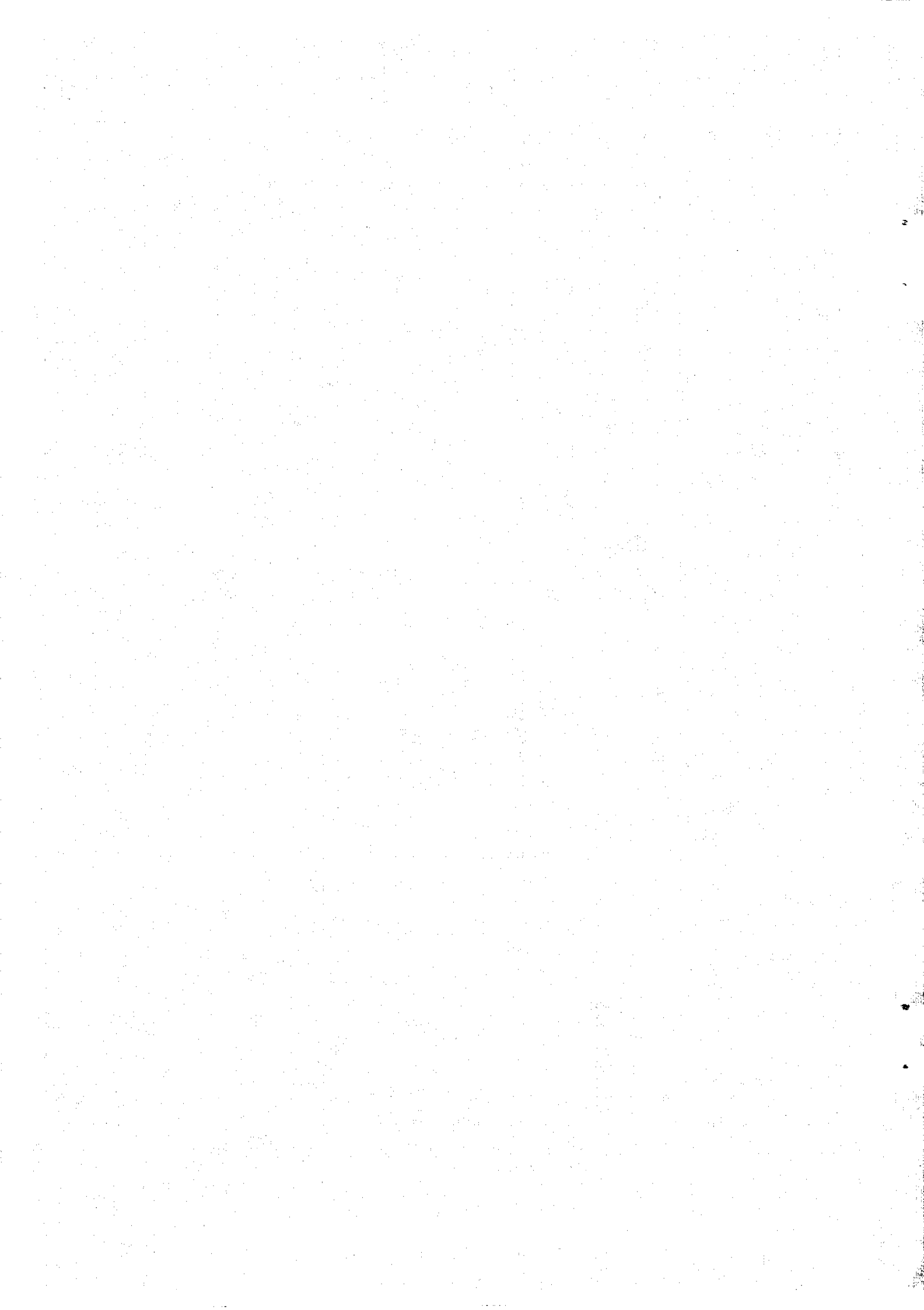


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PHARE Programme: Banking in Central and Eastern Europe

I. Background and Approach

A fundamental objective of the PHARE programme is to support the transformation of Central and Eastern European States from a centralised command economy to one based on market forces. An efficiently functioning banking sector is a key element to this process. Not only does an efficient banking sector contribute to the growth and well being of an economy through the mobilisation and allocation of savings towards productive investment but the success of many other of the reforms, particularly the development of a strong private sector and the restructuring/privatisation of industries, is heavily dependent on a smoothly operating banking service.

The transformation of the banking sector into a two tier banking system, with a central bank and commercial banks, nevertheless faces many challenges. The emergence of a fast growing private sector has led to an explosion of new accounts and demands for new banking services. The need to modernise and restructure these banks, particularly those commercial banks still under state ownership, to meet these growing demands is compounded by a number of structural difficulties which need to be overcome. For example, many banks are undercapitalised with significant bad loan portfolios on their books. With limited funding resources and mechanisms for enforcing debts, lending by the banks becomes limited and short sighted at a time when capital is scarce and most needed. In many cases effective payments and clearing systems are still being developed which slows down the operations of not only the banks but also enterprises and individuals.

Against this background the PHARE programme of assistance to the banking sector has been designed to provide support in transforming this sector into an efficiently functioning two tier banking system. For the most part assistance in commercial banking is directed to providing technical assistance for the restructuring and recapitalisation of banks with special attention to those banks with problematic loan portfolios. This involves a wide range of assistance from providing long term experts to advise banks on credit functions and "workout" departments to carrying out audits to ascertain the financial and organisational situation of a bank and recommend improvements. Since major clients of the banks are in the productive sectors of industry and agriculture, restructuring in the banking sector is also closely linked to the restructuring efforts in the real sector.

Privatisation of banks is a good a way of injecting "good banking practices" through accountable management but this is also achieved through fostering competition in the market place and training bankers and graduates in management and technical skills, especially in credit. Since a lending culture, based on evaluating the credit worthiness of clients, needs to be strengthened a major focus of PHARE's assistance is to develop an adequate skill base in the banks through basic training. In order to improve the delivery mechanisms of training, this has also led to the strengthening of appropriate institutions, such as banking institutes, associations and colleges.

With regard to Central Banking, PHARE support tends to focus on technical assistance for operations such as developing payments systems, supporting the supervision and regulation function of the central banks, assisting with internal organisation and management issues and providing general and specialised training. Close cooperation is maintained with specialised donors in the field, such as the IMF, to ensure synergy and maximum effectiveness.

Although there is a general approach to PHARE assistance as outlined above, specific programmes take into account the different stages of transformation of each economy and the particular characteristics of each country. As a result, a programme of assistance in a country at an early stages of transformation will focus more on upstream actions such as support to draw up legislation and operational audits to assess the financial and operational status of a bank. With economies in a later stage of development, attention is on institution building and restructuring, ultimately leading to privatisation.

The PHARE programme works in close coordination with multilateral and bilateral donors, in particular with EBRD, World Bank, IMF and EIB. In many ways the policy based lending of the World Bank and IMF, the commercial based lending of EIB and EBRD is well matched to EC PHARE's grant funds and its focus on technical assistance. Consequently, many banking programmes complement the actions of other donors leading to greater coherence and impact of projects in Central and Eastern Europe

II. PHARE Programmes:

As part of general assistance to the Finance Sector the European Commission, based on requests made by the National Coordinators of the recipient governments, is providing assistance for banking reform in all Central and East European Countries. These are:

- Albania
- Bulgaria
- Czechoslovakia
- Estonia
- Hungary
- Latvia
- Lithuania
- Poland
- Romania
- Slovenia

Support for the Banking sector is generally part of a package of assistance for larger financial sector programmes covering banking, taxation, insurance, accounting and auditing. In addition to these specific programmes there are a number of other programmes which use the banking system in the beneficiary countries to manage a variety of financial instruments such as credit lines and guarantee schemes.

Information on these schemes are available separately and may be obtained from Mr. Peter Kalbe of the PHARE Operational Services (see annex for address). Otherwise more information about the content of the finance and banking sector programmes can be found in the recipient countries, who through the establishment of Programme Management Units (PMUs) are responsible for the management and implementation of PHARE programmes.

III. Type of Assistance funded by the European Community

Through the provision of technical and financial assistance, PHARE funded banking programmes aim to support the government's efforts to restructure and recapitalise the banking system. The programmes consist of a mix of the following types of technical and financial activities, tailored to meet the specific requirements of individual countries.

1. Auditing

- * financial audits;
- * diagnostic/operational audits;
- * portfolio audits.

2. Support to key institutions

- * technical expertise to draw up legislation;
- * provision of advisory services (long & short term) for strategy & policy formulation and specific functions (eg. credit or treasury);
- * supply of equipment and material eg. information systems.
- * expertise to manage credit lines and other financial instruments from other PHARE programmes and EIB loans;

3. Training.

- * training the staff in the management of human resources in the institutions;
- * training of bankers and graduates (train the trainer schemes, long distance learning);
- * development of appropriate training courses in educational bodies.

4. Management of Programmes

- * establishment of decentralised Programme Management Units (PMUs) responsible for the implementation of programmes and composed of government counterparts and foreign experts and located in the relevant organisation.

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 banking sector programmes currently underway is provided in the annex, from whom further information on the programmes may be obtained.

Firms were invited to express an interest in being preselected for possible participation in service contracts for work in the banking sector (Official Journal, 18/3/92, NoC 69/17). Based on an evaluation of capacity and relevant experience of the responses, a special register of companies was drawn up from which short lists can be selected for specific tasks. As this is not a closed register, there will be opportunities for firms, who have not yet applied, to be considered for inclusion following periodic reviews. Interested companies should send in the required details and supporting documents as stipulated in the afore-mentioned Official Journal (see annex).

Besides this specialised register for firms interested in the banking sector there is a general data base which all interested firms need to apply to. For further information contact the office of Mr. Kalbe.

ANNEX

ADDRESSES FOR FURTHER INFORMATION AND EXPRESSION OF INTEREST

For general information about PHARE contact:

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(DG 1- L4)
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68 Rue Beillard - Office 2/40
B - 1049 Brussels

Peter KALBE
Tel: (32 2) 299 1777
Fax: (32 2) 299 1356/ 299 1400

PROGRAMME MANAGEMENT UNITS (PMUs)

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

POLAND

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Mrs Stara (Other Finance Sector)
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HUNGARY

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Mr. Robert Brewis (TA Team Leader)
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ROMANIA

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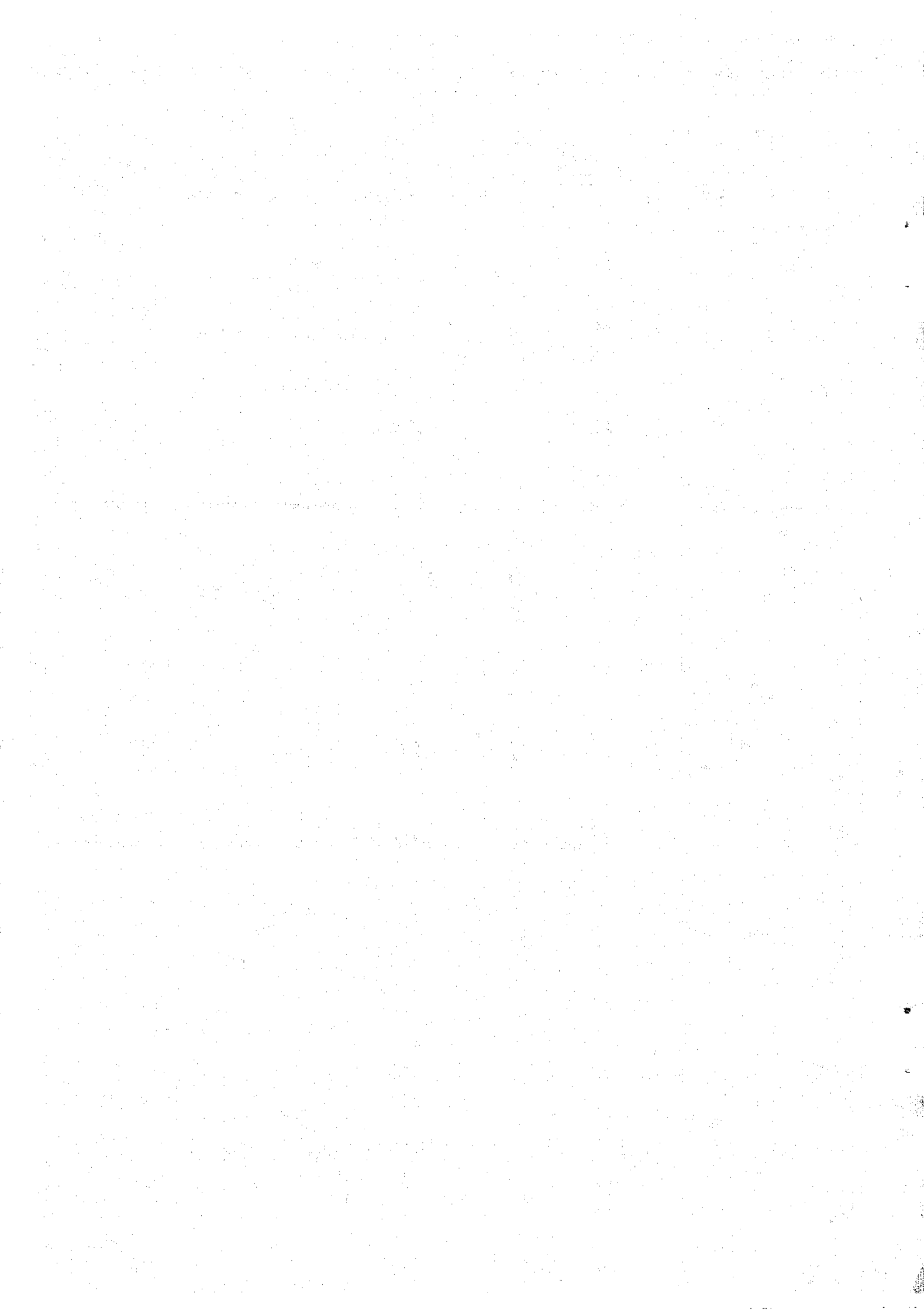
COMMISSION OF THE EUROPEAN COMMUNITIES
PROGRAMME OF ASSISTANCE FOR ECONOMIC RESTRUCTURING
IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

PHARE

Democracy Programme

April 1993

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COMMISSION OF
THE EUROPEAN
COMMUNITIES

PHARE Democracy Programme: first decisions

The Commission has decided to support 52 projects aimed at promoting democracy in Central and Eastern Europe through its PHARE Democracy Programme. Announcing the first decisions under this programme, Sir Leon Brittan, EC Commissioner for External Affairs, said:

"The Phare Democracy Programme is a concrete expression of the Community's support for the development of democratic institutions and practices in Central and Eastern Europe. The pilot phase has shown the complexity of promoting democracy in civil society in the new market economies, but also the extent of the need for support. There has been an encouraging response from organisations in Central and Eastern Europe and we will continue to encourage their active involvement in projects in the future. I hope to see a substantial expansion of the Programme over time."

The Phare Democracy Programme was launched by the Commission on a pilot basis in July 1992 with a 5 MECU budget. It followed an initiative taken by the European Parliament and forms part of the Community's Phare assistance to the countries of Eastern and Central Europe. It is a new venture for the EC's Phare Programme, which normally supports government-led policy reforms and has tended to focus on economic restructuring, although it has already been involved in democratic institution building through the support of public administration reforms and strengthening of local government. Phare has consistently stressed the importance of involving non-state bodies, NGOs, chambers of commerce, professional associations etc. in implementing reform, and the Phare Democracy Programme takes this an important step forward. The basic aim is to strengthen democracy in civil society through the encouragement of citizenship participation and the development of democratic laws, structures and practices.

A total of 350 projects were submitted, of which 52 have been selected for support, ranging across themes as varied as parliamentary practice, human rights, independent media, development of NGOs and representative structures, local community participation, and public education.

All the countries of Central and Eastern Europe are represented - Albania, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. Projects involve a partnership between East and West European non-profit organisations (two or more in different EC Member States, or a transnational body based in the EC, and at least one partner body in one or more CEFC). Projects must not be partisan, but cross-party initiatives are encouraged.

The 52 projects fall under six broad headings: parliamentary practice; promoting and monitoring human rights; independent media; development of NGOs and representative structures; local democracy and participation; and education and analysis. A list of all 52 projects is attached, together with a document giving summary details of each project.



COMMISSION
OF THE EUROPEAN
COMMUNITIES

PHARE DEMOCRACY PROGRAMME 1992
Summary list of grant aided projects (by lead partner body)

Parliamentary practice

1. Future of Europe Trust
2. Centro di Ricerca e Documentazione
3. Foundation for History of Politics
4. Institut für Europäische Politik
5. International Institute for Democracy
6. Public Policy Institute
7. East-West Parliamentary Practice Project
8. Alfred Mozer Stichting
9. Centre for Defence Studies - University of London
10. Netherlands IEWS Centre - Institute Clingendael

Promoting and monitoring human rights

11. Penal Reform International
12. European Law Student Association (ELSA)
13. Interights
14. Helsinki Citizens' Assembly
15. International Helsinki Federation for Human Rights
16. Council of the Bars and Law Societies of the European Community
17. The Mediterranean Women's Studies Centre (KEGME)
18. Minority Rights Group International
19. International Centre for Intercultural Relations
20. Poznan Human Rights Centre
21. European Commission for Democracy through Law

Independent media

22. Friends of the Magazine "Anti"
23. Polish Journalistic Association
24. The Thomson Foundation
25. Trans Atlantic Dialogue on European Broadcasting
26. Centre for Research on European Women (CREW)

Development of NGOs and representative structures

27. The Michael Harrington Centre - Birkbeck College
28. The Plunkett Foundation
29. European Federation of Agricultural Workers' Union
30. Est à Venir
31. Milieukontakt Oost-Europa
32. Istituto Sindicale per la Cooperazione allo Sviluppo
33. Friends of the Earth European Cooperation
34. Public Services International
35. GOM Vlaams-Brabant
36. European Trade Union Institute

Local democracy and participation

37. Ajuntament de Vilafranca del Penedès
38. Association for Community Development
39. Coopération Développement Industriel et Formation (CODIFOR)
40. Continuing Education and Training Service
41. Opération Villages Roumains International
42. Mediation UK
43. Democratic League of Free Trade Unions (LIGA)
44. West Midlands Enterprise Board

Education and analysis

45. Ecumenical Association of Academies and Laity Centres in Europe
46. Anne Frank Stichting
47. Red Barnet Denmark
48. Youth for Development and Cooperation
49. The Prince's Trust
50. Confrontations
51. Slovene Adult Education Centre
52. Danish Centre for Human Rights

April 1993

■ PARLIAMENTARY PRACTICE

1

Training in democracy

Aimed at emerging political leaders from Poland, Hungary, Romania, Bulgaria and the Czech and Slovak Republics, the aims of this project are to assist the development of a democratic culture, identify potential future political leaders, contribute to future relations between the EC and the CEEC countries and build a democratic consensus in the countries concerned. The project has two major elements: a training programme for young politicians, involving 1-3 month long placements in the British and German political systems; and the building of a long-term structure for taking forward the placement programme. The project organisers are the Future of Europe Trust (UK) and the Friedrich Naumann Foundation (D), working in partnership with bodies from Central and Eastern Europe, including the Czech Civic Forum Foundation, the Czech Institute for Democracy and European Unity, the Young Politicians Club of Romania and the Hungarian Council of Young Political Leaders. 92/216A

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2

Political and institutional communication in Estonia

At the heart of this project are 25 days of conferences, seminars and training sessions for high-level civil servants and key actors in civil society in Estonia. Aiming to contribute to the development of political pluralism and a market economy, the project - organised by the Italian Centro di

Ricerca e Documentazione Luigi Einaudi in partnership with SUP'EUROPE, a French association, and the Estonian Management Institute - involves theoretical training courses and a conference, analysis of case studies and the establishment of a pilot project in institutional communication in Estonia. The project has three main aims: to transfer to Estonia modern techniques of institutional communication; to support the development of interaction in the field of communication between actors across the political and economic spectrum; and to diffuse knowledge about the mechanisms of West European democracy in the country. 92/172E

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3

Strengthening democratic institutions in Hungary

In partnership with the Foundation Giacomo Brodolini in Italy and the Ruhr Universität Bochum in Germany, the Foundation for History and Politics in Budapest is proposing a programme for the study of civil institutions and pluralist democracy in Hungary, in preparation for the national and local elections in 1994. The project's overall aim is to disseminate knowledge about, and strengthen, the system of democratic institutions, their scope and functioning. The programme of activities will include: analysis of the technical and methodological problems of the 1990 elections; compilation and editing of a political map of the elections; study of right- and left-wing radicalism, social problems and nationalism; and training programmes for local and regional representatives and MPs. 92/220A

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Hungary-1054 Budapest
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4

European integration: East and West

Organised by the Bonn-based Institut für Europäische Politik, in partnership with the Trans-European Policy Studies Association, the Groupe d'Etudes Politiques Européennes, the Hungarian Council of the European Movement and the Czech Institute of International Relations, this project aims to develop East-West European links between Parliamentarians and to learn from the experience of European union in the EC. Seminars, round-tables and workshops in Budapest and Prague on the democratic dimension of European integration and Parliamentary organisation in democratic states will be run during 1993. 92221A

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5

Law drafting and parliamentary procedure in Albania

Supporting the transition to a democratic parliamentary system in Albania is the aim of this project. Organised by the International Institute for Democracy, in partnership with the Presidium of the People's Assembly of Albania and the European Commission for Democracy through Law, the project involves a 3-day theoretical training seminar on law drafting and parliamentary procedure followed by

a practical 2-day workshop on law drafting for staff of the People's Assembly specialising in sessional services. Contributing to the project are experts from German, Italian and Polish Parliamentary bodies, a British parliamentary expert and five legal specialists from the Albanian Ministry of Justice. 92221A

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6

Enhancing democracy in Hungary

This project aims to help rectify certain malfunctions currently troubling Hungary's fledgling democratic system. It proposes three areas of action: local government democracy and the mechanics of multi-party democracy; the management of local ethnic conflicts; and the recruitment and selection of politicians. The organisers of the project - the Hungarian Public Policy Institute, Empirica (D), the University of Utrecht (NL) and four Budapest-based organisations (Local Democracy and Innovations Foundation, 3K Kozpont, the Organisation for the Protection of Gypsy Interests, and Recontra Cooperative) - propose a number of activities: research, involving surveys and case studies, on political decision-making; courses on pluralist democracy, constitutionalism and electoral systems; case studies of ethnic conflicts; courses on conflict management; and research, conferences and a seminar on the selection of political candidates. 92221A

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Public Policy Institute
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7

Protection of minorities

The transition to market economies has brought in train a number of economic and social crises. Among these are the problems faced by minority groups, which threaten peace and democratic stability in Central and Eastern Europe. The creation of legal mechanisms guaranteeing the protection of minorities is urgently needed. This project aims to address these problems and needs through the organisation of three international seminars for members of Central and Eastern European parliaments who represent local minorities and/or who are active in the field of minority rights. Organised by the East-West Parliamentary Practice Project (NL) in partnership with the King Baudouin Foundation (B), the project involves participants from the parliaments of Albania, Bulgaria, Czech Republic, Poland, Romania, Estonia, Latvia, Lithuania and Slovakia. 92234/A

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Jill Adler

East-West Parliamentary Practice Project

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8

Training for a democratic Romania

This project, based on the practical experiences of three Dutch political parties and their respective Foundations, involves training in campaign techniques within a parliamentary and presidential framework. Over 500 people, from political parties, the media, trade unions etc., will attend two seminars - each lasting three days - in eight different locations in Romania, with the main focus on the implementation of pluralistic and democratic values at a local level. The aims are to improve political consciousness, increase the participation of non-aligned people and give insights and

observations into democratic political systems. The lead partner is the Alfred Moser Foundation (NL), with support from the Eduardo Frei Foundation (NL), Groen Links (NL), the Socialist Institute for European Studies (B), the Friedrich Ebert Foundation (D) and the Democratic Convention (Romania). 92215/A

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Alfred Mozer Stichting

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9

Defence and democracy

Current events in Eastern Europe give special significance to this project, which aims to raise awareness about such issues as the ethics of the use of force in democratic societies, civil-military relations, defence strategy and collective security. Aimed at journalists, political scientists, sociologists, parliamentarians, Ministry officials and military staff officers from Albania, Bulgaria, Romania and Slovenia, the core of the project is the organisation of training courses, with topics including the causes and prevention of conflict, deterring and containing aggression and the armed forces and society. The project's managers are King's College London (UK), working in partnership with the Netherlands Institute for International Relations, the Hellenic Foundation for Defence and Foreign Policy, the University of Ljubljana and the Sofia-based Centre for the Study of Democracy. 92140/1

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10

National security education

The central objectives of this project, initiated by the Netherlands Institute for EastWest Studies, are to expand the limited number of experts in East and Central Europe and to deepen their understanding of democratic decision making, the role of public administration in a civil society and the shaping of an all-European security relationship. The project aims to set in motion a continuous learning process and is targeted at middle-ranking civil servants and military personnel from Poland, Romania, Bulgaria, Hungary and the Czech and Slovak Republics. Collaborating with the Dutch IEWS in the project are the Centre for Defence Studies (UK), the European Studies Centre in Prague and the Royal Institute for International Relations (B). A number of Western countries and international organisations, including NATO, have also expressed support for the project. 92/240/A

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■ PROMOTING AND MONITORING HUMAN RIGHTS

11

Penal reform in Albania and Romania

The Albanian Association for Penal Reform and the Romanian Independent Society of Human Rights have set themselves the task of reforming penal policy, which is currently characterised by heavy-handed sentencing and few alternatives to imprisonment. By means of exchange visits involving the Penal Reform International in Britain, the partner organisations in Albania and Romania will acquire technical expertise in the planning,

development and management of their own organisations. Also planned as part of the project are meetings between PRI officials and key figures from the judicial and penal systems in Albania and Romania, planning of a programme of demonstration seminars, preparation of training materials and the delivery of a programme of seminars to officials from the judiciary, prisons and police as well as to the officials of the relevant government ministries. It is hoped that this project will result in more humane sentencing practices and treatment of offenders, and will contribute to the debate on penal reform.

92/175/B

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12

The practice of law in democratic society

An independent legal profession is indispensable to a free society. Targeted at law students in Albania, Estonia, Lithuania, Poland, Romania, Slovenia, Bulgaria, Hungary and the Czech and Slovak Republics, this project aims to support and train future lawyers for practice in a democratic society. Managed by the British Law Society and the European Law Students Society, the project involves the organisation of seminars for practising lawyers on a diversity of legal topics relevant to the role of an independent legal system. 92/176/A

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13

Human rights law in Hungary

As yet no race relations legislation exists in Hungary and a new aliens law is still being drafted; those affected must rely on the direct application of international law for the protection of their rights. This project, managed by Interights (UK), will provide training, information, advice and representation on international human rights, in the form of a two-day conference, presentations at seminars, practitioner workshops and provision of ad-hoc legal opinion. The aim is to provide the Hungarian legal profession with practitioners conversant in international human rights law, who, with the continued support of Interights, will pass on their expertise to other colleagues. Partners with Interights in the project are a number of Hungarian organisations; the Bar Association, the Martin Luther King Foundation, the Human Rights Committee, Europe and Young, and Interjustice. 92/131/B

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14

Citizens assemblies and civil society

The Helsinki Citizens Assembly is a coalition of civic initiatives from both East and West, which has its roots in the dialogue between independent social movements on both sides of the Cold War divide during the 1980s. This project, managed by the HCA in Czechoslovakia and involving HCA groups in Poland, Slovenia, Croatia, the Baltic States and the Czech and Slovak Republics, aims to create sustainable HCA national committees in the participating countries through: technical assistance in organising citizens' initiatives in the areas of fund-raising, membership and computing; and

assistance with specific projects linked to the HCA's Democracy and Citizenship Commission concerning laws on lustration, screening and citizenship. 92/203/B

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15

Human rights and civil society in Central and Eastern Europe

Four distinct programmes of activity, each in different CEECs, are being organised within the framework of this project, which is being coordinated by the German Helsinki Committee for Human Rights in conjunction with fellow IHF affiliates in Denmark, the Netherlands, Poland, Romania and Slovenia. The overall aim is to strengthen the structures and networks of NGOs and activists working in the field of human rights.

1. Establishment of working relationships and networks between Helsinki Committees and human rights activists in Romania, Bulgaria and Albania is the aim of this project. Exchange of information, seminars, production of a newsletter and other activities are proposed.

2. This project aims, via an established network of NGOs in Estonia, Latvia and Lithuania, to inform and familiarise about existing human rights conventions and mechanisms and to organise training courses for human rights activists and educators. A human rights seminar in Warsaw in September will bring together people from the CEECs and the CIS.

3. A training programme for lawyers, journalists and others involved in human rights issues resulting from the break-up of the Czecho-Slovak Republic and its impact in Hungary is proposed, involving seminars, fact-finding missions, production of a newsletter and meetings in Vienna.

4. A human rights house in Ljubljana, Slovenia, including a documentation centre and human rights educational programmes, is to be established in conjunction with the Slovenian Helsinki Committee. 92/2047B

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16

Law training in Estonia and Romania

This project, managed by the Council of the Bars and Law Societies of the European Community, aims to assist the Bars in Estonia and Romania to train lawyers to provide an independent justice system and legal profession and to make them aware of the ways in which lawyers in EC countries work and organise. A pilot scheme is to be organised, providing six law students with three months of training and work experience in EC law offices, in the legal system of the host state, office management, professional ethics, EC law, drafting techniques and language skills. The students will meet judges and government administrators, visit courts and tribunals and attend lectures. 92/2057B

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17

Equal rights for women

Promoting the implementation of equal rights for women in Eastern and Central Europe is the aim of this project, which is

being coordinated by KEGME, the Mediterranean Woman's Study Centre in Greece, in partnership with the Centre for Women's Studies (IRL) and the University of Vyskumny Ustav Pedagogicky (Slovak Republic). The project is targeted at women's NGOs and will assist them to act as pressure groups towards governments and to initiate a monitoring process for the implementation of international conventions promoting women's rights and the elimination of discrimination. The project will bring together women from selected NGOs in ten CEECs for a ten-day training seminar, hosted by the Slovak Republic, and will establish an ongoing network of representatives from each of the countries for monitoring the implementation of conventions. 92/1447F

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KEGME

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18

Minority rights and pluralist democracy

The objectives of this project, organised by the Minority Rights Group International in partnership with local MRG affiliates, are to assist in the development of techniques of research, publication and information dissemination on minority and intercommunity issues, to promote education and information activities on these issues and to strengthen the ability of local associations to advise on minority rights standards and their implementation. The project, involving seminars, visits, training sessions, publications and technical support, will focus on Bulgaria, Poland and Slovenia, with some outreach in the Baltic states, Romania and Hungary. Co-funders include the Westminster Foundation and the Norwegian Foreign Ministry. 92/2457G

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19

Intercultural relations in Bulgaria

Ethnic and religious identity can be either a source of cultural enrichment or a force of national destruction. This project aims to improve understanding of cultural, religious and ethnic identity and to build a strategy for coping with ethnic conflicts in a period of transition towards an open and democratic society. The focus is Bulgaria, whose rich history is reflected today in a mixture of cultures and religions. The organiser of the project is the International Centre for Intercultural Relations in Sofia who, with partners from the EC, notably the Centre for the Study of Islam and Christian-Muslim Relations (UK) and the Centre d'Etudes et de Recherches Internationales (F), will undertake action-research into the ethno-cultural situation in Bulgaria and will formulate ideas for social and economic development in regions with mixed populations. 92243/0

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20

European Constitutional Law in Poland

The focus of this project is the development of constitutional law in Europe. Initiated by the Poznań Human Rights Centre in Poland, the project aims to analyse constitutional law in Europe,

identify the deficiencies of contemporary constitutional law in the light of political, social and economic developments and disseminate information on comparative constitutional law in order to facilitate the process of international and regional integration. A series of monographs will be produced as part of the project. A particular emphasis will be placed on state power in foreign relations and the national/international double-function of organs of the state structure. Partners in the project are the European Commission for Democracy through Law and the University of Rotterdam (NL). 92112/0

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Poland-61 725 Poznań
Tel/fax: +48 61 52 02 60

21

Constitutional and legal reform

Albania, Bulgaria, Poland and Romania are in the process of reforming their constitutional and legal systems. This project, organised by the European Commission for Democracy through Law in partnership with the law faculties of Tirana, Sofia, Wrocław and Bucharest, aims to transfer relevant experience from both Western and young Eastern democracies to these four countries. In each country, the project will be organised in four phases: organisation of a seminar on a priority legal issue; organisation of study visits abroad by legislators; and the planning of visiting professorships. 92112/0

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■ INDEPENDENT MEDIA

22

Free press in the Balkans

At the heart of this project are a series of meetings, seminars and conferences for 25 Bulgarian and 25 Romanian journalists and 14 students, to study the theoretical and practical conditions of objective journalism and the constitutional and institutional instruments for implementation of a free press network in the Balkans. The results of the seminars and conferences, which involve visits to Greece and Spain, will be published, and a monthly newsletter, containing contributions from writers in both countries on themes of ethics in journalism and the construction of a free press, circulated free in Romania and Bulgaria. Finally, academics from Greece, Spain, Bulgaria and Romania will produce a collective volume on "the relationship between the press and other forms of power". Partners in the project are Friends of the magazine "ANTI" (GR), the Foundation Giulia Adinolfi-Manuel Sacristan (E), Voices of the Continent (Bulgaria) and the Writers Union from Romania. 920170

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23

An independent local press in Poland

This project, overseen by observers from the International Federation of Journalists, will study the current state of development of the local press in Poland and undertake research into the legal, political and organisational factors determining the development of an independent press in the country. The objectives are to determine to

what extent independent journalists and editors exist in Poland, to influence the editing of periodicals, and to establish new methods that might contribute to strengthening the status of the local press and to ensuring better cooperation and exchanges of information on potential economic, ethnic or religious conflicts. Sixty journalists and editors from Poland, together with participants from EC countries, will participate in a series of meetings and training sessions, with the aim of raising the levels of knowledge and skills of staff working in the Polish press. Partner bodies in the project include the International Federation of Journalists, the Warsaw-based Citizens Foundation, the Polish Journalistic Association and East Foundation "Knowledge". 920210

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24

Managing the media in Poland

New skills are needed by programme makers, administrators, editors and writers in Poland, in order to respond to the democratisation of the press and media, the rapid expansion of the industry and the introduction of new legislation providing for independent control of TV and radio. This project, a joint venture between the Thomson Foundation (UK), the Central and Eastern European Media Centre Foundation (Poland) and the International Federation of Journalists (B), involves the organisation of three separate training courses in Poland, covering such issues as newspaper management and marketing, the editor as manager, and journalism and management in radio. An intensive residential thirteen day programme is proposed, targeted at forty five senior

44
editorial, production and administration managers in press and radio. The project should result in a more productive approach to finance, advertising, circulation and in-house management.

92/022/D

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25

Freedom in broadcasting

The promotion of legislation allowing a free and independent system of broadcasting to emerge is the objective of this project, organised by the Trans Atlantic Dialogue, in partnership with organisations in Germany, Romania, Poland and the Czech and Slovak Republics. Specific activities will include working sessions with parliamentarians and government/broadcasting officials to assist them with the drafting of broadcast laws which will allow the free reporting of events without government or political interference, and the organisation of a series of seminars, for political figures, officials, parliamentarians and broadcasters from Eastern and Central European countries, on the relationship between government and media. 92/019/D

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26

Training in publishing

Providing training to a group of women journalists from Poland and the Czech and

Slovak Republics is the objective of this project, organised by CREW (B) and DIMITRA (GR), in partnership with the Warsaw-based Ploskie Stowarzyszenie Feministyczne. The training programme, which will include visits to newspapers and publications, will cover journalistic techniques, publishing skills and telecommunications. The aim is to provide trainees with the skills necessary to produce publications in their own country and to start their own information service.

92/143/F

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DEVELOPMENT OF NGOS AND REPRESENTATIVE STRUCTURES

27

Resource centres for democracy and citizenship

In association with Hungarian, Romanian, Czech and Slovak sections of the International Federation of Chemical, Energy and General Workers' Unions (ICEF) and the International Union of Food and Allied Workers' Association (IUF), the Michael Harrington Centre in London (UK) and the International Trade Secretariats of the ICEF and the IUF, have developed a project to help tackle unemployment and to provide local activists with necessary skills. The aim is to establish three Resource Centres, one in each of the partner CEECs, to service the needs of trade unions, human rights groups, women's organisations, cooperative organisations and media groups. Each Centre will be locally-based, and will serve as a pilot for future developments. Training of trade union trainers and managers is also planned. 92/264/H

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28**Democracy in rural organisations**

Promoting democratic practices in rural organisations in Poland is the aim of this project, coordinated by The Plunkett Foundation (UK) in partnership with the Federation of Danish Cooperatives, the Irish Foundation for Cooperative Development and the Polish Foundation for Rural Cooperatives. The project involves the production and dissemination of a practical manual, in Polish and English, of alternative techniques, based on case study experience, of democratic practices in rural organisations (rules and procedures, election systems at local level, organisational models, decision-making processes, committee and representational structures, systems of governance etc.). Target groups are farm leaders, women's association leaders and development staff associated with regional cooperative and enterprise centres. 92/1667

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29**Developing the capacity of agricultural workers' unions**

The agricultural sector in Central and Eastern Europe has experienced major restructuring since 1990, with significant

changes in property laws and the ownership of land. In many countries, the former collectivised production and distribution systems have been dismantled and the centralised price structures and subsidies replaced by market mechanisms. Agricultural labourers have formed genuinely democratic organisations in order to protect their interests during this transitional period. This project is designed to assist in the development of Agricultural Workers' Unions in Hungary, Poland and the Czech and Slovak Republics. The purpose of the project, coordinated by the European Federation of Agricultural Workers' Unions and supported by the RWTH and VFL in Germany, is to develop the organisational and professional capacity of the affiliated Agricultural Workers' Unions in each of the partner states. 92/26871

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30**Women for democracy in Albania and Poland**

Under communism, women had achieved a certain role in society and had been accorded certain rights. Now, with the emergence of the new democracy, some of these rights are being eroded and unemployment is hitting women hard. One of the objectives of a democratic society is equality between men and women; women in Albania and Poland wish to help to develop an egalitarian and democratic civil society, and have already established organisations, such as the Women's Forum in Albania and the International Women's Foundation in Poland. This project aims to

assist in the further development of such associations, through training, exchanges of experience and technical support, and to develop know-how in the areas of women's rights (maternity leave, equality of pay and employment, sexual harassment, solutions to unemployment, women in local government and politics, family planning...). The project is managed by Est à Venir, a French association, in partnership with the "Femmes Prévoyantes Socialistes" of Belgium, the Albanian Women's Forum, and the Centre for the Advancement of Women and the International Women's Foundation in Poland. 92/146FP

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31

Lobbying for the environment in Albania and Romania

This project aims to strengthen civil society in two countries where environmental NGOs have yet to develop a public profile. In Romania activities will include the development of environmental lobbying techniques for NGOs, particularly in relation to agriculture and legislation. In Albania the project will support an NGO environmental office and facilitate international exchanges between environmental NGOs. The project organisers, Milieukontakt Oost-Europa (NL), will work in partnership with Friends of the Earth (B), AIDRom in Romania and the environmental group PPNEA in Albania. 92/164FI

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32

Supporting Albania's independent trade union

Albania is the most underdeveloped of the Central and Eastern European States. It faces acute problems in the transition to a market economy and a democratic civil society. This project, organised by a consortium of French, Italian and Spanish trade unions and trade union institutes, aims to assist in the development of the newly-formed independent Albanian trade union movement, the B.S.P.SH., which was formed in 1991 and represents some 70% of the employed population. The project will transfer experience and provide resources for the movement at national and local levels. 92/308FI

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33

Strengthening environmental NGOs and civil society

Environmental movements have played an important role in the political transformation of Central and Eastern European Countries. Now these environmental organisations face serious difficulties; environmental issues are not prioritised and public awareness is low. The aims of this project, initiated by Friends of the Earth International, are to help the development of local FOE organisations and thereby support civil society. Part of the support will be provided through a set of training programmes in fundraising, campaigning, education in environmental issues, etc. The

activities of the project will extend to Bulgaria, Estonia, Latvia, Poland and the Slovak Republic. 9215171

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Ask for info

34

Assisting public sector unions in the Baltic States

The public sector in the Baltic States must adapt rapidly to the transition to a market economy. National and local government is being restructured, and there are moves to privatise elements of the education and health services. The public sector trade unions are important in this process; their members will be required to implement the changes and will be profoundly affected by them. There will be significant changes to working practices, terms and conditions of employment and the structure of industrial relations. In this context, the Public Services International, the world umbrella organisation for public sector trade unions, has produced an ambitious regional plan in conjunction with its affiliates in Latvia, Lithuania and Estonia. The project, which will assist the public sector unions in the Baltic States through technical assistance and training programmes, will be a significant intervention in an area which has so far received little international assistance. 9231274

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35

Representation of employers in Bulgaria

The aim of this project is to develop a modern, democratic system for the representation of employers interests in Bulgaria. Focussing on the structure and operational methods of the Chamber of Commerce in Bourgas, a survey will be undertaken of the services it provides, its representativeness and the interrelations with other other employers' organisations, in order to develop a model both for Bourgas and for wider application. Partners in the project with the Bourgas Chamber of Commerce are GOM Vlaams-Brabant (B) and the Limburg Development Company (NL). 9206270

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36

European trade union research network

The emerging democratic trade unions in Central and Eastern Europe have limited resources and their leaders have little experience of negotiating within the context of a market economy; moreover the organisations frequently lack a training or research infrastructure, inhibiting them from contributing effectively to macro-economic policy-making, industrial restructuring and social reconversion. The ETUI, the European Trade Union Confederation's research institute, has produced an ambitious and exciting plan to assist in the development of a network of research institutes linked to the Central and Eastern European labour movement. The project includes the provision of training, the transfer of methodologies and the mutual exchange of information. The network will cover Poland, Hungary, Bulgaria, Romania, Albania, Estonia,

Slovenia and the Czech and Slovak Republics and will be an invaluable source of information for policy-makers within the European Community. 92/295/II

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■ LOCAL DEMOCRACY AND PARTICIPATION

37

Citizenship participation in Slovenia

"Citizenship" is at the heart of this project, organised by three town councils with a previous record of cooperation and contacts: Vila Franca del Penedes in Spain, Melzo in Italy and Novo Mesto in Slovenia. For the town of Novo Mesto, the experiences of Spain's peaceful transition to democracy and of the development in Italy of civil associations and volunteering can provide important lessons, on how to develop and strengthen the impact of civil associations, how to encourage citizenship participation and how to improve relations between civil organisations and local government. The project will involve training courses, visits and seminars for elected members, experts and officials of Novo Mesto Town Council and for managers of social organisations in the area, and elaboration of proposals for actions to be taken in Novo Mesto to develop citizens' participation. 92/203/IC

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38

Community appraisals in Hungary

Community appraisals are a participative process, enabling residents of a local community to identify local needs and to determine the ways in which they wish their community to develop. Such appraisals are often a first stage in a longer process of building a self-help approach to community development. This project, managed by the Hungarian Association for Community Development with support from two EC-partners, the Community Development Foundation (UK) and the European Bureau for Social Development (NL), aims to introduce and adapt the community appraisal method to Hungary. This will entail translation of documentation and software, piloting and evaluation of the approach in ten communities, and introduction of the method as widely as possible through seminars, courses and dissemination of information. 92/205/IC

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39

Social dialogue in Romania

The aims of this project are three-fold: to provide technical assistance to employer and trade union organisations in Cluj region; to help to consolidate concertation between employers and workers; and to facilitate the transfer of know-how about social dialogue from three EC countries to Romania. The practical actions planned include pre-training and training for managers of enterprises and trade unions in social dialogue in the context of a market economy, and help in establishing a permanent training mechanism in the

methodologies, organisation and management of social dialogue in Romania, including training for trainers. In total 45 company managers and 45 trade union leaders will be involved. The project is managed by CODIFOR, a French association for cooperation, industrial development and training, in cooperation with three trade unions, the CFDT (F), the CSC (L-B) and the LCGB (L). 92081/C

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40

Community action in Hungary

Targeting one specific county in southern Hungary, Baranya, this project aims to facilitate the development of local grass roots democracy and overcome the personal, psychological and institutional inheritances of a one party, mono-cultural, socio-political system. Involved in the project are, in Hungary, Janus Pannonius University in Pécs and Baranya County Council and, from the EC, the University of Koblenz (D), the European Centre for Community Education and Croydon Continuing Education and Training Service (UK). At the heart of the project is a training programme, targeted at community education workers and village inhabitants, aimed at improving the level of skills in the formulation of community social policy and in the implementation of community action. Also planned are surveys and audits to identify local needs and priorities, initiatives to stimulate networking and consensus-building, training in the formulation of strategic plans for community action and in the development of implementation strategies, and production of training handbooks and summary reports. 92121/E

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41

Helping local democracy in Romania

This project, organised by "Operation Villages Roumains International", aims to create practical tools and structures capable of developing and extending local democracy in Romania. Building on existing experience and networks, the project has two elements: organisation of a 3-day democracy workshop for local actors and community leaders, covering such themes as citizen participation, local government management, administration and political decentralisation, and the ethnic dimension; and the production and dissemination (including establishment of a data-base) of documents and booklets on legal, budgetary and administrative aspects of local government and democracy. "Operation Villages Roumains International" will work in partnership with rural communities in Romania, building contacts and networks, particularly between non-profit associations and the local political framework, to create a fabric capable of strengthening the still faltering steps towards democracy in the country. 92072/C

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Conflict resolution and mediation

Disseminating the techniques and skills of conflict resolution and mediation in the fields of education and public

administration in Hungary is the objective of this project, which is being organised by Encore (UK) and Mediation UK in partnership with Humania (B) and three Hungarian organisations (the 3K Conflict Resolution Centre, Encore and the National Institute of Public Education). Two groups of 40 people, selected from the fields of education (teachers, psychologists, etc.) and public administration (local government organisations, councillors, etc.), will attend a two-week training course, at the end of which the trainees will themselves be able to lead basic two-day courses. Manuals will also be produced, suitable for schools, colleges, community mediation and local government. ^{92/0871C}

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43

Support for the unemployed in Hungary

One of the unfortunate consequences of the transition to a market economy has been the growth of unemployment in Central and Eastern Europe. International support has been targeted on policies at macro and micro-economic levels, particularly encouragement for SMEs and local initiatives. Yet, EC experience has shown that additional forms of support are needed in order to provide the unemployed with the confidence and skills to re-enter the labour market. This project, in Hungary, aims to establish a number of regional Unemployed Centres, offering advice and counselling to the unemployed, helping them to create self-help groups and small businesses and assisting in the development of local job creation initiatives. The project will also train a number of counsellors and negotiators, skilled in tackling the social costs of restructuring. To achieve this, the project's two Hungarian partners, LIGA

and the Research Institute for Labour, will draw on the experiences of the Belfast Centre for the Unemployed (UK) and the Irish Trade Union Trust. ^{92/266/11}

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44

Local government training in Slovakia

At the heart of this project is the provision of practical training for elected local representatives on the role of local government within a market economy. The aim is to provide a framework within which choices, appropriate to local circumstances, can be made, through drawing on relevant experiences from other regions. The training programme, which will run as pilot action, is targeted at elected local government officers of the City of Kosice in Slovakia. Partners in the project are the West Midlands Enterprise Board (UK) and GOM Vlaams Brabant (B). ^{92/0571C}

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■ EDUCATION AND ANALYSIS

45

Youth and adult training

Operating in Slovenia, Romania, Hungary and the Czech and Slovak Republics, this project aims to improve ethnic, national and religious understanding and to promote social and economic responsibility in civil society. The project includes a number of

elements: consultation between the partner centres and institutes; training of teachers, social workers, lawyers and young people; and technical assistance and material support. Holiday camps for 100 young people and part-time training for 50 people over a 9-month period are planned as part of the programme of activities. The project is being coordinated by the Ecumenical Association for Academies and Laity Centres in Europe, in partnership with 10 institutes from the CEE countries. 92132/2

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46

Confronting hatred and xenophobia

With support from the Anne Frank Stichting in Amsterdam and the Internationales Bildung- und Begegnungswerk (IBB) in Dortmund, NGOs in Poland, Bulgaria, Romania, Hungary, Lithuania and the Czech Republic are collaborating together on this project, which aims to combat group hatred and xenophobia, strengthen human rights educational initiatives and support the process of democratisation. The project's objectives are to develop an infrastructure in the Eastern European countries and to start an educational campaign to install democratic values. To achieve these, a programme of activities is planned: presentation of the internationally acclaimed exhibition "Anne Frank in the World" in the participating CEECs; establishment of local offices and support groups; translation and adaptation of existing materials in the main East European languages; and organisation of seminars and workshops for teachers and journalists. 92174/1

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47

Promoting the rights and education of Romany children

The aim of this project is to promote the rights and education of Romany children in the Slovak Republic through pre-schooling, the extension of networks and the active participation of mothers. Children of the 450-500,000 strong Romany community achieve only very low educational levels, the result of low standards of living and discrimination. A specific goal of the project, which is being organised by Red Barnet in Denmark, the UK Save the Children and the Foundation for Romany Children in the Slovak Republic, is to prepare Romany children for primary school. It will actively involve children and mothers and will embrace a number of activities: the starting up of classes in primary and elementary schools; the training and support of 75 mothers; developing self-help networks among Romany mothers and professionals; information activities; exchange-visits; and preparation of educational material. 92244/6

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48

Integrating young migrant people

This education project aims to enhance the integration of youth minority groups in Central European societies and in their democratisation processes. Organised by

the Youth for Development and Cooperation (NL), in partnership with the Polish Independent Student Association, the EAICY in Prague and the Hungarian Association for Students' Self-Government, the project includes: analysis of existing minority youth structures and publication of two brochures on the results; and organisation of six training courses in Poland, Hungary and the Czech and Slovak Republics on the setting up of migrant youth structures and the organisation of awareness-raising activities in the CEECs. The knowledge acquired during this phase will serve as preparation for a further training course on the techniques of mobilising young people and youth organisations towards greater involvement in issues concerning migration, intergration and racism. 927252/0

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49

Young people taking the lead

Germany and the UK share many years' experience of self organisation among marginalised groups. This project, "A Place in Europe?", aims to develop new forms of leadership among young adults from minority communities in Lithuania. The Prince's Trust (UK), together with partner bodies Jugend und Kulturzentrum (D) and the Open Society Fund (Lithuania), will provide training for young adults from minority communities and for professionals working with them. The basis of the training consists of practical collaboration on arts-based initiatives which transcend language barriers (such as dance, music, photography). Participants consist of three groups of 10 young people from youth

centres in Berlin, Vilnius and London, and six youth workers. The contacts established should foster a network which can serve as a basis for further exchanges and development. 927259/0

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50

Observatory on European democracy

The creation of a new Europe, East and West, offers an extraordinary opportunity for the renewal of citizenship and of democratic institutions at many levels. This project aims to examine the feasibility of establishing a critical Observatory on the construction of European democracy, as a means of studying the problems and processes of democracy in various European countries. The Observatory is seen as providing a means for the identification and analysis of the key elements in the development of democracy (in the fields of regional legislation and culture, local and community democracy, ethical questions, information and communication, education, health, ecology and the environment, social policy, and associations, etc.) and for the transfer of knowledge and know-how between participants. Four principal organisations are involved in the feasibility study: the Paris-based Confrontations; Collège Leclercq in Belgium; the Centre for Hungarian Socio-Religious Studies; and the Economic Academy of Katowice in Poland. 927102/E

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51

Civic education in Slovenia

Civic education in Slovenia has not kept pace with political changes and remains based on the previous one-party system. Yet, for a pluralist democracy to work, citizens need to know how the system functions, how to evaluate the progress of different parties and how to participate in the political activities. This project aims to inform and educate citizens and members of governmental and non-governmental organisations in sixty municipalities in Slovenia about the new social and political systems. Preparation of learning materials, training of facilitators and the running of educational courses are planned by the project's organisers, the Slovene Adult Education Centre, who will work in partnership with two other Slovenian Associations, St. Patrick's College (IRL) and the Department of Adult Continuing Education in Leeds (UK). 92/19/78

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rights education, will be held for forty participants and fourteen experts from NGOs in the two Republics, with the ultimate aim being the incorporation of the findings into the school curriculum. Participants will also have the opportunity to visit the UK and Denmark to meet experts in the partner and other organisations, including Amnesty International and educational institutes at Copenhagen University. 92/19/78

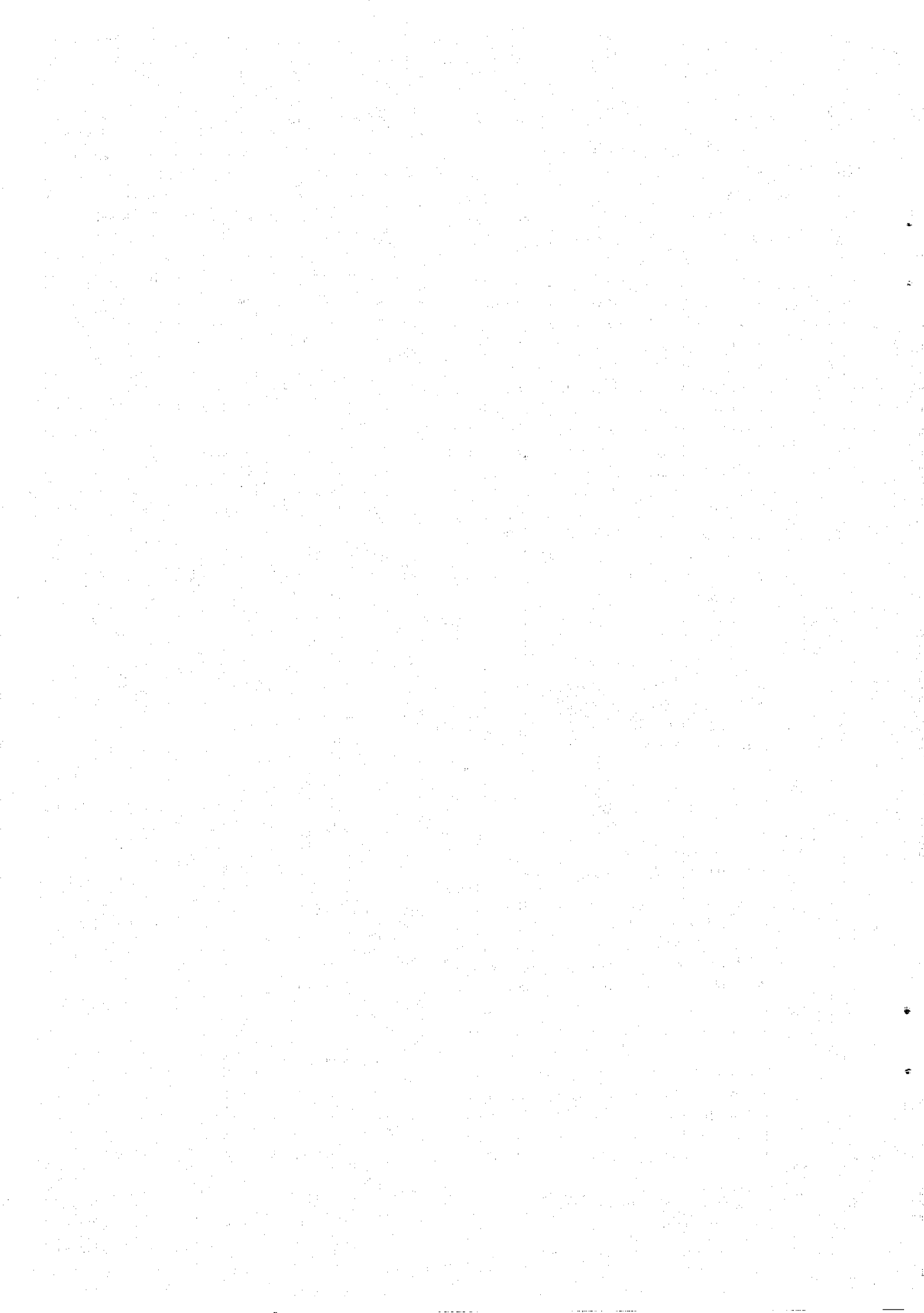
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52

Education in human rights

This project aims to promote human rights and minority rights in the Czech and Slovak Republics through the education of teachers and representatives of leading institutions supportive of human rights education. Organised by the Danish Centre for Human Rights and the Minority Rights Group International, in partnership with Czech and Slovak organisations, the core of the project involves training courses for elementary and secondary school teachers and students of teacher training colleges. Two pilot courses, in human and minority



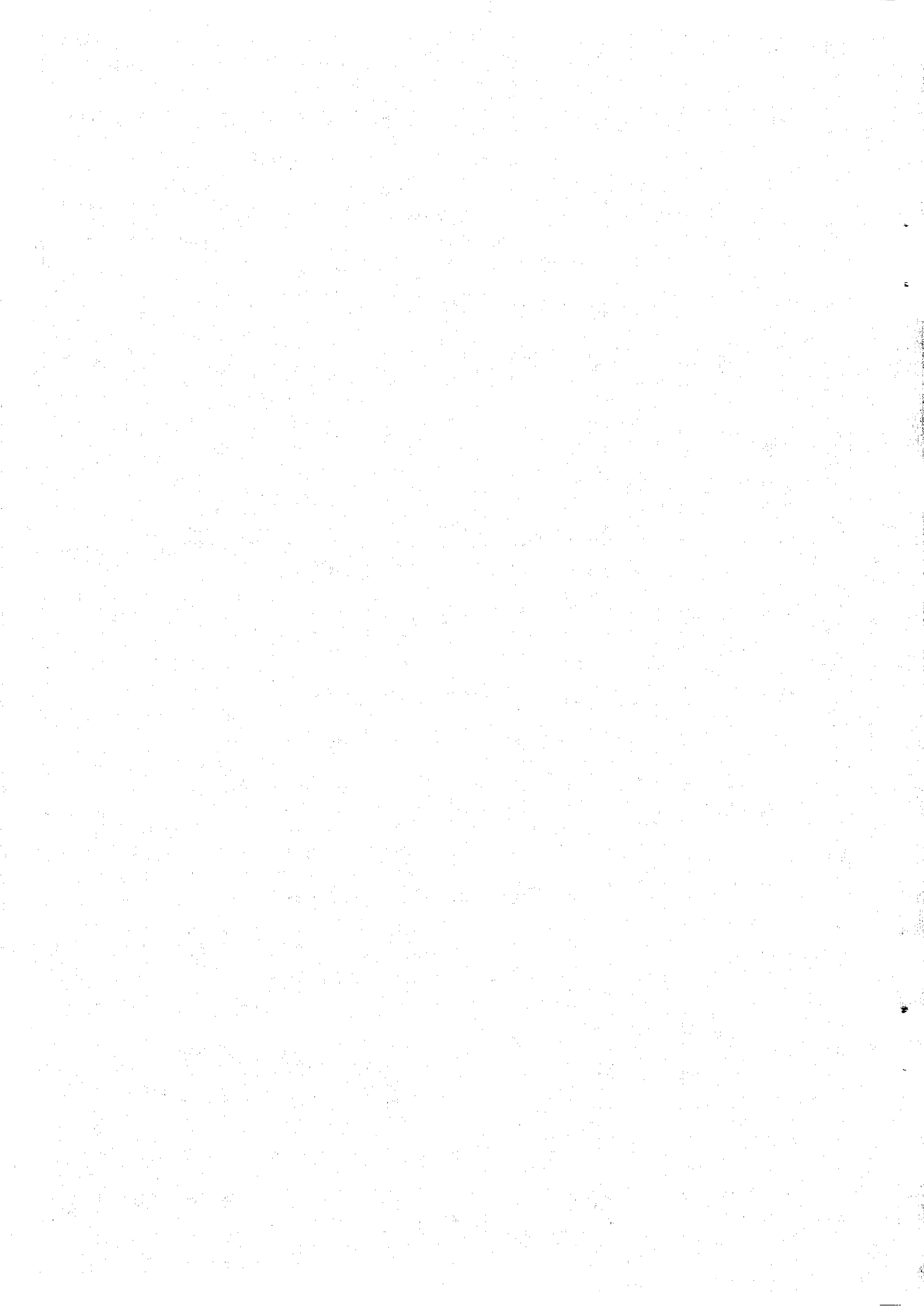


COMMISSION OF THE EUROPEAN COMMUNITIES
PROGRAMME OF ASSISTANCE FOR ECONOMIC RESTRUCTURING
IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

PHARE
&
Energy Sector Reform

May 1993

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**COMMISSION
DES COMMUNAUTÉS
EUROPÉENNES**

Bruxelles, le 18 mai 1993

ph/sy18v

Direction Générale
Relations Extérieures
Service Opérationnel PHARE

**Note de présentation
du programme PHARE énergie**

1. Dans le domaine de l'énergie, le programme PHARE s'appuie sur les principes généraux qui guident son activité dans les autres secteurs. Il est un outil mis à disposition des gouvernements des pays bénéficiaires pour transformer leurs réglementations, leurs infrastructures et leurs systèmes de formation, pour les adapter aux conditions en vigueur dans les économies de marché. Pour les pays bénéficiaires ayant signé un Accord Européen, le programme PHARE énergie sert également à faciliter et à accélérer la mise en oeuvre des dispositions de l'accord, notamment dans le secteur énergétique.

2. La problématique énergétique illustre particulièrement bien les difficultés de la transformation des pays d'Europe centrale et orientale. En économie planifiée, l'énergie était considéré comme une ressource abondante, disponible à bon marché. La responsabilité de l'état consistait essentiellement à mettre en oeuvre des politiques de l'offre, permettant le développement de l'économie conformément aux prévisions du plan. L'avènement des principes de l'économie de marché et des politiques de stabilisation a pour effet immédiat une facturation des importations d'énergie au prix mondial, se traduisant par une explosion des prix en monnaie nationale. Les budgets nationaux en restriction ne peuvent continuer à subventionner le secteur énergétique. Les consommateurs finaux (entreprises et foyers domestiques) voient donc leurs factures énergétiques augmenter drastiquement. Ceci se traduit par une augmentation des coûts de production, donc par une pression inflationniste. De nombreux consommateurs n'étant plus en mesure de payer leur note énergétique, les entreprises de production, de transport et de distribution se trouvent dans des situations financières extrêmement délicates. De plus, le secteur énergétique était en général fortement étatisé. Les nouveaux gouvernements n'ont ni les moyens économiques, ni les moyens humains, ni la vocation à gérer les compagnies du secteur énergétique. Il faut donc réformer profondément les règles qui présidaient aux rapports entre l'Etat et des entreprises du secteur.

3. La quantité d'énergie consommée par unité de produit national brut est un bon indicateur de performance d'une économie. Cette quantité est deux à trois fois supérieure en Europe centrale et orientale par rapport à ce qu'elle est dans la Communauté Européenne. Des politiques spécifiques de maîtrise des consommations énergétiques sont donc nécessaires pour améliorer la situation en Europe centrale à cet égard. Le programme PHARE considère l'efficacité énergétique comme une des priorités de son action.

4. PHARE énergie propose deux types de programmes aux pays bénéficiaires : les programmes nationaux, dont le contenu est négocié chaque année avec chaque pays

bénéficiaire, et les programmes régionaux qui permettent d'aborder des questions d'intérêt commun à plusieurs pays de la région.

5. Les programmes nationaux d'un montant de 1 à 10 millions d'écus par an et par pays apportent une assistance technique aux gouvernements dans la conception et la mise en oeuvre de politiques énergétiques basées sur une analyse réaliste de l'évolution de la demande, et appuyées sur des politiques de prix permettant de répercuter progressivement l'ensemble des coûts dans la facture finale, sans subvention d'état. Les projets financés par PHARE vont de la formation des spécialistes et managers du secteur de l'énergie, aux projets pilotes (modernisation d'installation de chauffage urbain, construction de chaudière à bois, etc.) en passant par la réalisation d'études technico économiques, permettant aux compagnies énergétiques et aux gouvernements de prendre des décisions relatives aux investissements en matière de production d'électricité par exemple. Il peut s'agir également d'expertises pour la rédaction et la mise en oeuvre de réglementations modernes et compatibles avec l'acquis communautaire en la matière ou d'élaboration de stratégie pour la reconversion de certains secteurs particulièrement menacés par le changement des règles du jeu économique (secteur charbonnier notamment).

6. Les programmes nationaux sont coordonnés directement sur le terrain par des équipes de spécialistes (PIU). Ces équipes ont un triple rôle de mise en oeuvre des projets, de conseil auprès du gouvernement, et de coordination des opérations d'assistance technique financés par les différents organismes bilatéraux et multilatéraux. Du personnel local, en général fourni par le ministère en charge de la politique énergétique et des experts étrangers financés par PHARE sont membres de ces équipes. Des PIU sont actuellement en activité dans les pays suivants : Pologne, République Tchèque, Slovaquie, Hongrie, Roumanie, Bulgarie, Albanie, Estonie, Lettonie et Lituanie. La Slovénie devrait prochainement bénéficier du même dispositif.

7. Pour la Bulgarie confrontée à une situation d'urgence en matière d'approvisionnement électrique en hiver, PHARE a financé à titre exceptionnel des livraisons d'électricité pendant l'hiver 1991-1992 pour un montant de 10 millions d'écus. Au cours de l'hiver 1992-1993, PHARE a financé un nouveau programme d'urgence permettant l'amélioration de la disponibilité des centrales thermiques classiques, au moyen de fournitures de pièces détachées, pour un montant de 8,75 millions d'écus.

8. Les programmes régionaux financés pour un total de 7 millions d'écus sur le budget 1992 se consacrent aux questions suivantes :

- Interconnexion des réseaux électriques de l'Europe centrale avec le réseau occidental. PHARE finance des études de faisabilité, des opérations de formation et des expertises techniques qui viennent compléter les travaux engagés par la profession.

- Interconnexion des réseaux de transport de gaz naturel. PHARE finance la conception d'un plan d'ensemble permettant d'optimiser les schémas d'approvisionnement gazier pour l'Europe centrale et orientale. Ce projet est réalisé par un consortium de sociétés gazières de pays de la Communauté Européenne, en liaison avec les compagnies homologues des pays bénéficiaires.

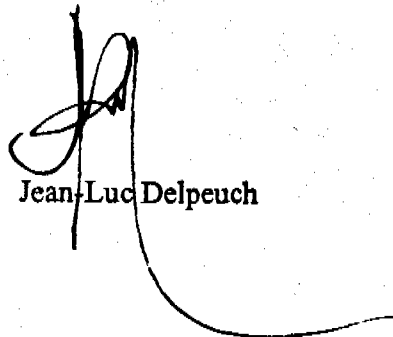
- Secteur du transport et du raffinage du pétrole. PHARE financera la deuxième phase d'un projet dont USAID et la Banque Mondiale coordonnent la première phase. Il s'agit d'une optimisation technico-économique des infrastructures de transport et de raffinage en Europe centrale et orientale.

- Formation et jumelage de spécialistes dans le domaine de la production et du transport d'électricité. Il est nécessaire que des relations personnelles s'établissent entre responsables des compagnies partenaires d'Europe centrale et de la Communauté Européenne, de façon à faciliter le transfert d'expérience et à développer l'avènement d'une culture managériale partagée à l'échelle du continent européen. Le programme de jumelage finance des échanges de personnes entre compagnies d'électricité, dans les deux sens (Est-Ouest et Ouest-Est).

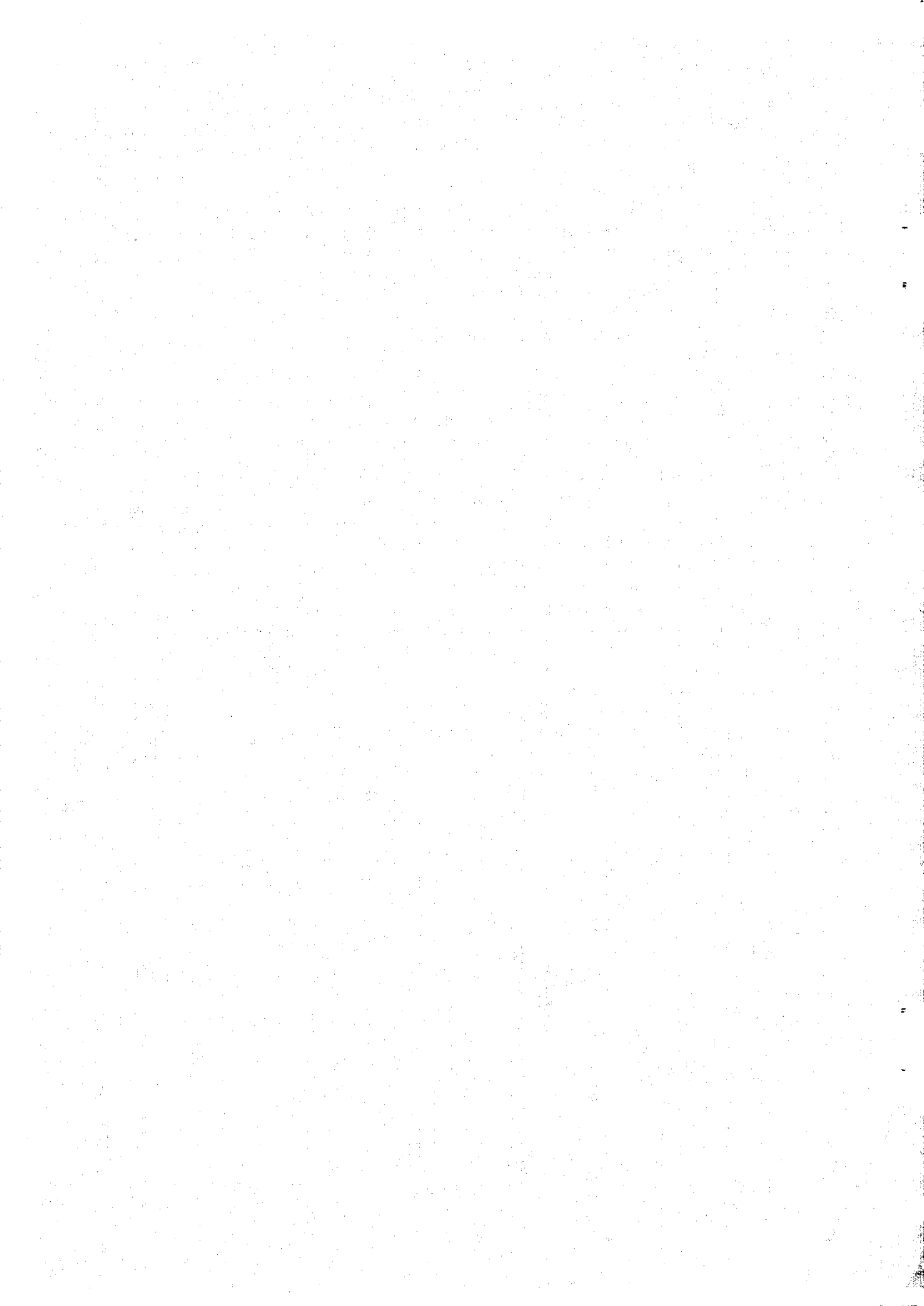
- Stratégies énergétiques. Ce programme permet d'apporter une assistance à la mise oeuvre de réglementations dans le domaine de l'énergie qui soient compatibles avec les principes de la Charte Européenne de l'Energie.

9. Après deux ans d'expérience, il apparaît que l'efficacité du programme PHARE énergie peut être encore améliorée, notamment en mettant en place des dispositifs plus souples et mieux adaptés à l'évolution rapide des besoins des pays bénéficiaires, en accordant une plus grande attention au domaine de la formation des personnes, en associant plus étroitement les compagnies des pays bénéficiaires à la réalisation des projets, en s'attachant à entretenir une bonne visibilité des résultats et en se concentrant sur des opérations qui débouchent sur des investissements permettant une utilisation plus rationnelle de l'énergie. C'est ainsi que le principe de conseiller étrangers résidents pourrait être relayé par celui d'experts de court terme tenus à la disposition des pays bénéficiaires, et mobilisable rapidement pour répondre aux besoins difficilement prévisibles de situation de transition.

10. Du côté de la Commission, le programme PHARE énergie est géré par la DG I (relations internationales), en étroite liaison avec la DG XVII (énergie). Des contacts privilégiés sont maintenus avec la Banque Européenne d'Investissement. La Banque Mondiale et la BERD sont des partenaires importants, avec lesquels des échanges d'information réguliers ont lieu.



Jean-Luc Delpeuch



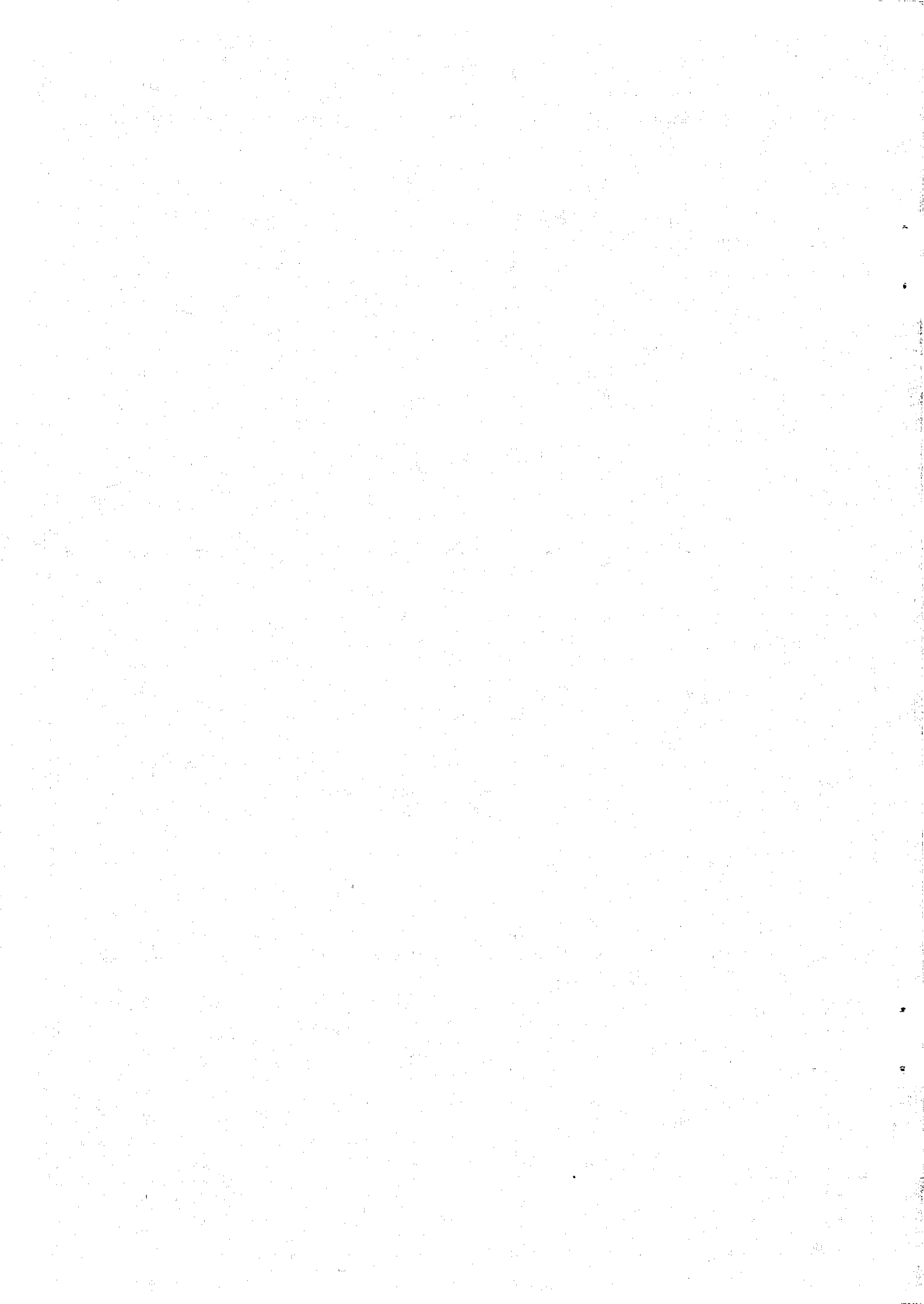


COMMISSION OF THE EUROPEAN COMMUNITIES
PROGRAMME OF ASSISTANCE FOR ECONOMIC RESTRUCTURING
IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

PHARE
&
**Enterprise Restructuring and
Privatisation**

May 1993

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WHAT IS PRIVATE SECTOR DEVELOPMENT?

Since the beginning of the economic reform process, most Central and Eastern European countries (CECs), have undertaken some form of macro-economic stabilisation. Development of the private sector is crucial to ensure that these measures are sustainable in the long-term. Broadly speaking, private sector development includes the following areas:

- | | |
|---|---|
| <ul style="list-style-type: none"> • enterprise support: • small business support: • regulatory framework/incentives: | <ul style="list-style-type: none"> privatisation and restructuring of State-owned companies establishment and promotion of SMEs sectoral and large enterprise de monopolisation investment promotion establishment of a liberalised financial sector |
|---|---|

Because of the economic, social and political importance of the state-owned enterprise sector in most CECs countries, privatisation and restructuring of SOEs has been one of the authorities' top priorities for ensuring a durable transformation from a planned to a market economy.

However, the pace at which privatisations have been completed has been slower than initially expected by most CEC governments. Privatisation and restructuring are increasingly regarded as two stages in a process leading to the sustainable development of the private sector.

Privatisations have been delayed mainly for social and political reasons. Indeed, it has proved very difficult for CEC governments to strike a politically acceptable balance between economic efficiency and the social costs associated with it. Privatisations have also been delayed for technical and structural reasons, mainly due to the lack of a functioning financial sector as well as to the absence of alternative employment opportunities.

While privatisation remains the overall objective of enterprise reform, restructuring could be a necessary step for some specific SOEs/sectors. Indeed, in some cases an enterprise will need to be restructured prior to privatisation and will need stabilisation finance and turnaround management to supervise its transfer into private ownership.

The extent to which this is true will vary from country to country depending on their current stage of economic reform as well as on other, country specific, socio-economic factors. However, experience throughout the region shows that attitudes are changing and that privatisation is understood to be one component of a broader process which includes - enterprise restructuring, SME development, investment promotion and financial sector reform - and whose final objective is contributing to private sector development. Experience also shows that the timing for completion of the transformation may be longer than initially expected.

PHARE SUPPORT FOR ENTERPRISE PRIVATISATION AND RESTRUCTURING

PHARE Commitments

The E.C PHARE programme has considered private sector development as a priority from the beginning of the reform process and has committed the following amounts to a number of country-programmes in support of privatisation, restructuring, demonopolisation and foreign investment ^(*) _(**):

Poland	=	63	MECU
Hungary	=	45	MECU
Romania	=	35	MECU
Czech Republic	=	20	MECU
Bulgaria	=	20	MECU
Slovakia	=	11	MECU
Lithuania	=	3	MECU
Latvia	=	2	MECU
Slovenia	=	2	MECU
Estonia	=	1	MECU
Albania	=	1	MECU

(*) Total amounts committed per country 1990, 1991 and 1992

(**) Detailed information is provided on a country basis in annex 1

WHAT TYPE OF SUPPORT DOES PHARE PROVIDE?

Privatisation not only provides a way to transfer ownership from the State but it is also a way of injecting capital into the economy by attracting investors, both domestic and foreign, to take a stake in the enterprise as well as transferring skills and know-how.

However, to carry out this process a series of far reaching reforms are needed including : establishing a regulatory and institutional framework; introducing management skills and a business "culture" in enterprises; modernising factories and introducing appropriate technologies; as well as 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.

To carry out reforms institutions must also play a key role in areas such as : regulating and monitoring of the process in order to ensure there are no commercial distortions; processing privatisation transactions; educating the public about the market economy; as well as providing advice and finance to companies undergoing restructuring.

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) **Development of Regulatory Framework :**
 - * legal and financial advisory services for privatisation laws and enterprise restructuring.
- 2) **Support to key institutions :**
 - * Provision of advisory services (long- and short-term) for strategy and policy formulation;
 - * Supply of equipment and material e.g. information systems.
- 3) **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.
- 4) **Technical Assistance to carry out :**
 - * Diagnostic studies and evaluations of State Enterprises;
 - * Sector and sub-sector studies;
 - * Privatisation transactions.
- 5) **Financial Support :**
 - * Quasi equity funds for State holding structures to inject capital into ailing enterprises;
- 6) **Management of Programme.**
 - * Establishment of decentralised Programme management Units (PMUs), composed of government counterparts and foreign experts and located in the relevant institutions; PMU report to the Ministries in which they are established.

PHARE ASSISTANCE FOR PRIVATE SECTOR DEVELOPMENT

A detailed breakdown of PHARE support for each CEC recipient country is provided as annex 1. A complete list of contact names in CEC recipient countries is provided as annex 2.

Separate documents are available for SME development, financial sector reform as well as investment and tourism promotion.

**ANNEX 1 : PHARE PROGRAMME
PRIVATISATION SUCCESS STORIES IN CEC RECIPIENT COUNTRIES**

One of the fundamental objectives of the Community's assistance programme to promote economic reform in Central and Eastern Europe is to assist in the privatisation of state-owned companies. The Community's long-term aim has been to fund the legal, financial and regulatory expertise required for the privatisation process to be successful, as well as to ensure that sound banking and stock-trading systems are established in order to enable newly privatised companies to function smoothly. The PHARE programme has channelled 437 MECU into private sector development in Central and Eastern Europe since 1990, of which over 200 MECU has been allocated specifically for privatisation. The following country specific results have been achieved:

POLAND

In 1990-1991, PHARE supported both the setting of the Ministry of Privatisation and the development of the legal framework behind it. Over the past year, PHARE has helped the Polish Government negotiate the financial and legal aspects of three major successful privatisations during the second half of 1992 in the following sectors:

Automobiles

In late 1992, FIAT of Italy has signed an agreement to take a 90 percent majority stake in Poland's largest producer of small cars FSM and to invest \$ 2 billion in plant rehabilitation. Under the terms of the deal, FIAT has agreed to assume FSM's debts and liabilities, worth approximately \$ 1 billion, and to contribute the remaining \$ 1 billion in capital and investment for plant modernisation. The FSM factory, which currently builds FIAT's Cinquecento model is planning to reach an output of about 250,000 units a year in three years time.

The \$ 2 billion deal is the largest ever foreign investment in Poland, and apart from the sale of the Skoda car maker in Czechoslovakia over a year ago, this is the largest privatisation in the whole Eastern European region. Its impact on Poland's credibility in the field of privatisation and foreign investment will expand the economic benefits of the deal well beyond the Polish auto industry.

Another significant joint venture agreement was concluded in May 1992 between Volkswagen of Germany and the Polish Carmaker FSR Tarpan. Volkswagen is taking a 26 percent equity stake in the privatised company for contribution of machinery, equipment, know-how and training. Their total investment in the company is in excess of DM 10 million.

Funding for the advisory work on the two major privatisation agreements above was entirely provided by the European Community through the PHARE programme. The advisory work, which started in the summer of 1991, included legal and financial advise during negotiations as well as strategic partner search for the Ministries of Privatisation and Industry.

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Steel

Following two years of intensive negotiations, the joint venture between Lucchini, the Italian steel maker, and the Huta Waszawa steel mill was officially signed in December 1992. The privatisation of Huta Warszawa gives Lucchini a 51 percent majority stake in the company. The deal with Poland's most important quality steel producer foresees a \$ 200 million modernisation plan for the mill, to be followed by a further \$ 100 million investments in its rolling mill. It is the first significant privatisation involving foreign investment in Eastern Europe's steel industry. Lucchini's modernisation plan aims to produce 600,000 tonnes of quality steel per year.

As part of its overall assistance for enterprise development in Eastern Europe, the PHARE programme has contributed in financial and legal assistance to the Polish authorities during the joint venture negotiations. The PHARE programme was also instrumental in mobilising other international donors to provide a further \$ 159 million in investment capital for the newly privatised company. Indeed, the IFC will provide \$ 37.2 million in loans and \$ 5 million in equity while the EBRD is also providing \$ 37.2 million in loan finance. Another \$ 79.2 million is to be provided by SACE, the Italian international trade insurance corporation.

Glass

Following lengthy negotiations, a major joint venture agreement to privatise Poland's largest sheet glass manufacturer Huta Sandomierz was concluded with Pilkington of the UK in late December 1992. Pilkington will have a 40 percent equity stake and subscribe \$ 64.2 million in equity to the overall financing of the deal. The restructuring plan includes replacing old technology with modern flat glass production systems, privatise Poland largest glass manufacturer, developing local management and improve environmental compliance.

The project will be one of Poland's largest privatisations, achieved with close support of international institutions. The PHARE programme has provided legal and financial advisory services to the Polish authorities during negotiations. The IFC and the EBRD are also providing \$58 million and \$ 34 million each respectively in debt finance.

Mass Privatisation

PHARE is supporting the overall design of the Mass Privatisation Programme through policy formulation, setting up and organisation of the Investment Funds as well as legal and financial aspects. PHARE is also fully supporting the marketing and public awareness campaign currently underway which will educate the general public and the enterprises about the benefits of the scheme.

HUNGARY

In addition to direct assistance to the State Privatisation Agency, PHARE is supporting the setting up of a pilot turn-around Restructuring and Privatisation Investment Company (RPIC) in close collaboration with the EBRD. The RPIC will be starting operations shortly.

The most striking example of Community aid for the privatisation process in Hungary concerns its assistance to the Budapest Stock Exchange. This was the first stock exchange to begin trading after the collapse of communism in Eastern Europe. The BSE reopened in June 1991 after a closure of 43 years, and saw the successful installation of its new trading system on March 11, 1993. The new trading system, funded by PHARE, Britain's Know-How Fund and the BSE members themselves, aims to provide market capacity to handle the planned privatisation of more Hungarian companies, as well as attracting a higher volume of market turnover by holding trading costs down to competitive levels.

CZECH AND SLOVAK REPUBLICS

PHARE support to both Republics for private sector development has been targeted at the enterprise level rather than towards building the institutional set-up for privatisation. Initially, sector studies for emergency areas were delivered in the key sectors of each Republic (steel in the Czech Republic and armaments in Slovakia).

Key industrial sectors in both Republics have enjoyed some form of support from the PHARE programme. The main areas for which company restructuring advice was provided in the Czech Republic include steel, pharmaceutical, textile, chemicals, metallurgy and mechanical. Environmental issues were specifically emphasised in the pharmaceutical and chemical sectors. In the Slovak Republic restructuring advice was provided for companies in the steel, armament, textile, chemicals, metallurgy and mechanical sectors. Altogether 30 sectoral and company restructuring projects have been finalised or are underway.

ROMANIA

Romania's privatisation efforts are supported mainly by two multilateral donors, the EC PHARE Programme and the World Bank. Assistance from PHARE has been by far the most dominant support received specifically for privatisation. The most notable examples of such support include:

Voucher Privatisation Scheme

PHARE assistance was instrumental in preparing and implementing the overall voucher privatisation scheme in Romania. It financed legal advice for setting up the status of the Private and State Ownership Funds through which the vouchers for mass privatisation have been distributed. PHARE also financed the preparation of the guidelines for the sale of shares and assets and seminars for enterprises on asset valuations. PHARE also contributed to the establishment, organisation and setting up of Ownership Funds themselves. In addition, it financed the printing and distribution of 17.5 million voucher certificates. The voucher scheme has been successfully implemented so far, and all voucher certificates have been distributed to the public.

Pilot Privatisation Transactions

PHARE also financed the preparation for sale of ten pilot state-owned companies. Asset valuations, information memorandums and prospectus have been completed for all ten companies, two of which were successfully privatised over the last year :-

First, the privatisation of the clothing company Vranco, which was acquired by the Industria Confezioni Montecatini (INCOM). The Italian company INCOM is taking 71 percent equity stake and has agreed to invest \$ 5 million over five years to maintain Vranco's employment at its current levels and to establish measures to protect the environment.

Secondly, the privatisation of Romania's largest brewery, URSUS, acquired by Brau & Brunnen of Germany in late December with a 49 percent equity stake. Ownership of the remaining 51 percent shares were transferred by public offer to Romanian citizens.

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BULGARIA

PHARE has had a major impact on privatisation in Bulgaria by helping establish the regulatory framework for the privatisation process itself.

PHARE financed the first Privatisation Roundtable in Sofia, which helped break the political deadlock over privatisation policy and to establish a consensus around the draft Privatisation Law. An all-party working group was then able to agree the text of the Law which was eventually presented to Parliament. Parliament has since then adopted and enacted the Law. PHARE is also assisting the establishment of the Privatisation Agency as well as in the preparatory work for privatisation in certain key sectors which are expected to lead to transactions in the near future.

BALTICS

Although the reform process in Latvia, Estonia and Lithuania is still at a relatively early stage, PHARE has supported the Governments of these countries from the very beginning of their efforts at economic reform. For each of the three Republics, PHARE provided teams of lawyers and accountants who gave advice on the creation of the legal framework for privatisation, the setting up of an accounting system and the screening of companies for privatisation.

In addition, PHARE is helping to provide each Republics with a resident privatisation adviser. This will give them ready access to a large pool of expertise in the areas of policy formulation, implementation as well as strengthening of the institutions.

In Lithuania, a major privatisation transaction was completed with the sale in April 1993 of 65 percent of shares of Klaipeda Tobacco Company to Philip Morris. Cofinancing was provided by USAID. Altogether, some 15 large companies in textiles, electronics, agro-processing, construction and leisure, are currently offered for sale to foreign investors with the support of PHARE.

ALBANIA

PHARE has been involved right from the beginning of the reform process in Albania, in particular for privatisation and restructuring strategy formulation, helping establish the legal framework, accounting system and company-screening required by the privatisation process.

ANNEX 2

ADDRESSES FOR FURTHER INFORMATION AND EXPRESSION OF INTEREST

For general information about PHARE :

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Mr. Yves van Frausum

President
Mr. Ijdelea
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Head of PMU
Mr. Bonciu



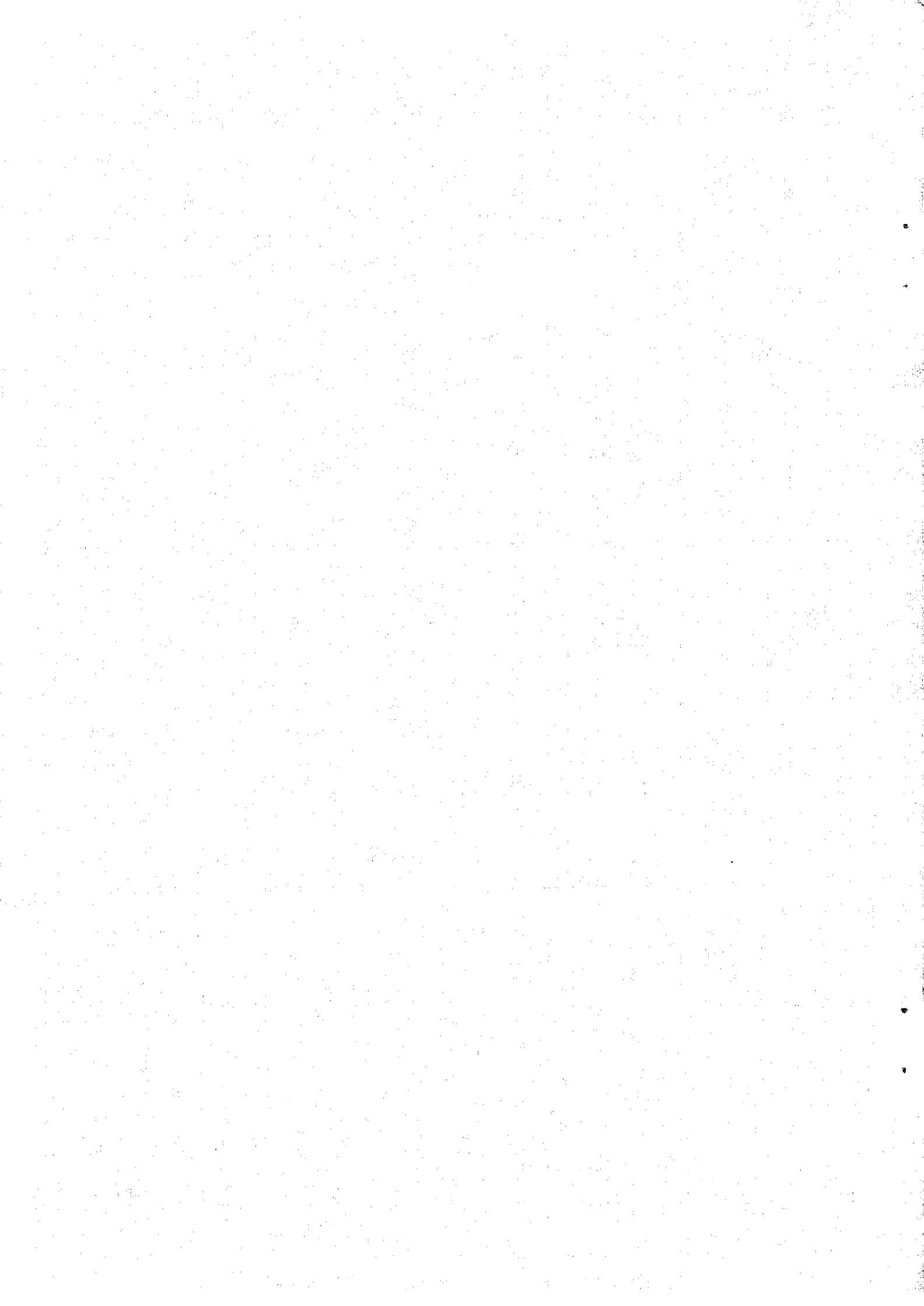
COMMISSION OF THE EUROPEAN COMMUNITIES
PROGRAMME OF ASSISTANCE FOR ECONOMIC RESTRUCTURING
IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

PHARE & TACIS

Environmental activities

January 1993

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COMMISSION
OF THE EUROPEAN
COMMUNITIES

Directorate General
External Relations
E1 and L3
LvdL/HCS

Briefing note

1. PHARE

The PHARE Programme has in the years 1990, 1991 and 1992 made 254 MECU available for support of environmental improvements in Bulgaria, the Czech and Slovak Republics, Hungary, Poland, Rumania, and the Baltic States. This is approximately 11 % of the total PHARE budget for 1990 - 1992. A detailed budget breakdown is found enclosed.

The support is being provided either in the form of yearly National or Regional Environmental Sector Programmes or through environmental components in the General Technical Assistance Facilities. Today more than 300 individual projects are under implementation. In the case of Poland; Hungary, the Czech Republic, the Slovak Republic and Bulgaria, these projects are excellently managed by PHARE Project Implementation Units located in the Ministries of Environment. The rest are managed directly by PHOS.

The focus, content and approach of the environmental programmes has developed from year to year as described below:

National Programmes

In 1990 when the first environmental programmes were planned in the Winter of 1989/90 the magnitude and exact nature of the environmental crises confronting the CCEE were not known. The economic transition, and especially the transition of environmental management including stipulation of national environmental policies and strategies had not started. The planning of the programmes were suffering from the lack of clear environmental policies and priorities of the recipient governments. The outcome was a great number of individual projects, all of high quality, identified by international experts (G-24 Fact Finding Missions) in collaboration with the recipient governments. However, many of these were not directly linked to the transition process and modernisation of the environmental management.

In 1991 the "shopping list approach" was replaced with a coherent and integrated programme approach, where the PHARE supported activities were directly linked to the implementation of the respective government's environmental policy with a clear focus on support for development of the environmental management capabilities, including institutional strengthening, training and policy formulation. This approach was and will be continued in the Baltic States, Rumania and Bulgaria in 1992 and 1993.

For Poland and Hungary the programmes were in 1992 developed into Fund Programmes, where the approach is to channel the PHARE support through existing domestic instruments for environmental investments, in order to first of all to support the mobilisation of domestic resources for environmental investments. The details for these programmes, which have been seen as "forerunners" for the 1993 - 1997 PHARE Orientation, and which will imply a clear decentralisation of the implementation, are currently being prepared.

Regional

Recognising the political and transboundary nature of environmental degradation, a Regional Environmental Programme with the focus on some of the major pan-european problems (i.e. the Danube River Basin, the "Black Triangle", the Baltic Sea and Black Sea) was launched in 1991 and followed up with a new programme in 1992. Due to the political implications of, and a need for, a closer environmental integration at a Pan-European level a 10 MECU Programme for the support for the follow up of the Conference of European Environmental Ministers at Dobris Castle in June 1991, through the preparation of an Environmental Action Plan for Europe, was approved by the Commission late 1992.

Major constraints

The lack of environmental strategies and policies in 1990, and the significant time pressure in the early days and the need for adjusting projects subsequently, combined with the problems of getting the PHARE implementation procedures and structures in place and accepted by the recipient governments have resulted in substantial delay in the disbursement of the 1990 Programmes. These initial problems are now solved and disbursement is progressing rapidly.

Unwillingness of bilateral and other multilateral donors to provide timely information on planned and ongoing activities has seriously effected the possibilities of real G-24 coordination and cofinancing projects in the environmental sector. PHARE has nevertheless ensured a close coordination with especially EBRD and IBRD regarding the implementation of the regional programmes.

General

PHARE is currently working with the development of procedures for the integration of environmental concerns in all activities supported through the PHARE Programme, through the undertaking of environmental impact assessments where appropriate and promotion of sustainable development principles as outlined in the Commissions Fifth Action - Plan Towards Sustainable Development.

2. TACIS

Even though the TACIS Regulation does not mention the environment as a sectorial priority, environmental concerns have from the programme's inception in 1991 played a major role in all TACIS activities.

The Nuclear Safety sector which accounts for 53 MECU in 1991 and 100 MECU in 1992 aims at making the existing reactors safer, in order to prevent another Chernobyl-type catastrophe.

In the Energy Sector every project has an Energy Saving component. Furthermore, the largest projects will all have environmental impact assessment and auditing undertaken as an integral part or as part of the feasibility study of the project.

In the Food Distribution sector environmental concerns have been considered during project design. When setting up food distribution chains, for example, special attention is paid to improving the management of by-products and waste in the food processing operations.

Under the 1992 TACIS Programme, two environmental projects were considered of particular importance to the regions, related to the reform process, and had strong political support from the beneficiary countries.

Black Sea Environmental Programme

At the request of the Georgian, Ukrainian and Russian Government, 1 MECU was allocated for a project which will complement the Global Environmental Facility Black Sea International Management Programme, aimed at providing the riparian states with policy, legal, institutional, technical and financial support for the establishment of an operational framework to reverse the process of environmental degradation, to protect the environment and to contribute to the sustainable use of natural resources. This will, in the long run, stimulate growth and investment by reviving tourism and the fishing industry.

Central Asian Water Resources Management Programme

The agricultural transformation of the Central Asian Republics depends largely on the successful restructuring of the cotton industry, which in turn requires the sustainable use of water. This, in turn, has an important impact on water levels of the Aral Sea. At the same time food production must be diversified and increased in order to feed a rapidly growing population, while maintaining cotton production, which is the main currency earner for at least three of the countries (Uzbekistan, Tajikistan and Turkmenistan). The programme will provide assistance at institutional level to provide a framework for effective water management and use and the definition of agricultural and industrial strategies that would ensure the sustainable availability of water resources.

Furthermore the environmental dimension in sectors such as energy, agriculture and transport is being strengthened, for example by including environmental impact assessment requirements in the terms of reference of the projects. The Commission is also discussing the possibility of financing environmental projects which have a follow-up investment potential together with the EBRD under the Bangkok Facility.

The International Science and Technology Centre set up in Moscow by the Commission together with the US and Japan, and which aims at giving weapons scientists the opportunity to redirect their talents to peaceful ends, will be considering funding environmental projects when these fulfil the ISTC requirements.

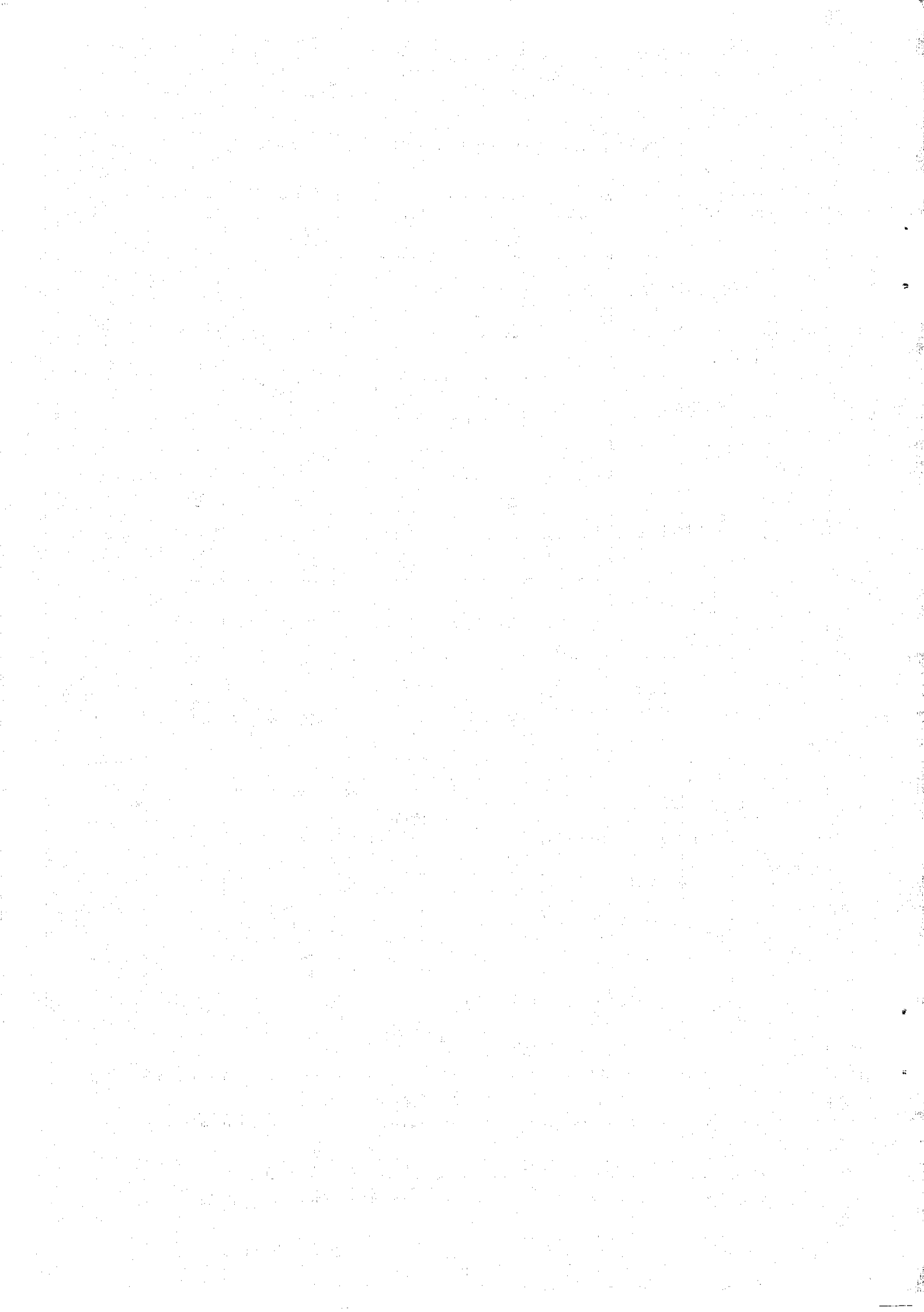
Future Orientation

The Commission has decided to continue the TACIS Programme for 1993 with the same sectorial priorities in order to ensure continuity as well as optimal effectiveness through high sectoral concentration. The new draft Regulation for 1993 and beyond is currently under discussion. Voices have been raised both in the Council and in the European Parliament to include the environment as a priority sector. This discussion should be concluded in March.

PHARE ENVIRONMENTAL PROGRAMMES 1990 - 1992
in MECU

Country	1990	1991	1992	1990 - 1992
Bulgaria	3,5	7,5	7,5	18,5
Czechoslovakia	30,0	5,0	-	35,0
Hungary	25,0	10,0	10,0	45,0
Poland	22,0	35,0 + 5,0	18,0	80,0
EX-DDR	20,0	-	-	20,0
Romannia	-	2,0	5,0	7,0
Estonia	-	-	0,3	0,3
Lithuania	-	-	0,2	0,2
Latvia	-	-	0,2	0,2
Regional ¹	2,0 ²	20,0	16,0 + 10,0 ³	48,0
Total	102,5	84,5	67,2	252,2
Percentage of total PHARE Budget	20,5 %	10,7 %	6,3 %	11 %

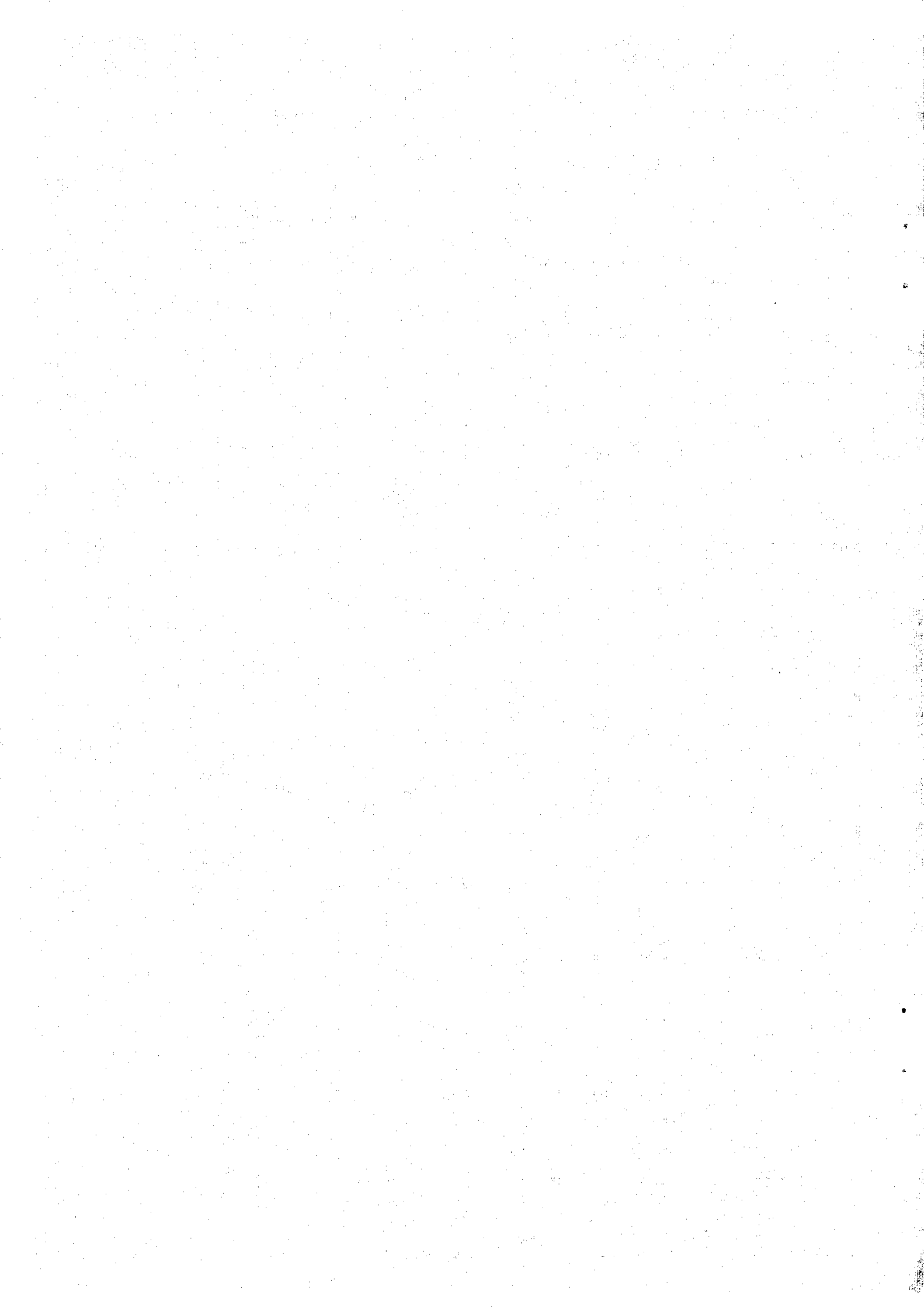
- ¹ The Regional Environmental Programmes for 1991 and 1992 include:
- * Integrated Environmental Programme for the Danube River
 - * Integrated Environmental Programmes for the Black Sea and the Baltic Sea
 - * Programme for the rehabilitation of the Black Triangle
 - * Extension of the CORINE Methodologies
 - * Remote Sensing (Basically the extension of the MARS Programme)
 - * Research Programme for Air and Health (Partly managed by DG XII)
 - * Support for the elaboration of the State of the Environment Report for Europe
 - * Support for the Regional Environmental Centre in Budapest
- ² Support for the Regional Environmental Centre for Central and Eastern Europe in 1990 and 1991.
- ³ Support for the implementation of an Environmental Action Programme for Europe (Dobris follow up)





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

PHARE
&
the Health sector



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Note sur l'action PHARE
dans le secteur Santé

Le programme PHARE (Pologne, Hongrie Aide à la Restructuration Economique) créé en décembre 1989, s'est progressivement étendu aux autres pays d'Europe Centrale et orientale et inclut aujourd'hui Hongrie, Pologne, Tchécoslovaquie, Bulgarie, Roumanie, Yougoslavie, Albanie et Etats Baltes. Sa finalité est d'appuyer la restructuration économique et les réformes de politiques sectorielles.

Il est intéressant de noter la place de plus en plus importante qu'occupe la restructuration des systèmes de Santé dans les priorités définies par les gouvernements. En effet, pour ces pays, la restructuration économique passe également par la transformation et l'amélioration des conditions de vie grâce à une meilleure efficacité des services publics et non pas seulement par le développement d'un secteur privé.

Le programme PHARE appuie la restructuration des systèmes de santé notamment par un soutien à la mise en oeuvre de réformes institutionnelles.

L'objectif général jusqu'à présent est d'améliorer l'accessibilité, la qualité et l'efficacité des services de santé mis à la disposition de la population et d'obtenir une meilleure utilisation des ressources humaines et matérielles. L'accent est mis sur l'assistance à la mise en place du cadre législatif, financier, politique (politiques de formation, du médicament, etc...) dans lequel se réalise la restructuration des systèmes de santé.

Jusqu'ici l'appui consiste essentiellement en assistance technique, formation, et dotation en équipements dans le cadre de programmes sectoriels de restructuration. L'assistance technique fournie par PHARE doit contribuer à informer sur les alternatives existant dans les divers pays membres, sur les directives en vigueur au niveau communautaire et aider au développement de solutions adaptées aux spécificités nationales.

Etant donné l'ampleur de la tâche la coordination et la complémentarité des appuis des différents partenaires, organisations internationales et coopérations bilatérales, est nécessaire. PHARE s'attache à les développer toutes deux.

Conformément aux demandes des différents pays, la Commission a déjà identifié un certain nombre de programmes:

ROUMANIE: Programme de 25 MECU (budget 1991)

Ce programme actuellement en cours de réalisation, a pour objectifs spécifiques:

- l'amélioration des services de santé de première ligne .
- l'approvisionnement en médicaments essentiels, consommables médicaux et produits de laboratoires, la définition d'une politique de prix des médicaments ainsi que la réalisation d'études spécifiques.
- l'autosuffisance à terme en produits dérivés sanguins de qualité par un appui au programme national de transfusion sanguine .
- l'amélioration des compétences du personnel administratif et médical en poste ou en cours d'études par un appui à la définition d'une politique et de stratégies de formation pour le personnel médical et para-médical et la mise en oeuvre de programmes de formation adaptés.

POLOGNE:**1. Actions sur budget 1990:**

La Pologne bénéficie actuellement d'une assistance technique (450 000 ECU) pour le développement des capacités de gestion de la santé.

2. Programme de 20 MECU (budget 1991)

Ce programme a deux composantes:

- le développement des ressources humaines dans le secteur de la médecine générale. Ceci implique un appui aux universités et instituts pour la mise en place de programmes de formation pour les praticiens généralistes.
- le renforcement des compétences du personnel cadre du Ministère de la santé en matière de gestion des ressources dans le cadre du programme de développement des capacités en gestion du Ministère de la Santé qui a été élaboré en collaboration avec la Banque Mondiale.

BULGARIE: 15 MECU (budget 1992)

Le montant total prévu pour l'appui à ce secteur est de 25,5 MECU. La première phase correspond à 15 MECU et comporte 4 volets. Le premier volet correspond à un programme déjà élaboré répondant à une priorité en santé publique, les trois autres volets concernent la préparation en profondeur des réformes du système de santé. Les deux derniers volets conditionnement notamment le maintien d'une certaine équité dans l'accès aux soins, l'utilisation optimale des ressources mobilisables ainsi que le succès de la privatisation de la pratique médicale. Il s'agit de:

- l'appui au Programme national de restructuration des Urgences.
- l'amélioration des compétences du personnel médical et administratif des services de santé .
- la mise en oeuvre du nouveau système d'assurance maladie
- la définition d'une politique du médicament

La proposition financière concernant la 2ème phase (10,5 MECU) sera présentée au Comité de gestion PHARE d'ici fin 1992.

TCHECOSLOVAQUIE:

1. Programme Général d'Assistance Technique 1991 - Secteur Santé: 0,5 MECU

Cette assistance est centrée sur le développement des capacités de gestion de la santé ainsi que sur celui d'un système d'information sanitaire dans les services de santé.

2. Programme d'assistance technique générale (ATG) 1992 - secteur santé: 4 MECU

Le contenu du programme prévu initialement est actuellement révisé par les 2 ministères de la santé du fait de la scission entre les républiques Tchèque et Slovaque et de la définition de nouvelles orientations. La répartition budgétaire se fera à raison de 1,3 Mecu pour la république Slovaque et 2,7 Mecu pour la république Tchèque.

HONGRIE:

1. Actions sur budget 1990:

La Hongrie a bénéficié en 1990 et 1991 d'une assistance technique (375 000 ECU) pour le développement des capacités de gestion de la santé .

2. Programme sur budget 1992:

Un appui du programme PHARE pour la préparation du programme de réformes du secteur santé est prévu dans le programme indicatif PHARE 1992. Les secteurs à couvrir devraient être confirmés lors la mission prévue début décembre 1992.

LITHUANIE

Une assistance technique pour un montant de 300 000 ECU (budget 1991) auprès du Ministère de la santé est en cours. PHARE a fait appel à des experts de l'OMS ainsi qu'à des experts extérieurs pour sa réalisation. Elle porte sur la définition d'une politique de santé et ses aspects législatifs et financiers ainsi que sur la politique du médicament. Cette assistance constitue la phase préparatoire d'un programme de 1 MECU qui est prévu sur budget 1992.

ALBANIE:

Ce pays bénéficie actuellement d'un programme d'aide humanitaire substantiel sur fonds PHARE, dans le cadre duquel une assistance technique représentant un montant de 400 000 ECU est fournie au Ministère de la Santé pour le développement de réformes sectorielles et la coordination de l'aide. D'autre part, un budget de 700 000 ECU est prévu dans le programme indicatif 1992 au bénéfice du secteur santé. Une partie de ce budget est consacré au développement d'une stratégie de réforme hospitalière. L'utilisation du reliquat ainsi que l'identification de besoins complémentaires pouvant faire l'objet d'un financement PHARE en 1993 devraient être précisés lors de la mission programmée en décembre 1992.

LETONIE - ESTONIE:

Une intervention santé est prévue dans le cadre du GTAF "secteur social" de 1,3 Mecu pour Lettonie et 0,6 Mecu pour Estonie dont le montant, modeste, n'est pas encore décidé. Elle devrait concerner le financement de la santé, en particulier l'assurance maladie, et la politique du médicament. Elle est conçue comme une phase préparatoire à de futures actions de PHARE dans ce secteur.

Remarque:

Les appels d'offre sont ouverts à tous les pays de la Communauté ainsi qu'aux pays d'Europe Centrale et Orientale bénéficiaires PHARE. Les marchandises font l'objet d'appels d'offre internationaux paraissant au journal officiel de la CE, l'assistance technique fait l'objet d'appels d'offre sur liste restreinte. Les contrats de faible importance (moins de 50 000 ECUS) peuvent faire l'objet d'accord direct.

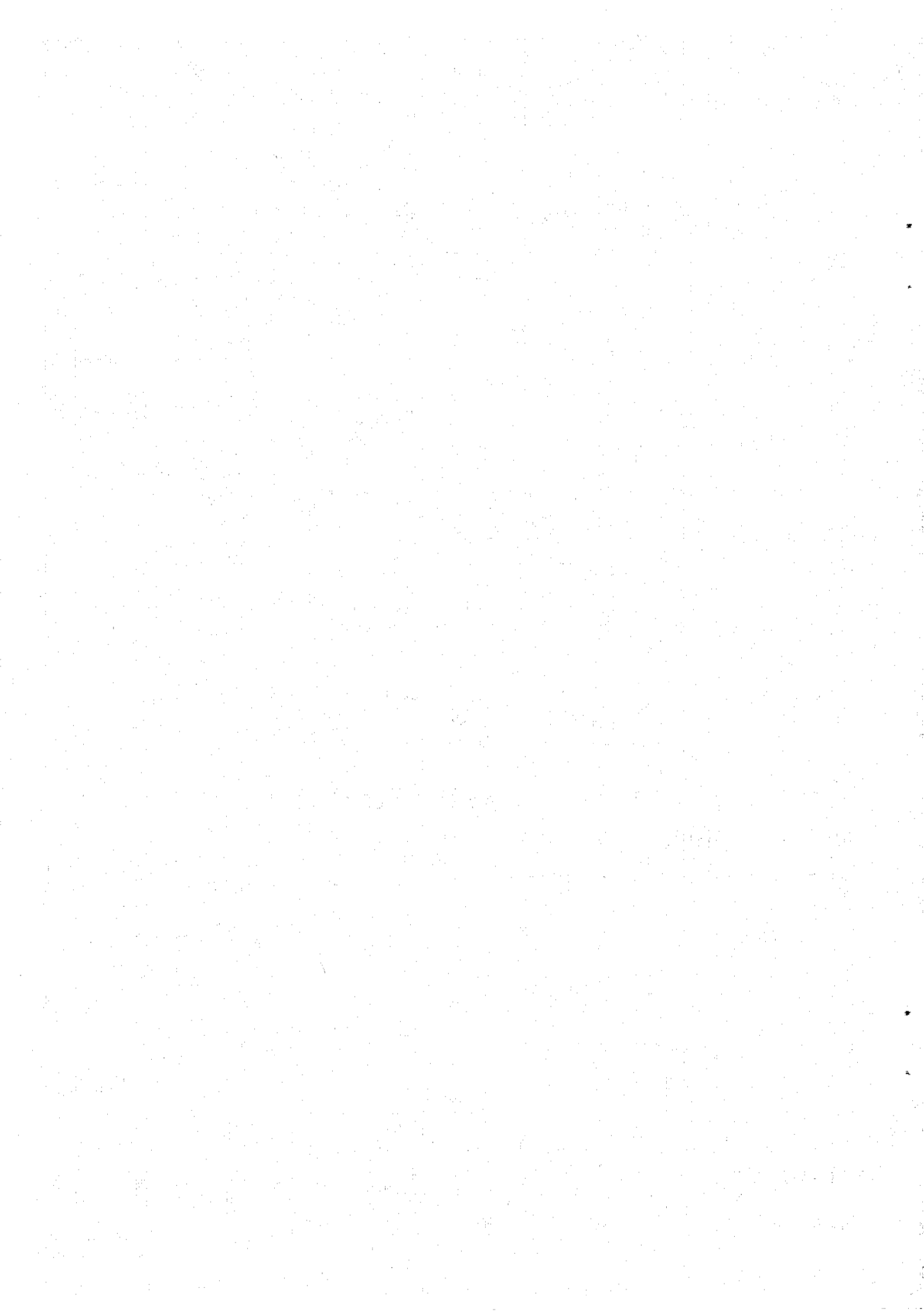

Sylvie BOURGADE



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

PHARE
&
Humanitarian aid

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LES INTERVENTIONS HUMANITAIRES DE PHARE

ROUMANIE

ENCADRÉ DE NOMBREUX DÉFIS À RELEVER.

De tous les pays européens qui se trouvaient sous domination soviétique, la Roumanie est sans doute le pays où le passage du communisme à l'après-communisme a été le plus violent. Malgré une situation politique instable, le gouvernement actuel tente de relever de nombreux défis.

La situation économique de la Roumanie continue à se détériorer. Le chômage augmente et l'inflation reste très élevée. Pourtant, la Roumanie possède plusieurs atouts: un endettement extérieur quasi inexistant ainsi qu'un énorme potentiel agricole et touristique. Autant de ressources à exploiter et à organiser en vue de relancer l'économie. Actuellement, les réformes sont difficiles à mettre en oeuvre. La production est à la baisse, et l'importation de denrées alimentaires se poursuit. Quant aux investissements occidentaux, ils démarrent timidement.

L'Aide humanitaire PHARE à la population roumaine s'élève pour les années 1990, 1991 et 1992 à 82 millions d'Ecu.

L'AIDE HUMANITAIRE A LA ROUMANIE

1. LA COMMISSION AU SECOURS DES ENFANTS ABANDONNÉS

LA DÉCOUVERTE D'UNE RÉALITÉ EFFRAYANTE

Fin 89, c'est la stupeur et la consternation: au fur et à mesure que les équipes médicales progressent dans le pays, le drame des enfants roumains abandonnés apparaît dans toute son horreur. D'abord, c'est la découverte, un peu par hasard, de centres pour enfants où les conditions de vie sont inacceptables. Ensuite, c'est la prise de conscience de la logique d'un système institutionnalisé et étendu à tout le territoire. Le monde entier découvre ainsi le résultat de la politique hypernataliste de Ceausescu: lorsque les parents ne peuvent élever leurs enfants, c'est l'Etat qui s'en charge. Il n'y a pas d'alternative: les enfants sont placés en institution. Et là, lentement, les enfants abandonnés suivent la filière de l'oubli.

Faute de personnel compétent et motivé, les enfants placés en institution sont souvent totalement livrés à eux-mêmes, ne reçoivent aucune stimulation et sont privés de l'hygiène la plus élémentaire. A 3 ans, ils passent devant une "commission spécialisée" chargée d'orienter vers l'école ceux qui ont su trouver l'énergie nécessaire pour dépasser le stade de la simple survie. Les autres, jugés irrécupérables, sont parqués dans les effrayants "camin spital". Là évoluent, côte-à-côte, des enfants normaux, simplement en retard de développement, et des débiles profonds.

Au moment où ces images de misère font le tour du monde des écrans de télévision, la Commission Européenne décide d'agir.

DE LA CHALEUR ET DE LA NOURRITURE, DE TOUTE URGENCE

Lorsqu'ils ont été découverts, ces enfants risquaient de mourir de faim et de froid. La situation économique de la Roumanie se détériorant sans cesse, leur simple survie ne pouvait même plus être assurée. L'aide humanitaire PHARE est donc intervenue en priorité pour fournir à ces enfants du chauffage et de la nourriture. Une action difficile à mener, car nulle part il n'existait de données sur le nombre d'institutions ou le nombre d'enfants concernés.

Mission accomplie: aucun enfant n'est mort de faim ou de froid pendant les deux hivers 90/91 et 91/92. Deux programmes médico-nutritionnels ont permis de fournir des aliments de base aux institutions les plus démunies. Le programme de chauffage a

permis d'acheminer le fuel nécessaire au fonctionnement des installations existantes, et de fournir du chauffage d'appoint à 420 centres.

A présent, c'est aux Roumains de prendre le relais de cette action; l'aide humanitaire PHARE fournit à cet effet une assistance technique d'une part pour mettre en place un système de gestion efficace des institutions, et d'autre part pour assurer le suivi des entreprises locales chargées de la maintenance et de la poursuite des opérations.

UN NOUVEL ENCADREMENT... ET DES CHANGEMENTS SPECTACULAIRES

Une fois les besoins essentiels assurés, il fallait s'attaquer au problème de base de ces orphelinats: l'encadrement des enfants. Jusqu'ici, le personnel surchargé, et généralement sous-qualifié, avait à peine le temps de les nourrir et de les habiller. On ne parlait pas aux enfants et on ne les prenait jamais dans les bras. Ne sortaient de leur lit que ceux qui pouvaient marcher. Mais comment apprendre à marcher si on n'a jamais eu l'expérience du sol?

Dans une première phase, éducateurs, infirmières, psychologues et psychomotriciens occidentaux sont arrivés sur place: ils ont immédiatement ouvert les barreaux des lits pour élargir l'espace quotidien des enfants. Ceux-ci ont été sortis, lavés, proprement habillés et divisés en petits groupes stables. On prend le temps de leur donner à manger, on leur laisse de l'autonomie, on leur apprend à jouer, on s'en occupe de façon individuelle. On leur donne un nom, un lit, une existence propre. Cette première étape donne des résultats spectaculaires et encourageants: au silence oppressant succèdent les jeux et les cris. Lentement mais sûrement, ils évoluent du statut de numéro à celui d'individu avec des potentialités qui lui sont propres et qui, malgré un énorme retard de développement, ne demandent qu'à s'épanouir.

Ces résultats encourageants stimulent le personnel roumain et lui ouvrent des perspectives plus larges et positives. Il est temps désormais de former de façon adéquate le personnel d'encadrement, pour qu'il puisse faire son travail en se sentant valorisé. A terme, les Roumains devront prendre en charge eux-mêmes l'éducation des enfants. C'est pourquoi l'aide humanitaire PHARE fournit une assistance technique et financière pour préparer et mettre en oeuvre une série de programmes essentiels de formation. Les programmes suivants sont en cours:

- formation de base d'urgence pour le personnel des centres
- mise au point de programmes nationaux de formation du personnel social
- intégration des enfants en institutions dans les écoles
- révision des procédures en vue d'une meilleure orientation des enfants selon leurs besoins

COMMENT METTRE FIN A L'ABANDON DES ENFANTS

Même si les conditions de vie sont à présent beaucoup plus humaines dans les centres pour enfants abandonnés, la situation de ceux-ci est peu enviable. L'institution ou l'orphelinat reste encore très éloigné de la cellule familiale et de la société.

Il faut donc agir à deux niveaux:

- éviter que les enfants ne rentrent dans les institutions
- permettre aux enfants abandonnés de réintégrer les circuits normaux d'éducation
- rapprocher les enfants abandonnés de leurs familles

Suite aux actions dictées par l'urgence, l'aide humanitaire PHARE a mis au point un plan d'action à long terme, en collaboration avec les autorités du pays. Objectif: sensibiliser les autorités au sort des enfants abandonnés et appuyer une réforme en profondeur de tout le système. Il s'agit d'instaurer une politique globale de protection de l'enfance.

Par souci d'efficacité, un comité de coordination interministériel de l'aide humanitaire a été mis en place à Bucarest. Ce comité est directement rattaché au Premier Ministre et regroupe des représentants de différents ministères roumains en charge des enfants en institutions (Santé, Education, Travail et Protection Sociale et le Secrétariat d'Etat aux Handicapés) assistés par des experts de la Commission. Celle-ci encourage les autorités roumaines à travailler sur les actions suivantes:

- mise en place de services d'accueil et d'information pour femmes enceintes ou mères en difficulté, pour éviter le placement des enfants en institutions
- réinsertion des enfants abandonnés dans leur famille naturelle ou dans des familles d'accueil
- intégration des enfants handicapés dans la société et sensibilisation de l'opinion publique à ce sujet
- renforcement du réseau de formations professionnelles pour enfants, cas sociaux et handicapés.

En complément, une aide économique PHARE est prévue pour améliorer les méthodes de gestion et de financement des services sociaux, dont les institutions pour enfants.

2. L'AIDE MÉDICALE A LA POPULATION ROUMAINE

L'action de l'aide humanitaire PHARE en faveur des institutions pour enfants ne doit pas faire oublier la situation difficile dans laquelle se trouve la population roumaine. Le pays a connu, en effet, une pénurie importante de médicaments et de matériel médical. Pour couvrir les besoins immédiats, PHARE est intervenu en 1990 et en 1991.

L'approvisionnement médical a fait l'objet de deux actions distinctes: une partie, gratuite, a été acheminée vers les hôpitaux du pays. L'autre partie a été distribuée aux pharmacies pour y être vendue aux prix locaux.

Un point important: la distribution de cette deuxième livraison de matériel médical a été effectuée par le réseau existant en Roumanie, avec l'assistance technique d'un expert en logistique médicale de PHARE. PHARE finance en effet le renforcement et la réorganisation du système de distribution en Roumanie. Ce programme d'assistance médicale et technique a été mis au point en collaboration étroite avec la Banque Mondiale et l'Organisation Mondiale de la Santé (OMS).

Afin de compléter cette aide médicale, PHARE soutient aussi, dans le cadre de son aide économique, des programmes destinés à améliorer le système de soins de santé.

ALBANIE

UN POTENTIEL IMPORTANT MALGRÉ UN RÉVEIL DIFFICILE

L'Albanie s'ouvre au monde après des années de repli. Un réveil difficile: le pays, essentiellement agricole, est de loin le plus pauvre d'Europe. Il découvre actuellement les principes de l'économie de marché et les notions de compétitivité et de productivité qui l'accompagnent. Les mentalités s'adaptent avec difficulté à cette nouvelle réalité. L'Albanie se trouve dans la situation d'un pays en voie de développement: elle dépend, pour une large part, de l'assistance occidentale.

Le chômage dépasse de loin celui des autres pays d'Europe, et l'appareil productif est tout à fait obsolète. Malgré ces handicaps sévères, l'Albanie possède quelques atouts de taille qui doivent être exploités à fond pour surmonter la phase critique qu'elle traverse actuellement: une population jeune (moyenne d'âge de 27 ans), un sous-sol riche, des matières premières abondantes et un potentiel touristique indéniable.

L'aide économique PHARE à l'Albanie se concentre sur le secteur agricole, le transport et l'assistance technique dans le domaine des services financiers et de la privatisation.

La population albanaise a pu bénéficier jusqu'à présent de l'aide humanitaire PHARE à concurrence d'un montant de 55 millions d'Ecu.

L'AIDE HUMANITAIRE À L'ALBANIE

1. LES SOINS DE SANTÉ

PÉNURIE DE MÉDICAMENTS ET SECTEUR HOSPITALIER EN DETRESSE

Lors de la visite d'un hôpital albanais, la crise qui paralyse le secteur médical du pays apparaît dans toute son ampleur. Le matériel médical? Dépassé et inutilisable. Les infrastructures? Plus d'éclairage, lits rouillés, plus de vitres aux fenêtres et plus de chauffage. Les médicaments? Impossible de les stocker: la chambre froide ne fonctionne plus. En bref: les hôpitaux albanais sont sur le point de fermer leurs portes. La pénurie de matériel, de médicaments et l'insalubrité ont rendu pratiquement inopérantes les infrastructures de soins de première ligne.

PHARE a réagi très vite: produits pharmaceutiques et matériel médical d'urgence ont été acheminés et distribués pour parer au plus pressé.

L'aide humanitaire PHARE s'est alors heurtée à un problème important: celui de la distribution. Exemple: les albanais ne disposent que de deux camions tout à fait vétustes pour la

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livraison de médicaments et de matériel médical sur tout le territoire. Pour y remédier, PHARE a livré deux camions neufs. En outre, PHARE a financé une assistance technique au Ministère albanais de la Santé pour mettre en place un système de gestion des situations d'urgence, en utilisant au maximum les structures locales existantes.

L'aide humanitaire PHARE finance également une étude pour évaluer les besoins du secteur médical albanais.

Une intervention immédiate s'est aussi avérée indispensable pour éviter la paralysie complète du système de soins de santé. PHARE s'attaque au problème sur trois fronts:

- la rénovation de base des hôpitaux et des dispensaires sur tout le territoire albanais
- la distribution à ceux-ci de matériel médical de base
- le rétablissement et la gestion de la chaîne du froid

Dans une perspective à plus long terme, PHARE, la Banque Mondiale et l'Organisation Mondiale de la Santé soutiennent le gouvernement albanais dans la mise au point d'un nouveau système de soins de santé.

2. UNE SITUATION SOCIALE EXPLOSIVE

IMPORTATION DE MATIÈRES PREMIÈRES

La crise économique profonde que traverse l'Albanie s'accompagne d'une grande instabilité sociale. Le fléau principal est le chômage qui atteint des sommets inexplorés et plonge une grande partie de la population dans l'inactivité totale. En effet, les unes après les autres, les entreprises industrielles sont contraintes d'arrêter leur production faute de combustibles et de matières premières ou à cause de l'usure des machines qui, pour la plupart, datent des années 50.

Pour tenter d'enrayer ce phénomène, PHARE finance l'importation des biens nécessaires au redémarrage des entreprises les plus importantes (celles qui génèrent le plus d'emploi ou qui ont de bonnes perspectives financières). Ces importations comprennent des produits de toute nature comme du fuel, du fer, des tubes, des dérivés chimiques, ...etc. En permettant aux entreprises de continuer à produire, on sauvegarde un certain niveau d'emploi. Ce qui aura pour corollaire une meilleure stabilité sociale.

3. L'AIDE AUX ANCIENS PRISONNIERS POLITIQUES

Les prisonniers politiques de l'ancien régime forment une catégorie de la population particulièrement défavorisée en Albanie. L'ancien pouvoir a en effet pratiqué jusqu'en 1990 une politique de répression extrêmement sévère, qui a touché à des degrés divers un tiers de la population. Lorsqu'une personne était condamnée à la prison, sa famille entière était reléguée dans des camps de travail à des kilomètres de son village natal. Beaucoup de prisonniers ont vécu leur détention dans des conditions épouvantables; bon nombre d'entre eux ont été torturés.

Il y a deux ans, les autorités ont remis en liberté les prisonniers politiques et leurs familles. Ceux-ci, estimés à 20.000 aujourd'hui, commencent leur nouvelle vie d'hommes et de femmes libres dans des conditions très précaires. Ils n'ont ni logement, ni nourriture ni vêtements. Leur réintégration dans la société s'annonce particulièrement pénible.

L'aide humanitaire PHARE est destinée à la construction de 200 à 250 logements. Les anciens prisonniers pourront également bénéficier de l'assistance sociale nécessaire à leur réinsertion.

UN FONDS POUR DES PROJETS D'URGENCE

Pour apporter une solution rapide à des situations difficiles et localisées dans différentes parties du pays, l'aide humanitaire PHARE a mis en place un fonds d'intervention destiné à financer les projets d'intervention des O.N.G. sur le territoire albanais. Les projets financés répondent à des besoins immédiats comme la fourniture de vêtements et de nourriture dans des villages isolés ou la réhabilitation de dispensaires locaux.

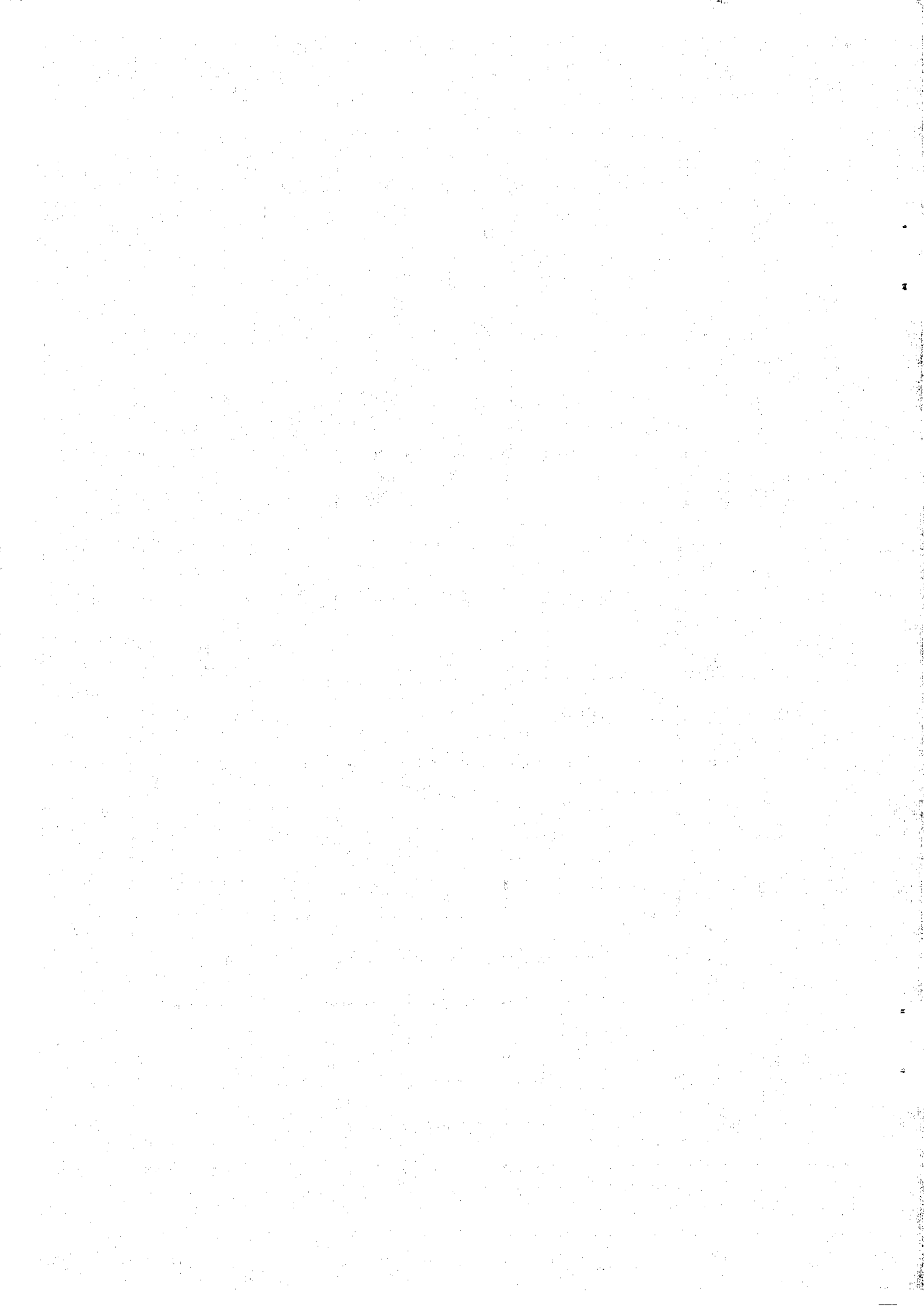


COMMISSION OF THE EUROPEAN COMMUNITIES
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IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

The
PHARE
programme for

Investment Promotion
in
Central & Eastern Europe

Written by Bettina Rafaelsen
March 1993



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 surveys¹ 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 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"

¹(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)

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	CZECH REPUBLIC	SLOVAKIA
Programme Framework and Year	Privatisation and Restructuring. 1991	Investment Promotion and Export Development. February 1992	Privatisation & Restructuring 1992	Privatisation & Restructuring 1992
Institutional Responsibility	The State Foreign Investment Agency (SFIA) Agency for Privatisation	The Agency for Investment and Trade Promotion Ministry of International Economic Relations	The Czech Agency for Foreign Investment - CzechInvest Ministry of Industry and Trade	Slovak National Agency for Foreign Investment and Development. (SNAFID) Ministry of Privatisation
Programme/Agency objectives	The SFIA's created in April 1992. 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.	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 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 develop new business .
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.	The PHARE programme is being implemented from Qtr. 1 1993. The programme supports the agency with advisors, training and promotional activities. The programme is a follow up of the 1991 PHARE programme.	The PHARE programme consists of advisory support, extensive training to agency staff in Slovakia and abroad and support for promotional activities and extensive public relations campaigns.

PHARE Actions to date, cont.

COUNTRY	ROMANIA	BULGARIA	BALTIC STATES
Programme Framework Year & Amount	Privatisation & Restructuring 1992	Privatisation & Restructuring 1991	Latvia: GTAF (MECU 1) Estonia: GTAF (MECU 0,5) Lithuania: Privatisation & Restructuring 1992 (MECU 0,2)
Institutional Responsibility	Romanian Development Agency (RDA) Council for Reform	Ministry of Industry and Trade	Still being determined.
Programme/Agency objectives	The Agency was established by Government decision in March 1991. The RDA is a separate legal entity and functions as a public institution. The main aim of the RDA is to assist the Romanian government in defining and directing policy measures that relate to economic development based on foreign capital.	N/A	Based on the recommendations of the diagnostic studies 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	The PHARE programme, implementation begins Qtr. 1. 1993, comprises Advisory Support, a substantial training programme for RDA staff, support for promotional activities.	Identification study is foreseen under the 1991 P&R programme, which will be conducted during QTR. 1 1993. Initial advisory support will also be deployed.	Diagnostic studies conducted jointly with Foreign Investment Advisory Service (FIAS) examining institutional and legislative issues. PHARE Advisors are being deployed in each Baltic State and concrete institutional and legal developments are anticipated in Qtr. 2. 1993.

Bruxelles, January 1993

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ADDRESSES FOR FURTHER INFORMATION AND EXPRESSION OF INTEREST

Country and Agency	Address	Director & Programme Manager	PIHARE advisors
ALBANIA Foreign Investment Promotion Centre	Ekspozita "Shqipëria Sot" (Protokolli) Ph: 355 42 27 626 Fax: 355 42 27 865		
BULGARIA Ministry of Industry and Trade	8, Slawanska St. Sofia 046 Ph: 359 2 89 19 15 Fax: 359 2 87 19 14		Ms. Brisley
THE CZECH REPUBLIC Czechinvest (Czech Agency for Foreign Investment)	Politických veznu 20 112 49 Praha 1 Ph: 42 2 2422 15 40 Fax: 42 2 236 02 65	Mr. Havelka Mr. Lebl	Mr. Moody Mr. Brown
ESTONIA Ministry of Economy	Harju 11, EE0001 Tallinn Ph: 372 2 440 577 Fax: 372 2 444 684	Mr. Tohver	Mr. Moncz Mr. McGrath Mr. Perry
HUNGARY Investment and Trade Promotion Agency	Dorottva street 4 1051 Budapest Hungary Ph: 361 117 1572 Fax: 361 118 3732	Ms. Farkas	
LATVIA Ministry of Economics	Brivibas Blv. 36 Riga LV 1050 Republic of Latvia Ph: 45 30 24 98 41 Fax: 371 2 210352	Mr. Vitolins	
LITHUANIA The Ministry of Economics of Lithuania	Gediminio pr 38/2 2600 Vilnius Lithuania Ph: 370 2 628538 Fax: 370 2 625604	Mr. Baltuska	
POLAND State Foreign Investment Agency (SFIA)	Aleja Roz 2 00-559 Warsaw Ph: 48 22 29 57 17 Fax: 48 22 21 84 27	Mr. Gorski	Ms. Schumacher Mr. Herman Mr. Arnold
ROMANIA Romanian Development Agency (RDA)	7, Boulevard Magheru Bucharest 1 Ph: 40 1 315 66 86 Fax: 40 1 613 24 15	Mr. Bonciu	Mr. Alston Mr. Korish
SLOVENIA Ministry of Economic Relations and Development	Gregorciciva 25 61000 Ljubljana Ph: 38 61 217 Fax: 38 61 156 225	Ms. Marusek	
SLOVAKIA Slovak National Agency for Foreign Investment and Development (SNAFID)	Viedenska cesta 5 851 01 Bratislava Ph: 42 7 80 1111 Fax: 42 7 80 23 15	Mr. Mertus Ms. Micova	Mr. Puce Mr. Adlan

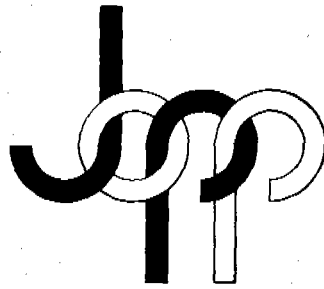
Commission of the European Communities
Directorate General for External Relations (DG1)
PHARE Operational Service

General information about PHARE: PHARE Advisory Unit
rue Belliard
1040 Brussels
Ph: (32-2) 299 1356/91400/91500
Fax: (32-2) 299 1777

Investment Promotion &
Export Development:

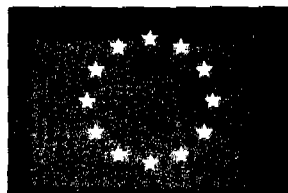
Industry, Investment & Finance Unit
200, rue de la Loi
1049 Brussels
Ph: (32-2) 296 2622/299 0149
Fax: (32-2) 296 4251/295 7431

Peter Maher
Bettina Rafaelsen



JOINT VENTURE PHARE PROGRAMME

**A European Community programme
to facilitate the creation and development
of joint ventures in the countries
of Central and Eastern Europe**



Cataloguing data can be found at the end of this publication.

Luxembourg: Office for Official Publications of the European Communities,
1992

ISBN 92-826-4226-7

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Printed in Germany

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1. Foreword

Essential to the creation of a market economy in Central and Eastern Europe is the development of a healthy small and medium-sized enterprise sector. A vital role in this process is played by external investment, which brings with it much-needed management skills and technical know-how.

The joint venture Phare programme, JOPP, assists companies from within the Community who are setting up joint ventures, or who wish to expand existing ones with partners in the region.

In encouraging cooperation between companies from the Community and from Central and Eastern Europe, we hope further to support the efforts of these countries to become an integral part of the wider European trading system.

F. H. J. J. Andriessen
Vice President

Karel Van Miert
Member of the Commission

2. Introduction

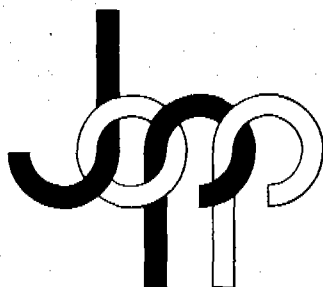
In 1991 the Commission decided to launch the JOPP (Joint venture Phare programme) as part of the Phare programme.

The programme's primary aim is to facilitate the creation and expansion of joint ventures in the countries of Central and Eastern Europe. The programme also aims to encourage foreign investment and the development of the competitive private sector in those countries.

It is aimed essentially at small and medium-sized enterprises from the European Community which wish to invest in joint ventures in the countries of Central and Eastern Europe.

JOPP offers a number of different types of support for the different stages in the creation and development of a joint venture, from the feasibility study and pilot projects to training and technology transfer, including financing requirements in the joint venture.

A network of financial intermediaries associated with the programme provides the link between the Commission of the European Communities and beneficiary companies.



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3. Who can benefit from JOPP?

1. What is a joint venture?

Any business with two or more shareholders is considered a joint venture.

For the purposes of JOPP:

- (a) the joint venture must be considered as such under the legislation of the country of Central and Eastern Europe concerned;
- (b) at least one shareholder must be from a Community country;
- (c) at least one shareholder must be based in one of the countries of Central and Eastern Europe;
- (d) at least 75% of the share capital must be held by the shareholder(s) in the EC and the countries of Central and Eastern Europe.

2. What Community businesses can benefit from JOPP?

Any business which intends:

- (i) to create a joint venture in one of the countries of Central and Eastern Europe; or
- (ii) to expand or restructure an existing joint venture in one of the countries of Central and Eastern Europe.

This applies to businesses in all productive sectors, including the services sector, provided that they are making a direct investment that is not purely a financial investment.

The bank lending sector is excluded.

Priority will be given to small and medium-sized European businesses with:

- (i) fewer than 500 employees;
- (ii) net fixed assets below ECU 75 million;
- (iii) not more than one-third of the share capital held by a major company.

Priority will also be given to joint ventures created in one of the countries of Central and Eastern Europe whose net assets do not exceed ECU 10 million.

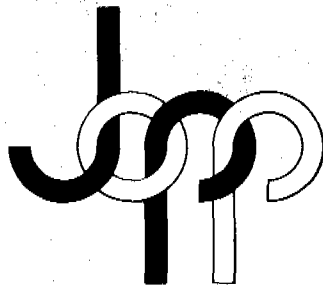
4. How can a business benefit from the programme?

In order to benefit from the JOPP programme the business must adopt the following procedure:

- (a) identify a potential partner in one of the countries of Central and Eastern Europe;
- (b) prepare a plan that will lead to the creation or expansion of a joint venture;
- (c) present the plan to one of the financial intermediaries that form part of the network.

The financial intermediary will assess the plan, and if its assessment is favourable, will submit it to the Commission of the European Communities;

- (d) once the project has been accepted by the Commission, the business will sign a financial agreement with the financial intermediary who submitted its project;
- (e) the Community contribution will be disbursed in accordance with the provisions laid down in the financial agreement.

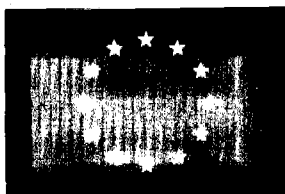


5. Financial intermediaries: their role

The network of financial intermediaries provides the link between the beneficiary and the Commission of the European Communities.

The financial intermediary:

- (a) studies, analyses and forwards to the Commission of the European Communities the projects submitted by businesses wishing to benefit from the programme;
- (b) if necessary, arranges direct or indirect co-financing of the project submitted;
- (c) manages the disbursement of the Community contribution to the business whose project has been accepted;
- (d) monitors the implementation of the project.



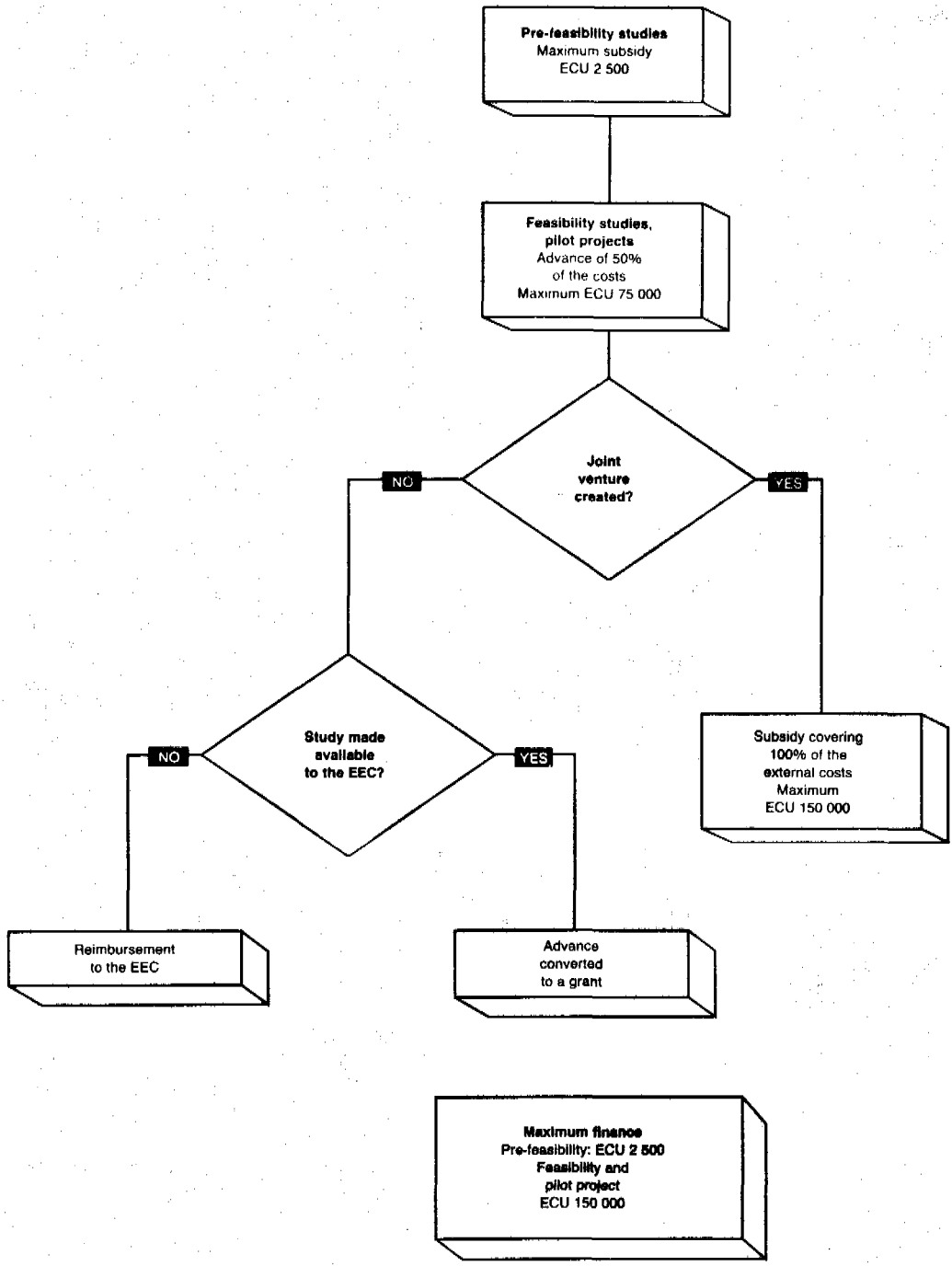
6. Types of support

	Preliminary phase	Co-financing phase	Technical assistance phase
Aim	To cover part of the cost of the pre-feasibility and feasibility studies and pilot projects	To contribute to the financing requirements of a joint venture	To strengthen the human-capital base of joint ventures (technology transfer and training)
Currency	Ecu	Ecu	Ecu
Form of the Community contribution	Advance that may be converted to a grant under certain conditions	Finance for a maximum of 10 years	Interest-free loan repayable within 5 years
Repayment currency	Ecu	Local currency	Local currency
Maximum amount of the Community contribution	<ul style="list-style-type: none"> • Pre-feasibility: ECU 2 500 • Feasibility and pilot project: ECU 150 000 	ECU 1 million	ECU 150 000

The maximum amount in contributions for the three phases must not exceed ECU 1 million per joint venture.



Preliminary phase



Preliminary phase

1. Aim

The aim of this phase is to provide financial support to cover part of the eligible costs involved in establishing a joint venture or implementing a significant diversification, expansion or development of activity in the case of an existing joint venture.

This preliminary phase can comprise not only market analysis, business plans and contract negotiations between the future partners in the joint venture but also the production of prototypes and the conduct of pilot projects.

An additional contribution may be made in respect of the costs of a pre-feasibility study that will yield the data required for a feasibility study or for contacts with the future partner.

2. Amount of the Community contribution and procedures

The amount of the Community contribution and procedures are as follows:

- (i) a maximum subsidy of **ECU 2 500** may be obtained for the pre-feasibility study. It is mainly designed to cover all costs relating to negotiations with the potential partner, such as travel and accommodation costs;
- (ii) for the feasibility study and pilot projects, the Commission of the European Communities may grant an **interest-free advance** of up to **50%** of the eligible costs, with a maximum of **ECU 75 000**.

Eligible costs include:

- (i) costs relating to the feasibility study, such as consultants' and experts' fees, accommodation and travel expenses, etc.;
- (ii) the costs of launching pilot projects or producing prototypes.

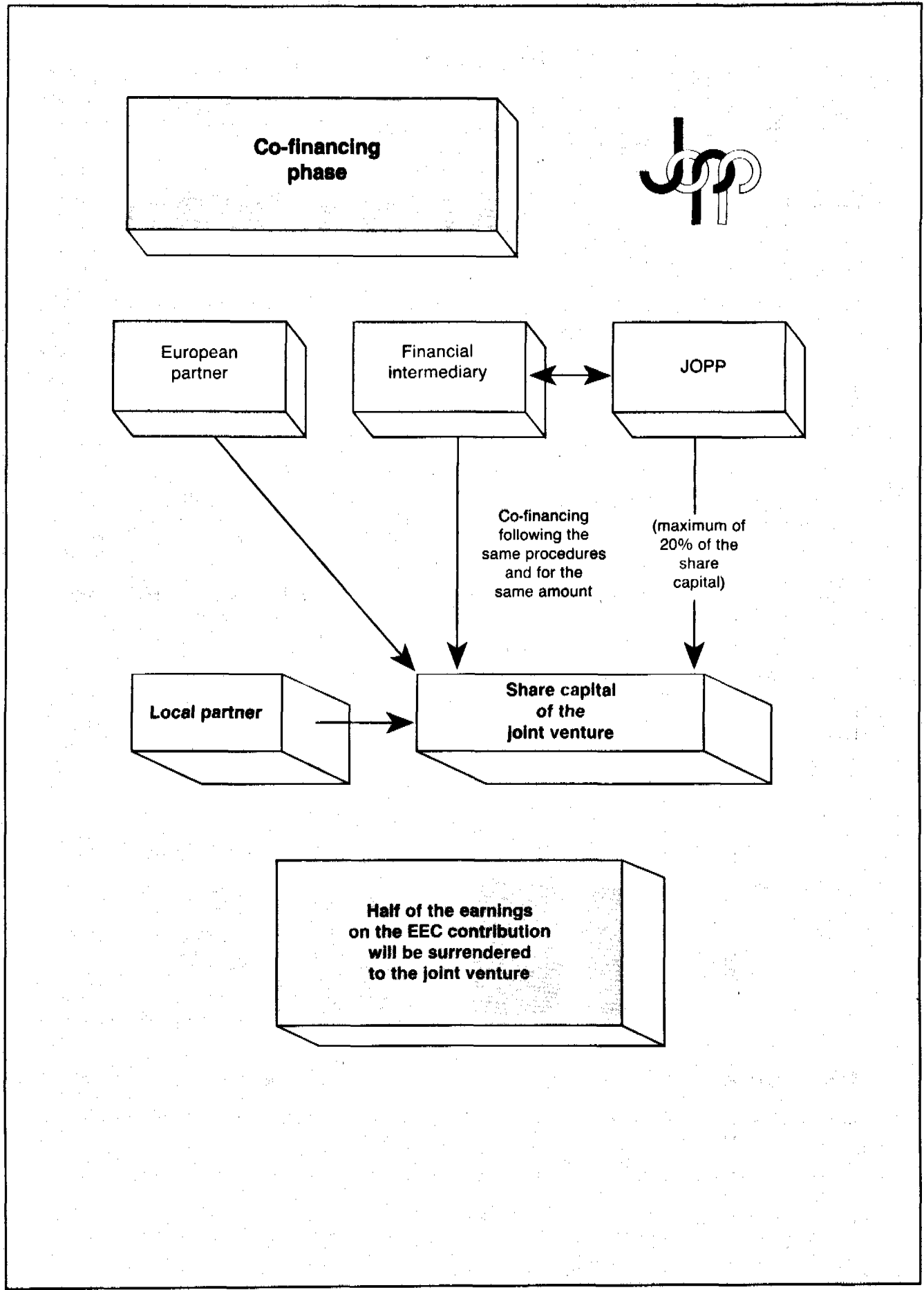
The following are not eligible:

- (i) all costs not directly related to the feasibility study;
- (ii) salaries of staff of the joint venture or of potential partners in the joint venture.

The **Community advance** may subsequently be transformed into a grant if the joint venture is actually **established** within a period of **12 months**. In such cases, the remaining **50%** of eligible costs may also be borne by the Commission, with an overall limit of **ECU 150 000 (100%** of the eligible costs).

If the joint venture is **not established**, the beneficiary may choose between:

- (i) making the feasibility study **available** to the Commission, in which case the **Community advance** will be transformed into a **grant**;
- (ii) **repaying the Community advance** if the beneficiary does not wish to make the feasibility study available to the Commission.



Co-financing phase

1. Aim

This phase is aimed at joint ventures being established or expanded.

The European Community will bear part of the risk of the joint venture by granting medium- and long-term finance, on condition that **other investors (financial intermediaries, acting directly or indirectly) also provide** such finance.

2. Amount of the Community contribution and procedures

The **Community contribution** will be granted in a **form similar** to that used by the **financial intermediary**, either directly or indirectly.

The finance provided by the financial intermediary may be in the form of:

- an acquisition of an equity shareholding;
- a convertible loan or a shareholder's loan.

The amount of the Community contribution must not exceed:

- (i) the amount of medium- and long-term financing granted directly or indirectly by the financial intermediary;
- (ii) the amount of the share in the joint venture held by the Community partner.

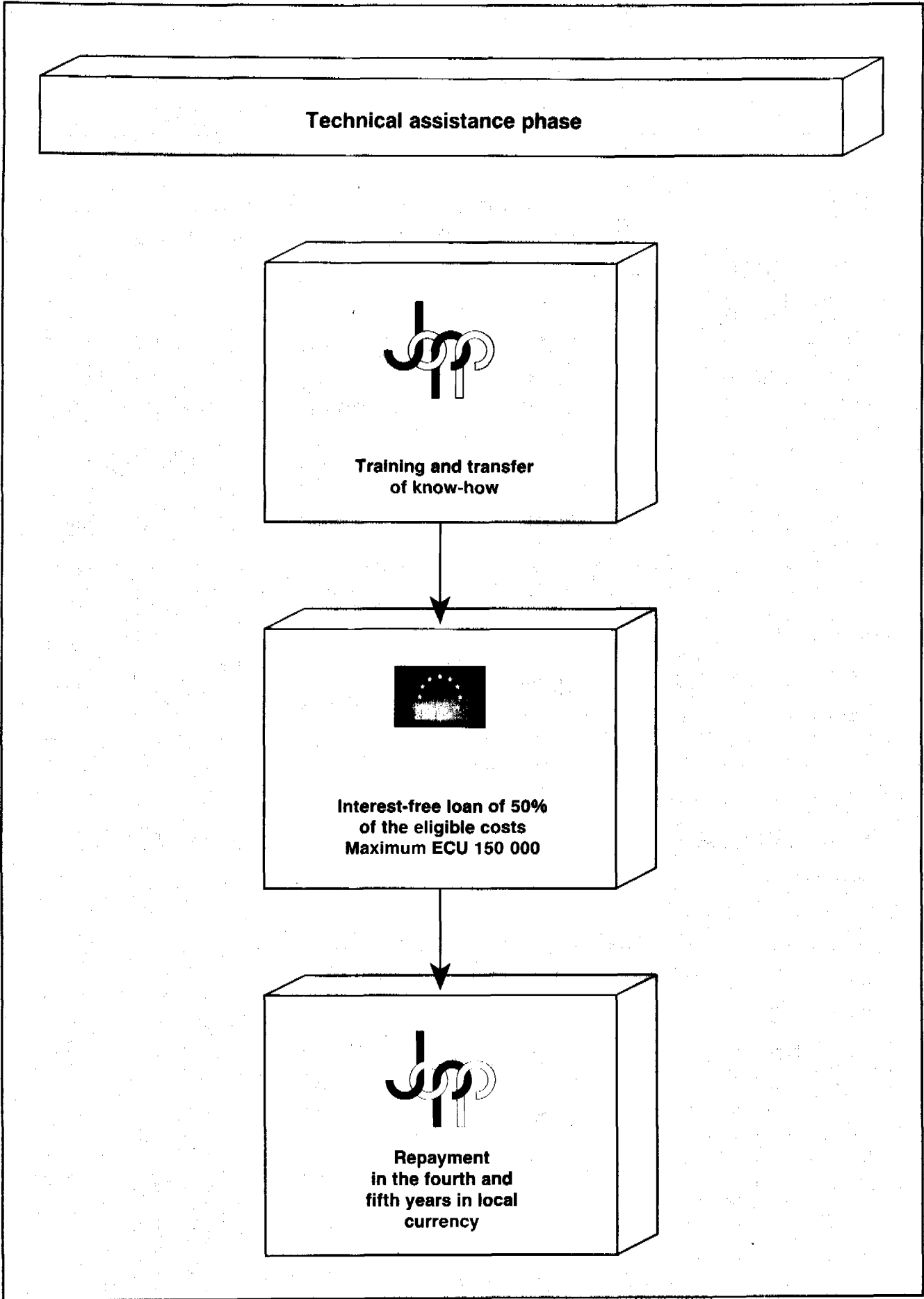
In addition, the **Community contribution** may **not exceed 20%** of the total **capital needs** of the joint venture.

3. Repayment

The Community contribution must be repaid *within a period* of no more than **10 years**.

The earnings on the Community contribution (dividends, capital gains, etc.) will be equal to the earnings due to the financial intermediary or other financial institution co-financing the venture.

The Commission will, however, surrender **half of those earnings** to the joint venture.



Technical assistance phase

1. Aim

This phase is designed to strengthen the human-capital base of new or existing joint ventures by co-financing specific technical assistance measures and the transfer of know-how.

2. Amount of the Community contribution and procedures

The **Community contribution** is in the form of an **interest-free loan** for up to **50%** of the eligible costs, with a ceiling of **ECU 150 000**.

Eligible costs include:

additional costs directly linked to training schemes and/or transfer of know-how incurred by the joint venture or one of its partners, for example the cost of attending training courses locally or in a Community country and special fees and commissions of internal experts directly connected with technical assistance or the transfer of know-how.

The following are not eligible:

normal salaries and costs of internal experts, even if they are involved in technical assistance or the transfer of know-how.

3. Repayment

Repayment of the **Community contribution** must be made from the **fourth year** and be completed by the **end of the fifth year**; it can be made in local currency, the exchange **risk on the loan** being borne by the Community.

7. Persons to be contacted

JOPP programme:

**Commission of the European Communities
Directorate-General XVIII — Credit and Investments**

**Mr Enrico Cioffi
Director-General**

Bâtiment Wagner
Rue Alcide de Gasperi
L-2920 Luxembourg

Mr J. M. Magnette, Head of Unit

Bâtiment Wagner
Rue Alcide de Gasperi
L-2920 Luxembourg

Tel.: (352) 43 01-36261
Telex.: EURFIN LU 3366
Fax: (352) 43 63 22

JOPP Assistance Unit

20, rue Louvigny
L-2920 Luxembourg

Tel.: (352) 46 70 96
Fax.: (352) 46 70 97

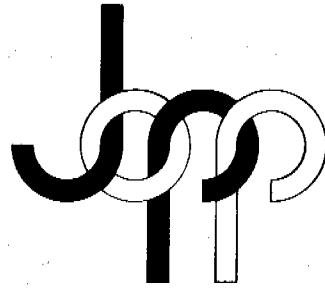
Phare programme:

**Commission of the European Communities
Directorate-General I — External Relations**

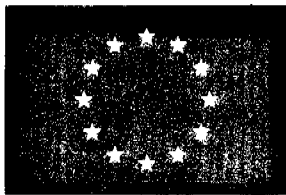
Mr Peter Kalbe

Phare Operating Department

Tel.: (32-2) 299 1356
Fax: (32-2) 299 1777



JOPP FINANCIAL INTERMEDIARIES
CONTACT-INFORMATION



**JOPP FINANCIAL INTERMEDIARIES
CONTACT-INFORMATION**

COUNTRY	FINANCIAL INTERMEDIARY ADDRESS	CODE	TOWN	OPERATIONAL CONTACT PERSONS NAME	DEPT	TEL	FAX
BELGIUM	B.B.L. (Banque Bruxelles Lambert) 24 Avenue Marnix	1050	Bruxelles	Mr Dochy Alain Mr Van Hoyweghen Marcel	Grande Exportation Projets Speciaux	32/2/5473630 32/2/5473167	32/2/5473191
	FUND NEW EUROPE (G.I.M.V. Investment Company for Flanders) 37 Karel Oomstraat	2018	Antwerpen	Mr De Wijngaert Jan	Project Development	32/3/2482321	32/3/2384193
	GENERAL BANK 3 Montagne du Parc	1000	Bruxelles	Ms Steel Kathleen Mr Trouveroy Yves	International Commercial Banking	32/2/5162553 32/2/5162551	32/2/5163403
	NATIONALE MAATSCHAPPIJ VOOR KREDIET VAN DE NIJVERHEID N.V. 14 Sterrenkundelaan	1030	Bruxelles	Mr Quidousse Freddy	Secrétariat de Direction	32/2/2141921	32/2/2180478
	S.B.I. (Société Belge d'Investissement International) 63 Rue Montoyer	1040	Bruxelles	Mr Steth Jean Mr Andr Jacques Mr Yee Stefan	Autres Pays de l'Est Hongrie et Tchecoslovaquie Hongrie et Tchecoslovaquie	32/2/2302785	32/2/2311331

COUNTRY	FINANCIAL INTERMEDIARY ADDRESS	CODE	TOWN	OPERATIONAL CONTACT PERSONS NAME	DEPT	TEL	FAX
DENMARK	THE INVESTMENT FUND FOR CENTRAL AND EASTERN EUROPE 4 Bremerholm	1069	Copenhagen K	Mr Kruse Max	Investment Fund for C.&E. Europe	45/33142575	45/33322524
	UNIBANK A/S International Division	1786	Copenhagen V.	Mr Flemming Brochner P.	Central and Eastern European Department	45/33335045	45/33244308
FRANCE	BANQUE NATIONALE DE PARIS (BNP) 27 Boulevard des Italiens	75002	Paris	Ms Guerneau-Guilbert L. Ms Desmarais M-Antoinette Mr Poutard Jacques	Direction Europe Direction du Commerce Ext. Direction du Commerce Ext.	33/1/40142723 33/1/40146326 33/1/40145913	33/1/40145096 33/1/40147949
	CAISSE NATIONALE DE CREDIT AGRICOLE (CNCA) 33 Avenue de Maine (Tour Montparnasse)	75015	Paris	Ms D'Arfeuille Ghislane	Crédit Nationale Consultants	33/1/43233808	33/1/43230080
	COMPAGNIE FINANCIERE DE CIC ET DE L'UNION EUROPEENNE 4 Rue Gaillon	75002	Paris	Mr Cassat Daniel Ms Ossorguine Nathalie	Direction Internationale-PECO Direction Internationale-PECO	33/1/42667000 33/1/42667000	33/1/42667891 33/1/42667891

COUNTRY	FINANCIAL INTERMEDIARY ADDRESS	CODE	TOWN	OPERATIONAL CONTACT PERSONS NAME	DEPT	TEL	FAX
FRANCE	CREDIT LYONNAIS 1 Rue des Italiens	75009	Paris	Mr Cossardeaux Richard	Direction Centrale des des Financements et	33/1/42951588	33/1/42951430
				Mr Fauquet Pierre			
				Mr Dupressoir Jean-Mane	Marketing Spécialisés	33/1/42956157	
	CREDIT NATIONAL 45 Rue Saint-Dominique	75700	Paris	Ms Gros Catherine	Direction Affaires Internationales	33/1/45509024	33/1/45561127
	SOCIETE GENERALE 24 Boulevard Haussman	75009	Paris	Mr Auger Denis	Direction du Réseau France	33/1/40983044	33/1/40988385
				Mr Lacroix	Direction du Réseau France	33/1/40989098	
				Ms Testu Françoise	Direction Internationale	33/1/40982964	33/1/40985793
				Mr Chadil Lubomir	Direction Internationale	33/1/40980307	33/1/40989204
LUXEMBOURG	BANQUE POUR L'EUROPE EUROPA BANK AG (Dresdner Bank) 13 Rue Beaumont (Pass.:56, Grand-Rue)	2017	Luxembourg	Mr Muller Volkmar	Corporate Finance Department	352/47083032	352/47083039
				Mrs Ecker Martina	Corporate Finance Department	352/47083032	352/47083039
	CREDIT EUROPEEN 52 Route d'Esch	2965	Luxembourg	Mr Limpens Marc	Corporate and Institutional Banking Consultant	352/44991270	352/459297
				Ms Marquant Sylvie		352/44991433	

COUNTRY	FINANCIAL INTERMEDIARY ADDRESS	CODE	TOWN	OPERATIONAL CONTACT PERSONS NAME	DEPT	TEL	FAX
GERMANY	DEG-DEUTSCHE INVESTITIONS und ENTWICKLUNGSGESELLSCHAFT MbH 40 Belvederstrasse	5000	Koln 41	Dr Schluter Friedhelm	Hauptabteilung Marketing/ Beratung	49/221/4986407	49/221/4986160
	DEUTSCHE BANK AG (DEUTSCHE BANK GROUP) 100 Boulevard du Souverain	1170	Bruxelles	Mr von Puttkamer G.F. Mr Hubin Marc	EC Representative Office	32/2/6743710 32/2/6743709	32/2/6743752 32/2/6743752
	LANDESBANK RHEINLAND PFALZ Grosse Bleiche 54-56	6500	Mainz 1	Dr Witte Harald	International Division	49/6131/132704	49/6131/133170
	WESTDEUTSCHE LANDBANK EUROPA AG 56 Friedrichstrasse	4000	Dusseldorf 1	Mr Frasch Klaus Ms Lie Liem Lian	Product and Marketing Coord. Product and Marketing Coord.	49/221/8265064 49/221/8265064	49/221/8265348 49/221/8265348

COUNTRY	FINANCIAL INTERMEDIARY ADDRESS	CODE	TOWN	OPERATIONAL CONTACT PERSONS NAME	DEPT	TEL	FAX
GREECE	AGROTIKI Agricultural Bank of Greece S.A. 4 Panepistimiou Str.	10671	Athens	Dr Kabalouris M. Mr Argyropoulos P.	Capital Market Department	30/1/3624662 30/1/3632344	30/1/3625238 30/1/3625238
	E.T.B.A. Hellenic Industrial Development Bank 87 Sygrou Avenue	11745	Athens	Mr Argyropoulos J. Mr Kyriazis D. Mr Karkassinas G.	Research & Analysis Division	30/1/9242900 30/1/9294423 30/1/9294856	30/1/9241513 30/1/9241516/7 30/1/9241513
IRELAND	ICC Bank plc. 32-34 Harcourt Street		Dublin	Mr Aheme Michael	Corporate Finance Department	353/1/720055	353/1/781902
ITALY	BANCA COMMERCIALE ITALIANA Piazza della Scala 6	20121	Milano	Mr Inuggi G.P.	Servizio Estero; Settore 4	39/2/88502311	39/2/88503190
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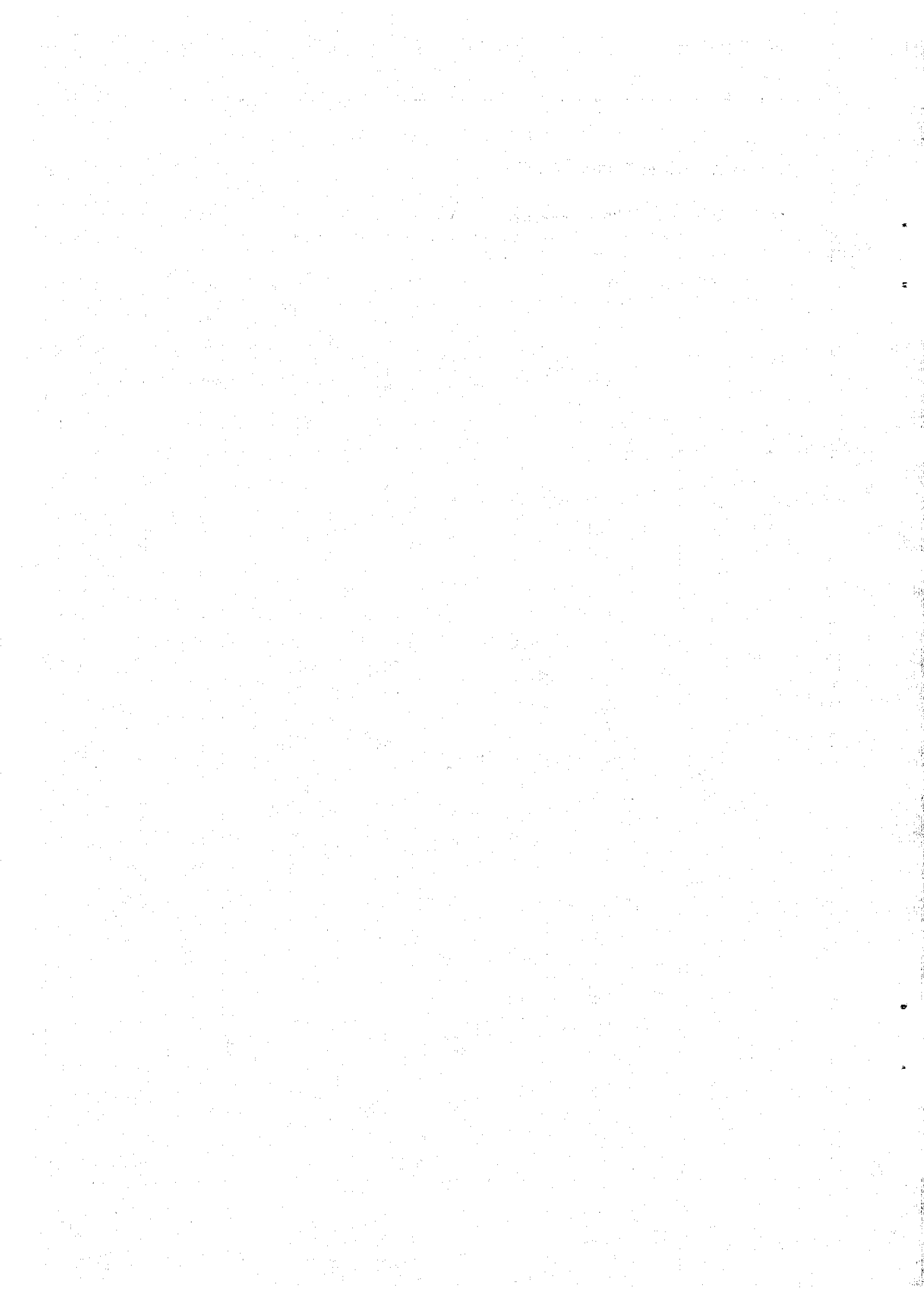
European Communities — Commission

JOPP — Joint venture Phare programme — A European Community programme to facilitate the creation and development of joint ventures in the countries of Central and Eastern Europe

Luxembourg: Office for Official Publications of the European Communities

1992 — 23 pp. — 21.0 x 29.7 cm

ISBN 92-826-4226-7





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

PHARE & TACIS

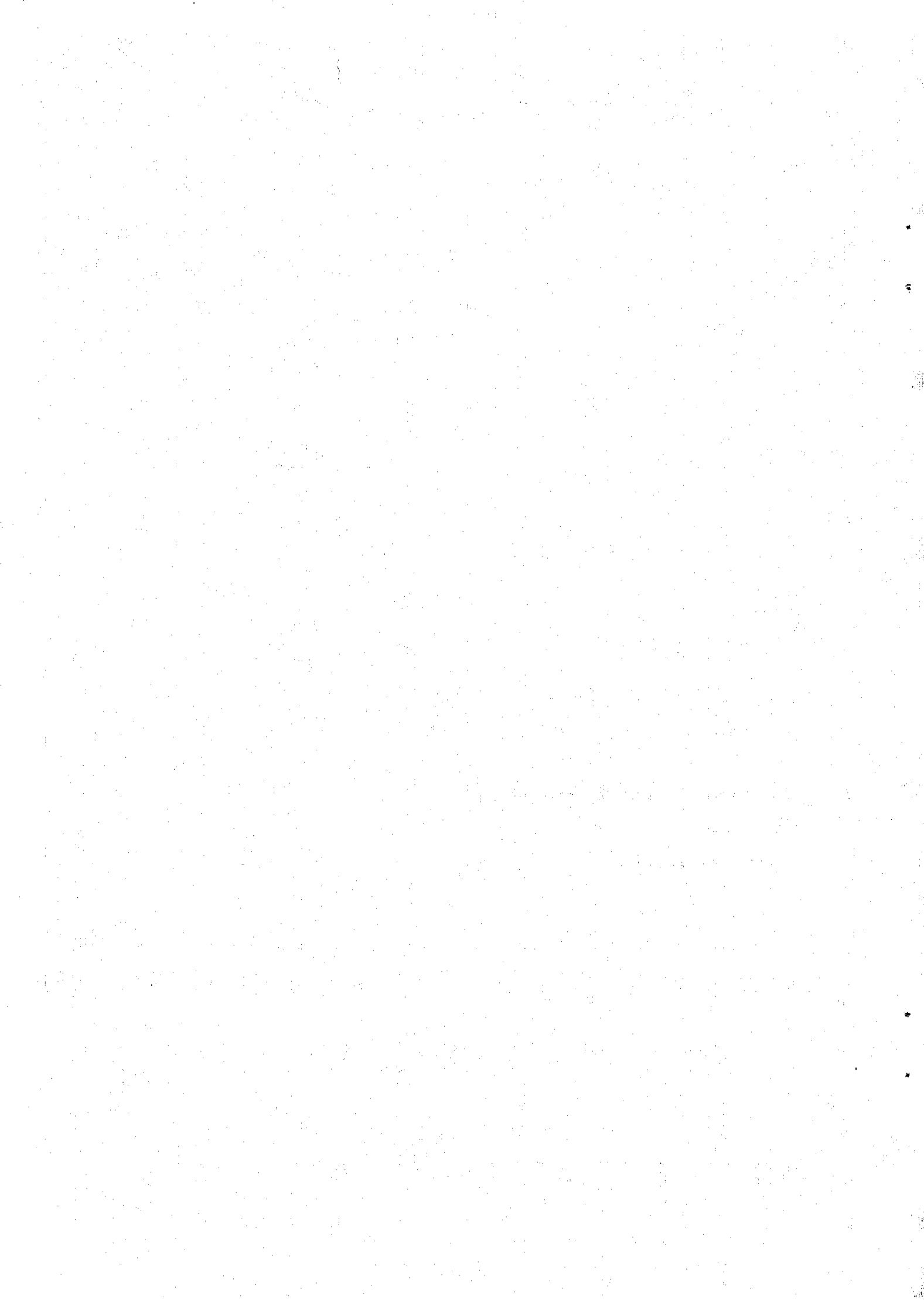
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Nuclear Safety

in Central and eastern Europe: present & future activities

April 1993

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Introduction

This report deals with the existing and planned efforts by the Community to assist the Central and Eastern European Countries in improving the safety of their nuclear reactors. More specifically, it describes the nuclear safety related work under the PHARE and TACIS Programmes, the G-24 Coordination mechanism, the International Nuclear Safety Convention and the Nuclear Protocol of the European Energy Charter.

A.

**EUROPEAN COMMUNITY ACTION ON NUCLEAR SAFETY IN
CENTRAL AND EASTERN EUROPE AND THE FORMER
SOVIET UNION**

I. Community Financial contribution

To date the Commission has committed the following budgetary resources to nuclear safety (in ECU million):

	TACIS	PHARE	Total
1990 / 91	54	20	74
1992	100 (1)	28	108
Total	154	48	202

(1) including a Community contribution of ECU 20 million to the International Science and Technology Centre in Moscow and an amount of ECU 20 million to be carried over to 1993.

The 1990, 1991 and 1992 programmes therefore total some ECU 200 million.

Moreover, the Commission intends to commit the necessary funds in 1993¹ - subject to its budgetary proposals being approved - to bring its total contribution to improving nuclear safety over the three years from 1991 to 1993 to ECU 330 million (+/- USD 400 million), or almost 60% of the USD 700 million total recommended to meet urgent needs by the G7 working group prior to the Munich summit.

¹ The budget heading for Phare 1993 amounts to ECU 1 100 million and for TACIS to ECU 510 million.

II. Status report on the PHARE and TACIS 1991 programmes

a - TACIS 1991 programme

The TACIS 1991 programme (ECU 53 million) consists of 35 projects, which are mainly generic safety studies, i.e. they cover specific types of reactor. Given the Soviet reluctance at the time to submit to too much Western interference in their nuclear programme, no on-site assistance as such was planned in 1991. However, generic studies themselves are generally based on analyses of particular sites, with the findings being extrapolated to similar reactor types.

In practice, the majority of the studies are and will continue to be conducted in Russia.

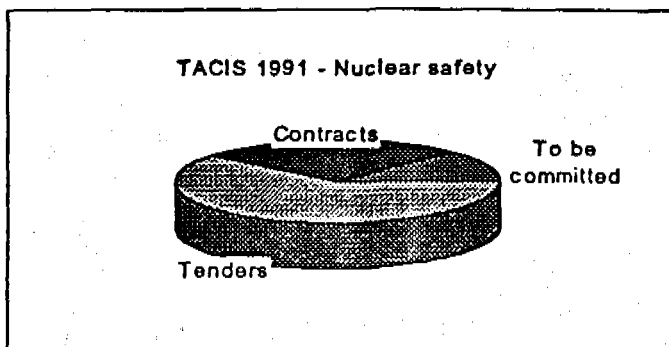
The table below gives a breakdown of the studies by reactor type and the type of organization helped:

	<i>Safety authorities</i>	<i>Operators</i>
<i>RBMK</i>	4	4,6
<i>VVER 230</i>	5	22,8
<i>VVER 213/1000</i>	1	-
<i>All types</i>	3,2	7,6 + 6,8 (training)
<i>Total</i>	13,2	41,8

It is important to realize that TACIS projects are not used to help research centres, manufacturers and institutes providing technical support to safety authorities. They are generally in a very precarious financial situation and possess the data bases which are essential for improving safety in nuclear power stations (flow diagrams, design codes, test reports, etc.). A number of activities relevant to technical assistance will therefore be subcontracted to them by Community experts under the supervision of the Commission.

In February 1993 contracts worth ECU 14 million were signed. These include a safety study of the RBMK, the VVER 213 and 1000 reactors, the setting up of a rapid alert system in the Ukraine and Belorussia and fire protection training; in most cases the contracts are for assistance to safety authorities.

For most of the studies aimed at operators, the specifications are to be drawn up by the TPEG². This has necessitated lengthy negotiations with the various authorities concerned. 22 invitations to tender amounting to around ECU 35 million were published in November and December 1992 and submissions have been evaluated. The relevant contracts are due to be signed in April/May 1993.



To date, therefore, around 90% of the 1991 programmes is under way.

² Twinning Programme Engineering Group, an association of the main Community nuclear operators.

b - PHARE programmes 1990/91

Unlike the TACIS 1991 programme, which mainly covered generic studies (the reactors are all Soviet-designed), the PHARE programme for 1990 and 1991 focused mainly on on-site assistance.

	<i>Safety authorities</i>	<i>Operators</i>
<i>Kozloduy, Bulgaria (VVER 230)</i>	1	11,7
<i>Bohunice, Slovakia (VVER 230 & 213)</i>	0,5	4
<i>Temelin, Czech Republic (VVER 1000)</i>	-	1
<i>All reactors Czechoslovakia</i>	-	1,5
Total	1,5	18,7

b.1 - Kozloduy

For 1991, the EC financed an emergency programme on the Kozloduy power station (VVER 230 reactors), helped by the World Association of Nuclear Operators (WANO). This included the twinning of Kozloduy with a power station in the Community and a detailed engineering study which led to a thorough overhaul of the power station during the shutdown of the reactor (outage programme).

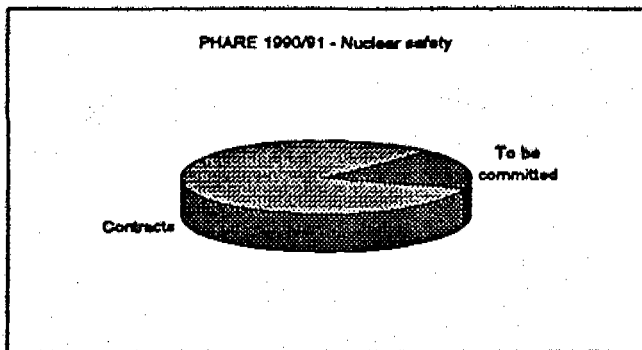
A consortium of technical support organizations from Community safety authorities contributed its expertise to a review of the power station's safety. This action was continued in the form of assistance to safety authorities.

b.2 - Bohunice and Temelin

Operations at Bohunice, which has both VVER 230 and VVER 213 units, focused on improving the safety of the emergency cooling and containment systems of the VVER 230 reactors.

At Temelin, which has the more modern VVER 1000 reactors, assistance was targeted on control and instrumentation systems.

Training was arranged for the Czechoslovak safety authorities.



To date, therefore, over 80% of the funding for the 1990/91 programmes has been committed.

III. PHARE and TACIS programmes 1992

a - TACIS programme 1992

The TACIS 1992 programmes are divided up as follows:

<i>TACIS Nuclear Safety Programme 1992</i>	<i>(ECU million)</i>
ISTC	20
Safety of nuclear power plants (1992 programme for Russia and Ukraine)	80

The programme takes account of the priorities proposed by G7 and the setting up of a Master Plan with the aid of the Twinning Programme Engineering Group (TPEG), a consortium of major Community utilities. It comprises four parts:

<i>Safety of nuclear power plants</i>	<i>(ECU million)</i>
1 - Operational safety (on-site assistance)	38
2 - Design safety (generic studies)	20
3 - Assistance to safety authorities	10
4 - Master Plan	10
(5 - Programme management)	2)
Total	80

a.1 - On-site assistance

Following missions by the Commission to Moscow and Kiev, the Russian and Ukrainian authorities agreed for the first time to on-site assistance as recommended by G7.

On-site assistance will require the permanent presence of experts, unlike the bilateral exercises carried out up to now. This assistance, which will normally involve one Community operator for each unit, will cover two aspects:

- (a) the human factor and man-machine interface (operational procedures, training, etc.)
- (b) improving safety equipment (inspection and control, supply of basic equipment), up to 40% of the budget.

All the funds for on-site assistance will be committed from the 1992 budget. Detailed talks with Community operators have been held in order to release a number of their experts for work at Russian and Ukrainian plants.

In particular, the Commission is investigating with the operators ways in which they can take effective action on RBMK reactors, given that there are not really interested in this reactor type because its technology is radically different from the pressurized water reactors (PWRs) used in the Community (excluding the graphite and gas-cooled reactors in the United Kingdom). Meetings were held with Community operators on 24 February and 31 March to check on their availability and define with them the details of their intervention. It is hoped that the relevant agreements and contracts will be finalized in May. Accordingly, experts should be in place at eight sites during the second quarter of 1993, not counting the various assignments financed as part of generic studies under the 1991 and 1992 programmes.

. Russia

The Russian authorities have given their agreement on the nuclear power sites to be targeted for on-site assistance. Moreover, the Commission and experts sent by it have discussed with them the precise assistance assignments. Final agreement is expected to be reached shortly.

Russia	total number of site	number of sites with TACIS assistance
RBMK	3	1-2
VVER 230	2	1
VVER 213	1	1
VVER 1000	3	2
Fast breeder BN 60	1	1

. Ukraine

The case of Ukraine, the principle and the selection criteria have been established. The sites are to be decided definitely shortly; activities are likely to include preparations for the decommissioning of units 1, 2 and 3 of the Chernobyl plant (leading eventually to complete closure of the site).

By the second quarter of 1993 there should be permanent presence of experts sent by the Commission on two sites in Ukraine.

Ukraine	total number of site	TACIS on-site assistance
RBMK (Chernobyl)	1	1 (decommissioning)
VVER 213	1	1
VVER 1000	4	1

The on-site activities shown are funded for one year. Additional funds on the same scale (ECU 38 million) would have to be committed in 1993, if necessary, should the Community and the beneficiary countries wish to prolong this action.

a.2 - Generic safety studies

- RBMK
No studies planned beyond those of the 1991 programme (ECU 8 million)
- VVER 230
ECU 3 million (in addition to the ECU 23 million allocated in 1991).
- VVER 213 and 1000
ECU 9 million earmarked for preparing financing of major safety improvements (in conjunction the EBRD, EIB and World Bank). This is in addition to the ECU 5 million committed under PHARE in 1992 and ECU 1 million committed under TACIS in 1991.
- Civilian fuel cycle operations
ECU 8 million - relatively little is known about this sector at present.

a.3 - Assistance to safety authorities

ECU 10 million has been budgeted (split equally between Russia and Ukraine) to help establish safety authorities and technical support organizations.

a.4 - Master Plan

ECU 3.5 million has been allocated to cover:

- framing an overall strategy for planning, building, running and decommissioning power plants, for and with the Russian and Ukrainian authorities;
- defining Community assistance in the medium term;
- additionally (after taking stock of current work) carrying out studies to aid the overall policy review required by the Master Plan. This will look at plant operation in the context of the nuclear chain, from mineral extraction through fuel processing to waste management, and reconsider nuclear generation of electricity compared with alternative energy sources via studies of input costs, prices and environmental impact.

b - PHARE 1992

The nuclear safety programmes for the PHARE countries are as follows:

<i>PHARE Nuclear Safety Programme 1992</i>		(ECU million)
Regional programme		20
Bulgarian national programmes		8,3

The main budget headings by sector demonstrate the clear priority given to on-site assistance and increased support for safety authorities:

<i>PHARE Nuclear Safety Programme 1992</i>		
1 - Operational safety (on-site assistance)		15,3
2 - Design safety (generic studies)		5
3 - Assistance to safety authorities		6
4 - Regional waste management policy		2
Total		28,3

b.1 - On-site assistance

. Bulgaria

On-site assistance under the PHARE programme began 18 months ago on unit 2 of the Kozloduy plant (VVER 230); as a result of the substantial improvements the unit was connected to the grid at the end of December 1992.

The initial phase of the work on unit 1 is due to be completed around March 1993, at which point units 3 and 4 can be shut down for repairs, still under the PHARE programme of assistance. However, on this occasion a single operator from the Community will be used so as to improve overall technical consistency. Experts will be permanently on site.

A small amount of aid has been earmarked for units 5 and 6 of a much more recent model (VVER 1000).

ECU 14.1 million has been allocated to Kozloduy in 1992 bringing the total amount since 1990 to ECU 26.8 million.

. Czech Republic

There are plans to assist the Czech authorities at the Dukovany power station (VVER 213), chiefly in the form of a safety study (i.e. not involving continuous presence on site).

. Slovakia

Extensive assistance will be given on the Bohunice site (VVER 230 and 213 reactors), involving the virtually continuous presence of a large number of experts.

. Hungary

The Paks power station (VVER 213) is, in the opinion of observers, one of the best run plants in Eastern Europe and will receive rather less assistance (safety studies under the PHARE regional programme).

Lithuania

The two units at Ignalina are of the more recent RBMK type (1500 MWe). The Commission has already provided assistance in training operators for this plant. In 1993 a large proportion of the assistance programmes will be devoted to the supply of safety equipment, closely linked with technical expertise.

b.2 - Generic safety studies

Generic safety studies (ECU 5 million) will be initiated for the most recent reactors (VVER 213 and 1000) in coordination with TACIS, given that the TACIS programme funds safety improvements on the VVER 230 series.

b.3 - Assistance to safety authorities

In 1992 the safety authorities has be singled out for particular attention, receiving ECU 6 million.

B.

G-24 COORDINATION

The mandate for the Commission to coordinate the assistance to Central and Eastern Europe of the group of the 24 industrialized countries goes back to the Arch Economic Summit of 1989 in Paris and the G-24 Working Group on Nuclear Safety met for the first time in Vienna in 1991. G-24 members with active assistance programme are regular participants in this Work Group, with the international Atomic Energy Agency serving as a technical advisor.

The Munich Summit in July 1992 agreed on a multilateral programme of action containing priorities and establishing a framework for the various actions. To implement this, the G-24 coordination mandate on nuclear safety was extended to the new states of the former Soviet Union.

The G-7 programme of action emphasizes the following aspects:

- operational safety improvements
- near-term technical improvements to plants based on safety assessments
- enhancing regulatory regimes
- examination of the scope for replacing less safe plants by the development of alternative energy sources and the more efficient use of energy
- examination of the potential for upgrading plants of more recent design

Both donors and recipients from Central and Eastern Europe and the former Soviet Union take part in the G-24 coordination mechanism on nuclear safety.

The Coordination mechanism established in September 1992, involves:

- a Plenary Working Group composed of bilateral and multilateral donors and all recipient states, which provides a policy forum and orientations and recommendations for specific actions and
- a Steering Committee composed of representatives from 10 major donors. It is served by the Coordination Centre providing a Secretariat staffed by the Commission and seconded national experts, including one detached by the IAEA. The Centre ensures liaison with the EBRD; World Bank, IAEA, NEA and other international and national organisations and maintains the G-24 Database.

A number of technical working groups are addressing priority issues; for example the Kozloduy NPP, Training, RBMK reactors, Third Party Liability and Regulatory Assistance.

On 14-15 January 1993, 34 experts from 14 countries plus Commission staff attended a meeting at the Kozloduy Nuclear Power Plant in Bulgaria. The meeting reviewed the progress of the 63 ongoing projects, considered their interrelationship in order to identify and eliminate any possible overlaps and duplication, and discussed gaps in the programme that need to be filled. Evaluation of the individual projects is continuing and the group will meet again in Sofia on 25-26 May 1993 to examine the results of the ongoing work and to make recommendations for its future development.

On 28-29 January 1993, 32 experts from 16 countries met in Brussels to review the 92 training projects that have been set up so far. A programme of work was agreed with subgroup meetings in March, May and June. The meeting saw the need for much more detailed technical information on each of the individual projects and this data collection is now underway.

On 21-22 January 1993, legal experts from G-24 countries; the IAEA and NEA met in Brussels to review the situation regarding Nuclear Third Party Liability in Central and Eastern Europe and the former USSR. In summary, Poland and Romania are Parties of the Vienna Convention and Joint Protocol, with full provision for channeling and strict liability in national law. Croatia; Slovenia and the "Federal Republic of Yugoslavia" (Serbia and Montenegro) consider themselves bound by succession to the Socialist Federal Republic of Yugoslavia but the provisions of their national laws have to be determined. Hungary and Lithuania are Parties to the Vienna Convention but as yet have no implementing national legislation. Finally, however, all of the other countries involved have no international commitments or national laws that provide channeling or strict liability. This situation poses a serious problem for companies involved with assistance contracts and discussions with these companies, the insurance industry and the recipient countries are being urgently pursued.

The G-24 Database is now fully operational and open to all participants with the objective of providing on-line access later this year. To date a total of 324 projects have been recorded from all donor countries and international organisations to the amount of 365 MECU. Intensive effort is now being directed to the collection of data on the national programmes of recipient countries.

Preparatory discussions within the G-7 framework in preparation for the Tokyo Summit have welcomed the development of the G-24 Coordination mechanism and have emphasised the need of an even more intensive coordination, in order to ensure efficient allocation of resources based upon the evaluations of priority, coverage and effectiveness.

	Firm commitments (USD million)	Firm commitments (ECU million)	Financing decisions taken (ECU million)
European Community	400	333	182
Germany	42	35	24
France	8,4	7	7
Italy	25,2	21	3
United Kingdom	2,4	2	2
Other Member States	8,4	7	3
United States	43,2	36	17
Canada	24	20	0,2
Japan	28,8	24	2
Nordic countries	15,6	13	11
Total	598	498	251,2

C.

AN INTERNATIONAL NUCLEAR SAFETY CONVENTION

In 1990 the Netherlands put forward the proposal that the IAEA should convene in 1991 a high-level technical conference on nuclear safety and the idea was endorsed by the European Community as a whole.

A conclusion of the Conference was that a state's responsibility for safety of nuclear installations should be formally reinforced by a commitment to the international community. The challenge of agreeing on clear objectives, scope, obligations and benefits of such a commitment was left open.

A resolution of the IAEA General Conference of September 1991 on "Means to Strengthen International Cooperation in Matters relating to Nuclear Safety and Radiological Protection" started preparation of the elements of a nuclear safety convention. A Group of Experts, convened by the IAEA, has been working on these with regular meetings; the last of which took place at the end of January 1993. A further meeting is scheduled in May; and a report will be made to the General Conference in September. Good progress has been made on defining the scope and contents of the draft Convention which could enter into a final round of discussions during 1994.

D.

EUROPEAN ENERGY CHARTER: NUCLEAR PROTOCOL

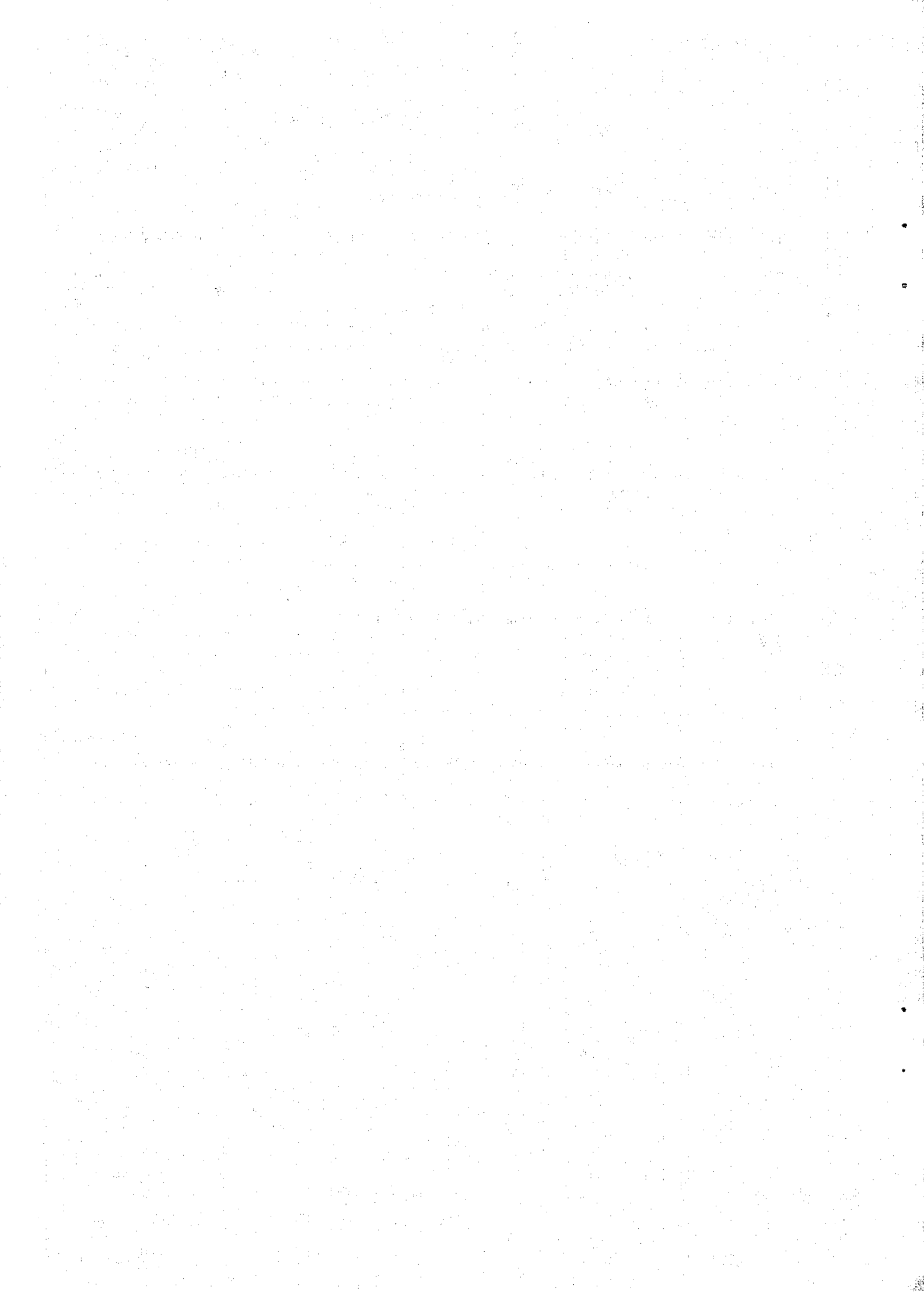
The European Energy Charter was signed in The Hague on 17 December 1991 by almost fifty parties (including the Community as a whole and all the Republics of the former USSR, except one). Written in the form of a political statement; the Charter was considered as the first stage towards a more elaborate binding agreement. The signatories consequently undertook the negotiation of a Basic Agreement which would define the horizontal and institutional provisions necessary for the operation of the Charter and a number of specific protocols covering the essential fields of cooperation, among which nuclear energy its safety aspects.

Negotiations of a protocol "on principles governing the peaceful use of nuclear safety facilities" are today well advanced, within the framework of a working group. The section of the text devoted to cooperation and coordination, as well as that on "principles of responsible nuclear conduct" are almost finalized.

The draft protocol specifies that the signatories intend to implement in order to ensure safety throughout the nuclear fuel cycle. This involves in particular the setting up of a suitable legislative or statutory framework, the appropriate operation of licencing and regulatory authorities; the rules on liability and financial responsibilities; industrial cooperation; the establishment of emission and security standards; permanent training for the personnel, emergency plans; impact assessments; etc. A commitment to subscribe to the most relevant international Conventions in the nuclear field is also provided for.

Negotiations of this nuclear protocol have however been suspended since the middle of 1992. The negotiators considered that it was necessary to wait for the finalization of the Basic Agreement before concluding the sections of the Protocol relative to trade, to investments and to technology transfers, as well as to the administrative and legal provisions (like the rules on dispute settlement), which are horizontal questions also dealt with in the Basic Agreement. The objective being, of course, to ensure consistency between the Agreement and the similar provisions contained in the nuclear protocol.

Despite this temporary suspension, the negotiations are sufficiently advanced to allow a conclusion of the nuclear protocol, almost at the same time as the Basic Agreement and only one additional meeting will be necessary to reach a final conclusion. Under the best assumptions, therefore, a conclusion before the summer remains possible.





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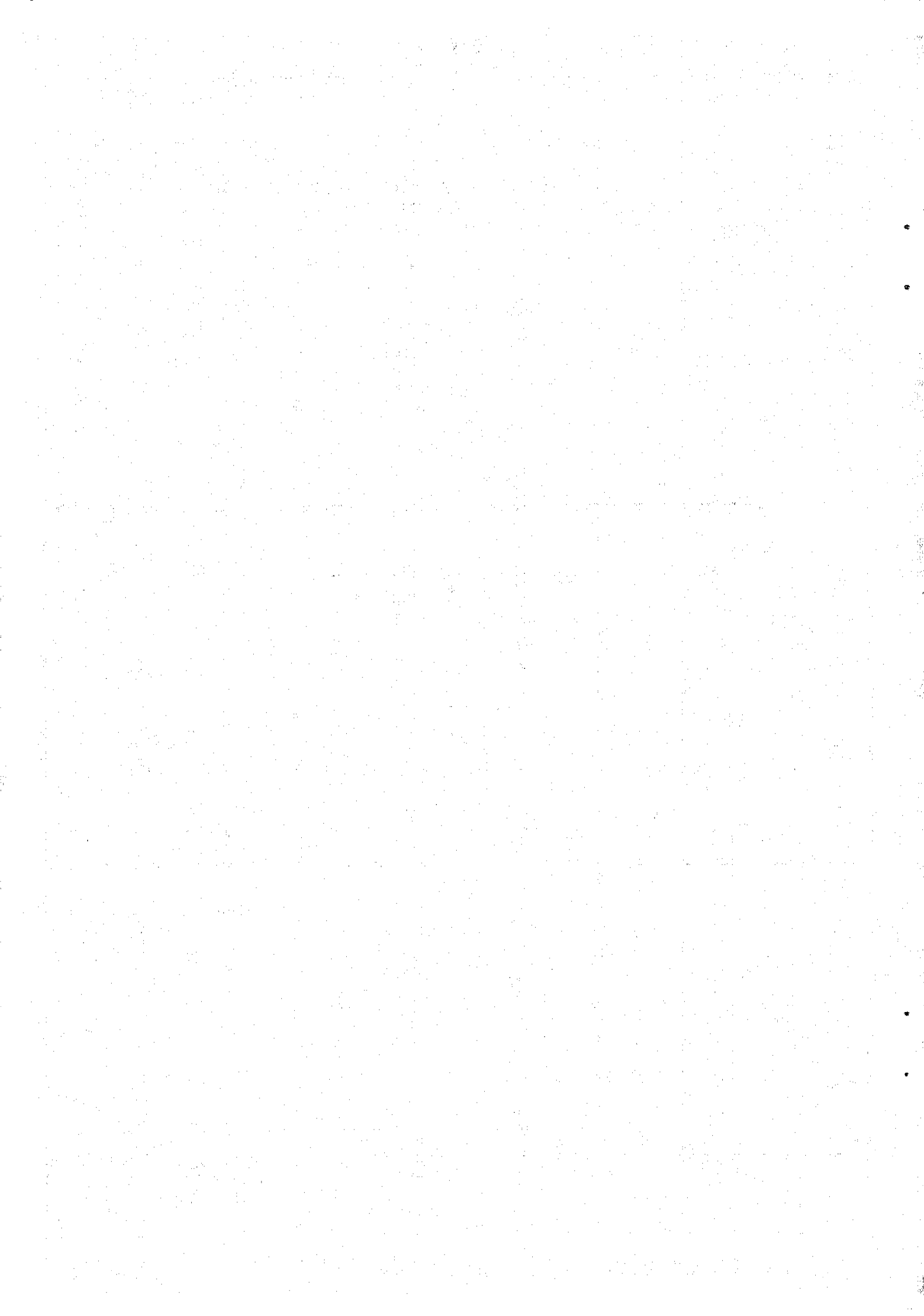
PHARE

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Public Administration Reform

March 1993

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Brussels, 19 March 1993

Directorate-General I
External Relations
PHARE Operational Service
UL/S

**PHARE and Public Administration Reform
in the Countries of Eastern and Central Europe**

Introduction

Since the programme was launched in 1990, PHARE has established a pattern of operations, from programming to implementation, based on developing the responsibilities of the recipient countries. Despite rapidly changing circumstances, e.g. the increase in the number of countries covered, the diversification of sectors, the types of assistance, etc., this approach has proved to be valid and it will continue to provide the operational basis for PHARE assistance towards policy reforms in the countries of the region.

A lot of experience has also been gained during three years of reform. In fact, the range of issues that need to be addressed in the process of reform is broader than may have been foreseen initially and views on priorities have also undergone some revision. It is clear that the process of transforming the role of the state in the economy demands a more complicated range of interventions and, inter alia, includes also the need to reform and strengthen the institutions in the public sector that are required to manage or support the policy reforms needed in the change from a command to a market economy.

The following note aims to present a brief overview of PHARE activity in the field of institutional development in the public sector. In this, it will be argued that attention needs to be drawn to the role that public administration reform can play, how this can have an important impact on public and private investment in the economy, and what the major issues need to be in this type of PHARE assistance programmes. As can be seen from the past three years, it would be wrong to assume that public administrations of the CEEC's would respond automatically to changes in the economy or society. Administrative reform will have to be pursued with the same vigour as political and economic reforms and will require a similarly sustained effort.

The Phare Programme

The PHARE programme of aid to the CEEC's supports the process of policy reform and the transition to a pluralist democracy in a market-oriented economy. Each year, as part of a policy dialogue, the priorities of PHARE programmes are determined by the national authorities concerned in close consultation with the Commission of the European Communities (CEC), taking into account the general guidelines and nature of the programme. Individual sector and horizontal programmes, reflecting these priorities, are subsequently designed in detail and approved following consultation with the Member States of the European Community.

In general, PHARE programmes vary according to the pace of reform in each country, the priorities and strategy for change and the availability of other sources of external assistance. PHARE may thus be involved in supporting a wide range of reforms in many different economic sectors and PHARE inputs may vary from technical assistance and training to equipment, grant schemes for local initiatives, fund financing and small credit lines.

In the first three years of PHARE (1990-1992), annual Indicative Programmes were agreed each year, while countries needed to build up their capacity to develop reform policies and to set priorities for external assistance. As of 1993 however, based on new guidelines, the programmes will begin to become multi-annual in nature, and will permit the national authorities in the recipient countries to start programming PHARE aid from a longer term perspective.

As such, there is an implicit element of institution and capacity building in the way PHARE aid has been programmed. Furthermore, as aid management and coordination offices were established in the recipient countries, PHARE has been able to assist the relevant national authorities to establish a policy framework and operational capacity to enhance coordination and management of external assistance.

There has also been an element of institution building in the way PHARE programmes are implemented. In major recipient countries, large scale programmes are managed locally by the ministry or designated implementing authority through a system of advance payments and the operation of programme implementation units (PIU's), who develop their own management and perform procurement and contracting according to established procedures. This decentralized system has had important consequences for the organizational behaviour in the ministries, agencies, or organizations in charge of a particular sectoral programme and helped to build up a local management capacity - both administratively and substantively - within the organization concerned.

In many PHARE programmes, training and human resources development contribute explicitly to institution building and institutional change in the public sector. Once overall policy priorities have been defined in a particular sector, the institutional dimensions can be established and target groups identified as part of an implementation plan, in which training and human resource development take on a major role. Very often also, governments see this as the key to changes in attitudes, values and behaviour of public servants and managers, in addition to providing specific techniques and occupational or management skills. This also presents an opportunity for external assistance to provide for in-house or local training capacity and infrastructure as part of the development of a long term training strategy and human resources management capacity of governments or ministries, instead of merely supporting ad hoc courses on general and specific subjects.

The institutional dimensions of PHARE activity in the public sector vary according to the sector concerned. In areas such as transport, customs and statistics, PHARE has been supporting programmes with strong elements of institution building and training on the basis of regional cooperation serving the needs of several governments at the same time. In other sectors such as agriculture, PHARE has been supporting very

diversified inputs ranging from the development of extension services to assistance with the management of agricultural credit schemes. In the field of privatization and enterprise restructuring, PHARE has been assisting the agencies and public sector organizations concerned with the development of strategy and policy, including legal frameworks, and management of the privatization process while at the same time providing funding for specific restructuring and privatization studies of particular state enterprises.

In other sectors such as energy, health, labour markets, education, etc., technical assistance, equipment and various other inputs have been provided, often also in cooperation with the World Bank or EBRD as part of a sectoral structural adjustment programme, with the aim of developing the institutional capacity of ministries and agencies to set and implement sector policy and reform programmes.

Public Administration Reform

More recently, in public administration reform programmes, PHARE has been providing financial and technical assistance to introduce reforms into the structures of central and local governments in the region. Support for public sector management and public administration reform as a horizontal approach is obviously at the forefront of assistance towards institutional development and change in the public sector.

Experience to date with PHARE programmes in this respect suggests that a total of five substantive issues would need to be covered in such programmes. Furthermore, as many of these are quite interrelated, there is a need, if possible, to tackle these problems in fully fledged stand-alone assistance programmes with clear objectives and a clear agenda.

Central Government Reform

The importance is sometimes not recognized of upgrading the central machinery of government, including paradoxically reducing the scope of state activities, as an essential element of an overall transformation process that needs to be guided and managed. Also, the importance is often overlooked or misunderstood of a high-level office close to the centre with sufficient political clout - also with parliament and the media - that would be able to develop an in-house capacity to guide and manage institutional changes in the public sector. Managing change from the centre should therefore be an important element in the design of public administration reform programmes.

The restructuring of the machinery of central government (restructuring of ministries, departments, agencies) should be carried out with clear policy and institutional objectives in mind. In the first place, this implies that the central government has administrative and policy procedures at its disposal that will ensure that the new micro- and macro-economic policy is coordinated and implemented, based on a market economy principles. There is often the tendency to look for quick solutions and to create ad hoc agencies, foundations and similar structures that suit the needs of a particular project, which leads to conflicting interpretations of authority or responsibility.

The vocation of a public administration restructuring programme should be to try as much as possible to rationalize state structures both vertically (between central/regional/local levels of government) and horizontally (within a given level). Finally the restructuring programme should make sure that the reforms are sustainable, i.e. a participative approach should be used as much as possible.

Public Finance and Budgets

An important aspect of public administration reform programmes must be that when new or reformed structures or entities are given new responsibilities and tasks, then corresponding sustainable budgets or financing mechanisms need to be put in place that will allow the new units to carry out the tasks as required, while ensuring at the same time that these are in line with the macro-economic goals of the economic transformation programme.

Public administration reform programmes should therefore very closely involve Ministries of Finance in any restructuring exercises and should ensure that the government's finance and budget system as a whole and administrative procedures in particular are streamlined and are themselves the subject of reform. At a time when many countries in the region are struggling with important budget deficits, it is seen that a modern management system has not yet been put into place that ensures proper budgeting and accounting of public funds. A particularly important aspect is the establishment of an effective system of public investment analysis and public expenditure programming. Where feasible, aid management and coordination should form part of this new management information and decision-making system.

Decentralization of public services

Institutional change in the public sector and public administration reform are not limited to central government alone but apply to local authorities (municipalities, districts, counties) as well and can often have an important impact on the local population, quantity and quality of local public services and on local democracy. In fact, strengthening local governments is often considered a stronger and more urgent need than central government reform.

A strategic and comprehensive approach in this field demands that assistance is provided to increase local government responsibilities together with appropriate financing mechanisms, as part of a clear definition of the respective roles of central and local government; the main aim should be to reform and strengthen local authorities and relevant policies (increased accountability and public choice, local resource mobilization, local delivery of public services). The aim should however also be to provide assistance to central governments to develop policies and strategies for the development of local governments as such.

The reintroduction of local self-government is very important for the consequences that it has on community development, the emergence of a civic society, and local democracy. In the old system, society and the way of life were organized around the

place of work. In the new system, a deep change in social values and attitudes and the way of life will occur and basic social services will no longer be provided by the enterprises but will have to be taken over by local governments. This will require a substantial strengthening of the local management capacity. The role of local authorities should be clearly recognized in this whole process and as far as public administration reform is concerned, these should be considered the basic building blocks of the public administration at large.

Management reform of public administration

The introduction into the central and local government of the use of modern management techniques is another important aspect of public administration reform. As mentioned before, the allocation of public funds in most countries of the region will also imply the use of a number of management tools that are typical of administrations in market economies. In the first place, this refers to public procurement and financial management. In some CEEC's, attempts have been made to draft or to initiate a drafting process for a general procurement regulation, which will provide the basic normative framework for the use of public funds in the economy. Such acts will however have to be complemented by additional sets of legal instruments, including regulations concerning inter-ministerial coordination, establishment of appropriate structures and implementing decrees to assist procurement activities of central and local government and other recipients of public funds. Furthermore, considerable training programmes will be required to ensure that these regulations are being implemented throughout the public service. There is also a need to establish financial management systems (budgeting, accounting, reporting, auditing) in the countries concerned.

Civil service reform and training

In many countries, thinking on the subject of public administration reform is often along legalistic lines, with the idea that there is a need to establish civil service laws, etc. as soon as possible. In this connection, there is often a rush to establish national public administration schools without first developing underlying policies or strategies or without first reflecting on the fundamental choice of what type of civil service is really needed or can be afforded.

Public administration reform programmes should address the issues of civil service reform and training in a systematic way. As far as civil service reform is concerned, this requires the establishment and development of a personnel policy together with recruitment and performance policies for the public sector as a whole. Governments in the region will have to decide first on the choice of the type of civil service that is needed, relative to conditions prevalent in the private sector, taking into account what budgets can afford. In this respect, innovative systems of personnel status and remuneration policies will have to be devised, based on principles of flexibility, cost-effectiveness and attractiveness of the civil service. Governments in the region can also benefit from the current thinking on civil service, whereby the role of the civil servant is now more seen as that of a manager rather than an administrator. In the new market economy, issues such as regulation and control, though important, will in

any case decrease in importance over time, while the provision of services will have to develop more strongly.

As far as civil service training is concerned, this should be designed to support not only courses on general and specific subjects for civil servants and local government employees but, more importantly, the development of a long term training strategy and human resources management capacity of governments, both at central and local level. The programmes therefore should provide assistance for training, where appropriate, as part of the reconstruction of the government's training system, including strengthening or developing a network of regional training institutes. The programmes should also put an emphasis on developing the local government training capacity, particularly in those countries where there is a strong tendency to decentralize the delivery of public services.

Current programmes

Regional

The first stand-alone programme on public administration reform that PHARE financed, was the regional SIGMA programme, executed jointly with the OECD. It covers six countries in Eastern Europe (Poland, Hungary, Czech and Slovak Republics, Bulgaria and Romania) and plays a key role in helping governments to identify reform policies and programmes in this field. The areas of work of SIGMA, which obviously are of common interest to the countries concerned, are: management of policy development and coordination systems; overall architecture of government; resource allocation and decision procedures; personnel policy; central systems for managing devolution; and building capacities in non-administrative institutions. In addition to individual country work, and as part of the approach of the SIGMA programme, regional workshops are organized together with bi-annual liaison meetings. These workshops and liaison meetings serve an important, additional function in that they are providing a forum for East-West and East-East exchange of experiences and views on institutional change in the public sector and administration. It is foreseen that, as part of a second phase, the programme will be extended to Albania and the Baltic States in 1993.

National

In addition, at the request of the governments concerned, PHARE is financing also national programmes of public administration reform in a number of countries. The OMEGA programme on public administration reform in Poland was the first such complete programme that PHARE financed in the region. Its main components are briefly: restructuring of the offices of Council of Ministers and the cabinet system; restructuring and modernization of the ministries of agriculture, privatization, industry, planning and construction (in the case of the latter four with the idea to establish a ministry of economy), assistance for policy and strategy development with regard to decentralization issues, development of the civil service and general and specific training for civil servants at the central and local government level; and assistance with the creation of a local authorities development agency.

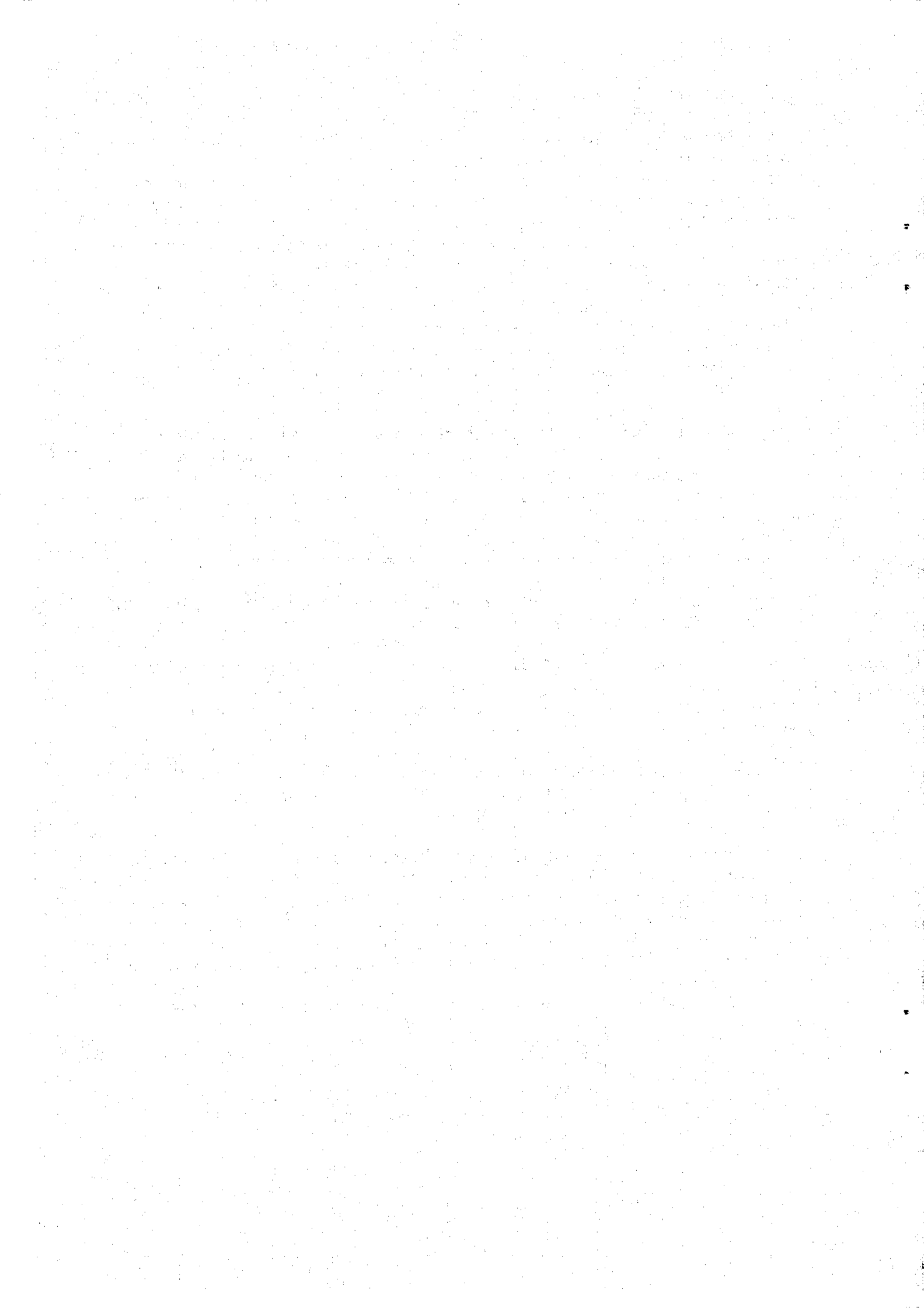
The programme, of which the total cost amounts to 12.5 million ECU, at the same time combines the structuralist approach - i.e. providing funding for advice and studies to adapt the Polish state structures to the requirements of a modern market economy - with the behaviouralist approach - emphasizing changing attitudes of civil servants and institutional change through training programmes, assistance with the development of a personnel policy and human resources strategy. The programme was also instrumental in the establishment by the government of a high-level office of public administration reform, which has the responsibility to propose, develop and manage the institutional reform plans of the government and to coordinate offers of external assistance in this field. Assistance for the establishment and development, including training, of a public procurement system is also foreseen (as part of a general technical assistance programme, which includes, inter alia, support for budget management).

In Hungary, PHARE is financing a public administration reform and training programme with a total budget of 5.5 million ECU. Its objectives are to develop the capacity to support the structural development of the administration together with the human resources and training system; to develop the necessary training competence to provide the civil service and the political management with the skills and attitudes to fulfil its new functions; and to develop the basis for an effective and coordinated information system which meets the needs of central and local government.

In Romania, a 1.5 million ECU programme is being financed by PHARE on Local Government. The programme is assisting the government to develop a system of local autonomy, including assistance with the drafting of legislation and the development of strategies for decentralization of services. The programme will develop a system of training for local officials, including the training of trainers, and will support local and regional training centres. A similar programme for the development of local government has been on-going for some time in the former CSFR.

Preparatory work is also being undertaken now, particularly in Albania and the Baltic States, which, if so requested by the governments concerned, will lead to PHARE financed public administration reform programmes in 1994.

Important aspects of institution building, training and public administration reform are included in two other sector specific PHARE programmes, which have both regional and national dimensions. In the field of customs, PHARE is assisting all the national customs services in the execution of large scale modernization, training and reequipment programmes. In the field of statistics, where retraining in new techniques has been urgent, PHARE through EUROSTAT has been supporting all the national statistical offices in developing a modern system for the collection, analysis and publication of statistics, including in-house training facilities and the provision of equipment.



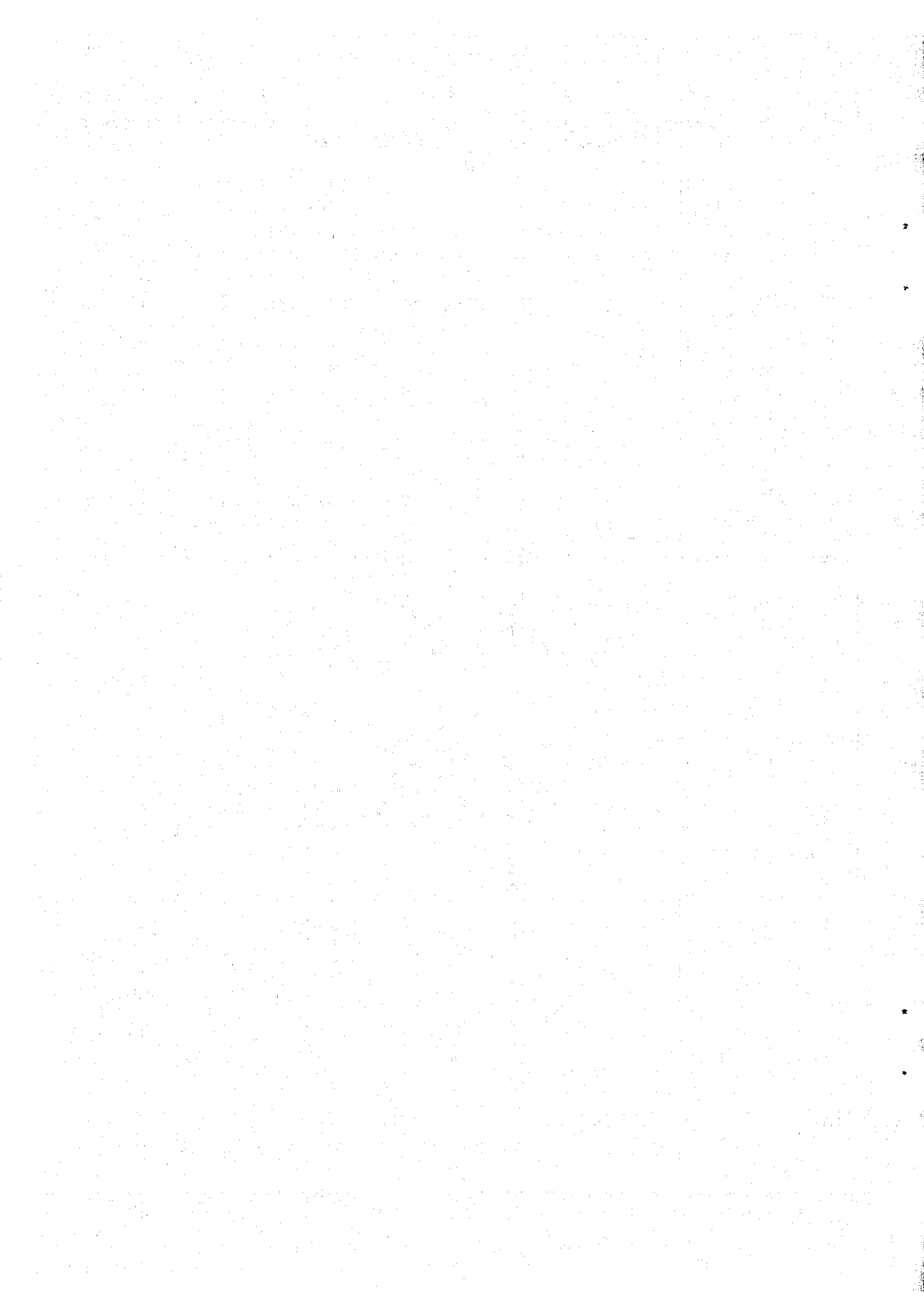


COMMISSION OF THE EUROPEAN COMMUNITIES
PROGRAMME OF ASSISTANCE FOR ECONOMIC RESTRUCTURING
IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

PHARE
&
Science and Technology

May 1993

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PHARE

Support for Economic Research in Central & Eastern Europe

• *Identification*

Country:	All countries
Programme:	Action for Co-operation in the Field of Economics
Year:	1990, 1991
EC Contribution:	6.5 mecus

• *Context*

The need to promote research and cooperation between EC economists and their counterparts in Central & Eastern Europe has never been greater. As post-communist economies edge forward in the economic transformation process the understanding of the essentials of market economy mechanisms, the acquisition by professionals of modern economic concepts and techniques and the development of policy relevant research and analysis are crucial in this transformation. In the framework of PHARE, the ACE Programme is instrumental in this process by providing direct support to professional and research economists from the EC and Central & Eastern European countries for cooperation on these very subject areas.

• *Programme Objectives*

The objective of this programme is to assist the economies of Central & Eastern Europe to become better equipped to implement processes of liberalisation and reform. The action consists of a range of activities which have as their specific aim to establish cooperation and interchange between economists of high professional quality between Community Member States and their PHARE counterparts providing tangible added value for the beneficiary states.

• *Programme Actions*

The programme supports a range of actions to promote economic cooperation.

○ *Joint Research, Mobility Measures & Networking*

At an institutional level, grants are provided for multi-national networks or research projects (involving at least one PHARE partner and two EC university or research institute bodies) on topics of clear policy relevance in Central & Eastern Europe - agricultural reform, privatisation, management changes in state enterprises, reconversion of military assets, sectoral analyses (textiles, coal-mining and steel, in particular), labour market reform, public health economics etc. At the individual level, exchange of economic and managerial techniques and concepts by way of funding scholarships, fellowships, conferences and seminars, enabling a West-East exchange of economic and research techniques in the same key sectors.

○ **Centres of Excellence**

To encourage top quality training, support is provided to "centres of excellence" in beneficiary states offering international PhD studies in economics and MBA programmes of high calibre.

○ **Information & Documentation**

Transfer of research results by way of publications and translations of scientific publications and reports into local languages is additionally supported. Costs of printing and distribution may also be met with ACE funds.

● **Programme Implementation**

The ACE programme was initially launched in 1990 with Poland and Hungary (1.5 mecus) and joined the following year by the former CSFR, Romania, Bulgaria and the former Yugoslavia (5 mecus). In 1992 the programme was joined by the Baltics Republics and Albania with a total budget of 6 MECUS. Data available to date on ACE actions only reflects the first two years of the programme's implementation.

By far the greatest share of the funds went to multi-national research projects and networking (72% of the total budget). Professional exchange in economic and managerial techniques through scholarships, grants for facilitating participation of professionals from Central & Eastern Europe in international conferences and grants supporting the dissemination of research results accounted for just under 25% of the budget. The balance of the funding (4% approx.) went to the development of recognised "centres of excellence" in PHARE beneficiary states.

An important part of ACE's value-added derives from the "regional" dimension of the programme - addressing economic policy and management questions common to all PHARE beneficiary states as opposed to each beneficiary state applying a purely national approach. By creating research teams and networks involving more than one beneficiary country economists pool their knowledge and experience by working on complex questions on transition to market-led economies. Those that stand to gain most from this dynamic are PHARE countries which are less advanced in the transformation process.

In the meantime, evaluation of proposals submitted under the ACE 1992 budget (6 mecus) involving all eleven Central & Eastern European countries is presently being undertaken. As with the 1990 and 1991 operations, the response has been impressive with more than 700 eligible applications to be considered. Results will be available by August 1993.

● **Conclusions**

The outlook for ACE looks promising. A recent evaluation of the first two years of the ACE operation undertaken by independent experts from the EC and PHARE states concluded: "the impact of the programme on research into the economics of the transition to the market was very substantial". Government representatives from all PHARE beneficiary states are to meet in early Autumn 1993 to discuss the future directions for the programme. A key item on the agenda will be annual vs. multi-annual programming. A shift away from the standard annual budgeting and planning of the programme to a multi-annual framework would encourage a more consistent and strategic implementation of the programme while allowing for a consolidation of networks and joint research projects.

PHARE

Support for Research & Development in Hungary

• Identification

Country:	Republic of Hungary
Programme:	Strengthening of R&D Capacity
Year:	1991-1992
EC Contribution:	10 MECUS

• Context

Hungary's extremely limited access to new technologies and international cooperation in the R&D field during the past decade has been partly responsible for the widening of the technology gap and the slowness of the economic restructuring process. This programme is designed to improve Hungary's R&D information infrastructure as well as developing relationships between the Hungarian R&D community with its counterparts in the EC. The key actions funded by PHARE form an integral part of the implementation of Hungarian S&T policy which straddles two principal themes: improving information and communications and promoting international collaboration.

• Programme Objectives

The overall aim of this programme is to improve the quality and efficiency of R&D activities while supporting the implementation of a new coherent technical and technological development policy in Hungary. More specifically, the programme will reinforce R&D cooperation between Hungary and the European Community with a specific objective of modernising institutional structures in research and development.

• Programme Actions

PHARE support focuses on three actions::

- (a) **ACCORD Programme:** promotion of and support for the participation of Hungarian R&D organisations in the international R&D programmes launched by the EC or by its Member States; assisting the mobility of Hungarian R&D personnel for training and developing contacts with the European R&D community;
- (b) **developing R&D infrastructure,** developing an information infrastructure network for R&D institutions (IIF project);
- (c) **assisting in the modernisation of the Central Technical Library.**

- **Programme Implementation**

- **ACCORD Programme**

Funding under this action will promote cooperation between the Hungarian R&D community and its EC counterparts. The ACCORD programme is supporting Hungarian R&D organizations in the international R&D programmes run by the EC or its Member States, assist the mobility of R&D personnel in training and developing contacts outside Hungary, as well as helping to finance the purchase of scientific equipment for the country.

The degree of interest shown by the Hungarian scientific community is encouraging (e.g. joint research projects' budget: 3.5 MECUS; demand from proposals: 12.3 MECUS). The numbers and quality of those proposals evaluated to date indicate that demand substantially exceeds available finance (see above). Mobility actions are already operational. Evaluation and funding decision-making of the joint research proposals is on-going. The equipment component of this programme is a continuation of the PHARE 1990 Modernisation of R&D Infrastructure Programme which assists in the upgrading of equipment and instruments for of R&D resource centres open to researchers, technicians and academics in the regions. The ACCORD programme is the fore-runner to the PECO programme managed by DGXII promoting scientific cooperation between the EC research community and their counterparts in Central & eastern Europe. Cross-referencing of projects between the two actions ensures that double-funding is avoided.

- **R&D Information Network**

This project is a follow-up to the 1990 PHARE contribution which funded 6 regional research centres installing computer systems enabling them to network and to access databases in Hungary and beyond. These centres provide network services (electronic mail, file transfer, interactive computers, directory services, database services etc.). The present project forms part of a wider programme which has Hungarian government and World Bank support. Within the current phase a total of 108 institutes have replied requesting equipment to a value of 7.5 MECUS (current budget from PHARE funding is 800,000 ECUS). It is anticipated that a further 12 institutes will receive equipment enabling them to join the network.

- **Modernisation of the Central Technical Library**

The modernisation of the Central Technical Library is also a continuation of a project initiated under the 1990 PHARE budget. The first phase has been completed successfully and technically audited by colleagues in DGXIII. The current phase includes the acquisition of material and the installation of an IT system for central cataloguing. The 1990 funded project has improved the control and efficiency of the library's acquisition and management of periodicals. Follow-up work will involve the installation of a mainframe to improve cataloguing and on-line services, as well as the introduction of new reference tools.

- **Conclusions**

A consequence of PHARE funded activities to date is that the scientific community in Hungary is better informed locally and well as at the international level. This is creating a climate of greater confidence within the scientific community prompting greater local and international interest. PHARE actions are directly promoting a national policy of harmonising and integrating Hungarian R&D activities at international level. Hungary's integration within the pan-European R&D activities will widen the country's R&D frame of reference and strengthen R&D capacity, adding to increased economic strength.

PHARE

Support for the Science & Technology Sector in Poland

• *Identification*

Country:	Republic of Poland
Programme:	Sector Reform Programme for the Science a Technology Sector
Year:	1991-1992
EC Contribution:	7 mecus

• *Context*

For Poland, effective R&D within a properly supported and managed S&T structure will be a prime determinant of appropriate industrial development. At present, there is an extremely weak demand for S&T owing to long established indifference to technological enhancement and competitive innovation coupled with very low or non-existent investment in in-house R&D in state enterprises. The S&T system, more particularly, is characterised by a fragmented institutional framework with a proliferation of institutions, many of low quality. Efforts are already being made to better target national S&T funds, although funding is still heavily biased towards basic research which has little economic application. More generally, the present cash crisis is resulting in a loss of research personnel, many of them the youngest and brightest, at a time when the economy most needs them. Finally, scientific effort is difficult to quantify given unsatisfactory information structures. *SCI-TECH* - a PHARE supported sector reform programme - is designed to address these issues.

• *Programme Objectives*

SCI-TECH's aim is to promote Poland's scientific and research potential with a view to strengthening the scientific output commensurate with the country's requirements and economic potential. The immediate objectives of the *SCI-TECH* programme are to rationalise and bring order to this sector through reduction and elimination of badly targeted public funds and promote awareness of its importance for industrial competitiveness.

• *Programme Actions*

The programme will take the form of a range of actions:

○ S&T Funding Systems & Structures

At the institutional side, technical assistance will be provided to the State Committee for Science or KBN, to develop a computer based project management system for the management and control of all nationally funded projects.

To assist the quick access of Polish industry to international technologies, a pilot scheme will be developed involving feasibility studies for the sourcing of new technologies, identification of potential licenses, evaluation of technologies on offer, auditing of company technology requirements and options etc. Additionally, an industrial fellowship programme to kick-start a stronger culture of

cooperation between industry and university S&T sector will be established with specialist support to the Warsaw University of Technology's SME incubator unit to develop an model Incubator Mentoring and Technical Assistance Scheme.

○ **S&T Statistics & Information**

An Indicators Unit in KBN will be established which will have access to all data relevant to S&T policy-making in Poland. Information systems permitting international comparative evaluation of S&T data and the creation of private sector research data structures will also be developed. In terms of training, short-term fellowships will be introduced for S&T statisticians to work in the OECD, specifically to learn the methods and scope of S&T statistics. An international expert will be appointed to advise on and direct the reform of the current S&T statistics system.

○ **Restructuring & Rationalisation**

A strategy for the rationalisation and restructuring of the framework for S&T including the institutes of the Polish Academy of Sciences will be developed involving audits, mergers, staff reductions, training measures etc. A model project to promote privatisation of commercially viable research institutes will be developed. This will assist selected institutes in preparing business plans and investment proposals for presentation to banks and investment funds.

○ **Human Resources**

An action plan for the training and redeployment of redundant staff will be drawn up involving various actions: provision of information on the availability of retraining opportunities and private sector job opportunities, counselling services etc. Support will also be needed to help educational and training authorities to mount courses in special areas where there is a high volume of demand.

○ **International Cooperation**

New opportunities for Polish participation in EC programmes are opening up, but shortage of resources will inhibit their exploitation. *SCI-TECH* contribution will support participation in EC S&T programmes and international networking.

● ***Programme Implementation***

Tendering for technical assistance for the above actions will take place in June 1993. Programme implementation will begin in August 1993.

● ***Conclusions***

A transition to a market-led economy means changes to those sectors contributing to economic development. The *SCI-TECH* programme is the starting point for reform of the R&D sector in Poland and is setting the framework and strategy for making the sector more accountable to the new market-driven economy. *SCI-TECH's* task - to redefine and elaborate the institutional mechanisms for Poland's research and development backed up by specific measures to stimulate industrial interest in research and technology - sets the agenda for this sector for the next three years.

PHARE

Networking R&D centres in Central & Eastern Europe

• Identification

Country:	Bulgaria, Czech Republic, Hungary, Poland, Romania & Slovakia
Programme:	Cooperation for Open Systems' Interconnection Networking
Year:	1992
EC Contribution:	2.5 mecus

• Context

The establishment of a fully functional market economy in the countries of Central & Eastern Europe requires the revitalised R&D communities being exposed to and maintaining close contacts with their peers in western Europe and beyond. Further, keeping abreast of sectoral developments in other regions and countries by way of immediate and up-to-date information is crucial for promoting innovation and maintaining the competitive edge which market-led systems demand. An essential tool for researchers striving in the competitive market, therefore, is appropriate telematics and networking services to quickly access information and communication services. Researchers in EC states and other western European countries (18 in total) have already equipped themselves with such facilities and are linked into a pan-European R&D information network known as COSINE (Cooperation for Open Systems' Interconnection Networking in Europe).

• Programme Objectives

The objective of this programme is to extend the COSINE network to include the research community (academics, governmental research institutes, research centre staff, industry etc.) of Central & Eastern Europe. PHARE monies will assist the upgrading of the R&D communications' infrastructure presently available, enabling increased linkages of participating PHARE beneficiary states within the western European network.

• Programme Actions

The programme involves a linking-up of two sorts. Firstly, within each beneficiary state selected sites (identified according to degree of demand, availability of circuits etc.) are being linked, enabling a national distribution and collection of data traffic - *internal link*. Secondly, the internal network itself will be connected to an international line - *external link*. This linking up or "connectivity" will allow users immediate access to a host of services and activities: information, documentation, directory services, electronic mail, file-transfer etc. New products and services are continuously being added to the COSINE network to meet the needs of many types of user: individual researchers, project managers, administrators, civil servants etc.

- ***Programme Implementation***

Earmarked with a budget of 2.5 MECUS the present programme involves Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia. About 50% of these funds are being absorbed by the infrastructural and system training requirements; the remaining 50% will meet the connectivity costs of each country to the network.

- ***Conclusions***

Given the increasingly international and collaborative nature of research the links being established between the research communities of Eastern and Western Europe will be vital to meet the challenge of competing economic areas, in particular Japan and the United States. By COSINE bringing PHARE states within the pan-European connectivity the state of the art technology now available immediately puts researchers from these countries in touch with their international peers reducing costs, time and effort. A widening of the programme to include the remaining PHARE beneficiary states (Baltic Republics, Slovenia and Albania) will depend on these countries making a specific request to the European Commission, in keeping with the demand-led approach of the PHARE programme.

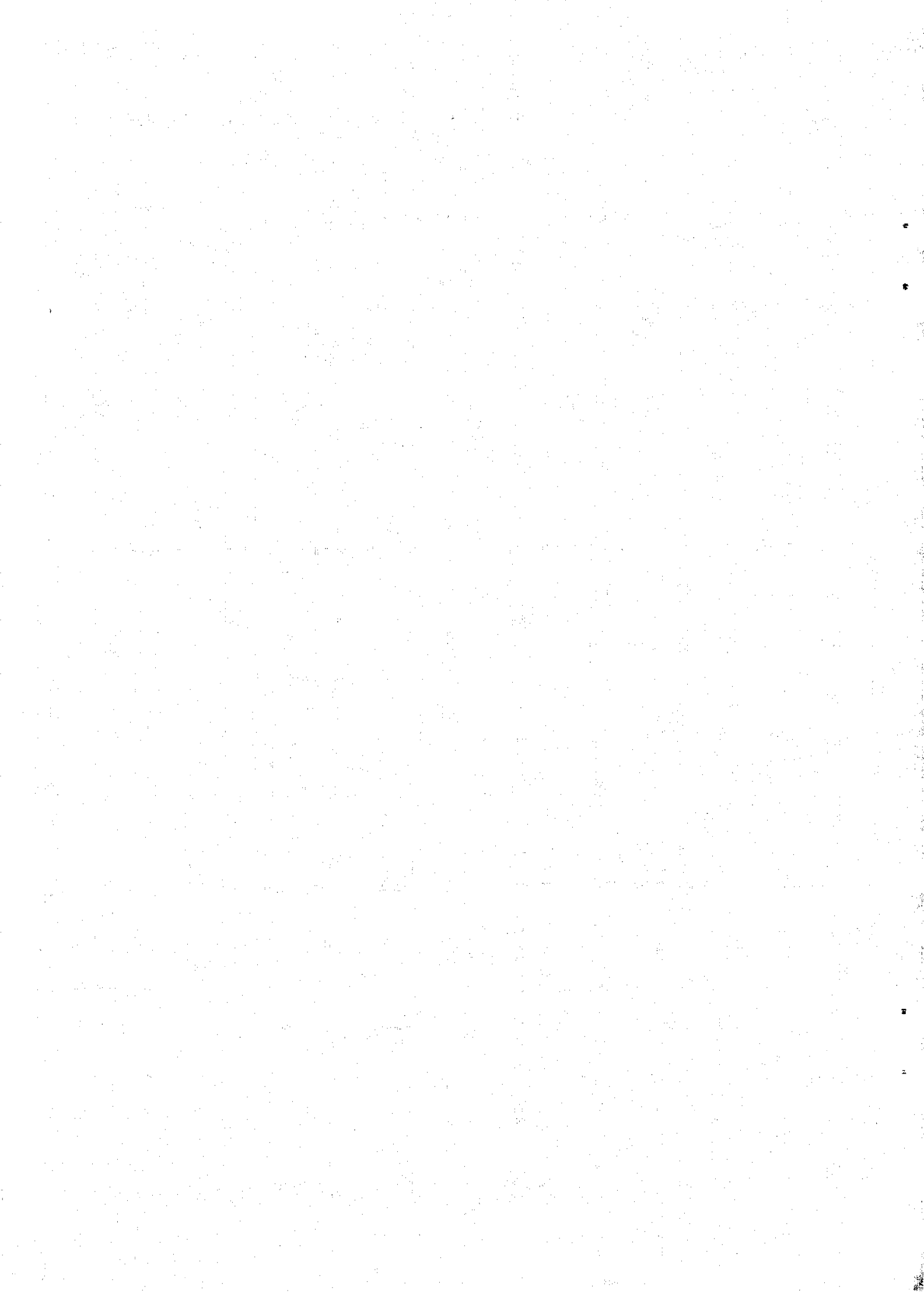


COMMISSION OF THE EUROPEAN COMMUNITIES
PROGRAMME OF ASSISTANCE FOR ECONOMIC RESTRUCTURING
IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

PHARE
&
SME development

May 1993

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E.C. PHARE PROGRAMME

SUPPORT TO

SME DEVELOPMENT

IN

CENTRAL AND EASTERN

EUROPE

E.C. Commission
PHARE Operational Service
May 1993

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WHAT TYPE OF ASSISTANCE DO SMEs NEED ?

The private sector has emerged at an impressive speed in Central and Eastern Europe. The liberalisation of the economy has led to many new entrepreneurs establishing their own firms, while those already in business now have better prospects for expansion.

Sustaining this growth of the private sector is important for a number of reasons. The private sector, and in particular small and medium-sized enterprises (SMEs), will form the backbone of a market economy and in the future will, as in other countries, provide most of the employment. In addition, support for small enterprise will help in demonopolisation and restructuring of large companies as part of the process of transformation as well as in social stability through the creation of a middle class, while also bringing flexibility in the economy and facilitating technological research and development. Finally, new business development is a key factor for the success of regional reconversion where traditional and heavy industries will have to be restructured.

A lot has been achieved in this transitional process. The private sector is growing steadily and strongly. Most Governments are striving to create the favourable framework required to bring this process to full fruition. The bulk of the work, however, is still ahead. The needs of SMEs can be generally classified as follows :

1. **Need of know how for individual enterprises.** Most SMEs lack any source of business advice and information, including how to set up a business and to plan its activity; understanding of basic business concepts such as marketing and training, again at a basic level.
2. **Access to finance.** Owing to the economic situation and the poor functioning of the banking system, there is considerable difficulty in raising finance. Often this is a case of access to finance on reasonable commercial terms, but particular problems include : dealing with hard currency and exchange risk; lack of security for loans; lack of personal equity due to inflation; lack of any medium term finance; inability of banks to appraise business plans; lack of appropriate banking laws and supervision.
3. **Lack of institutional support.** There are few organisations which directly support SMEs from the old regime and new organisations need help in organising themselves and need training and support themselves in order to support the SME sector. This lack applies both to public and private organisations and the need is both for general support organisations and for specific self-organising institutions.
4. **Lack of SME policy and SME policy-making.** A comprehensive and conducive SME policy is a key element for the success of the private sector. Too many laws are still passed without considering their effect on the SMEs.

PHARE SUPPORT TO SMEs

PHARE Commitments

Against this background, the PHARE programme has considered SME development as a priority right from the beginning of the reform and has committed the following amounts (*) (**):

Estonia	=	2	MECU
Latvia	=	2	MECU
Lithuania	=	5	MECU
Poland	=	91	MECU
Czech Republic	=	12	MECU
Slovakia	=	8	MECU
Hungary	=	36	MECU
Romania	=	10	MECU
Bulgaria	=	25	MECU
Slovenia	=	0,7	MECU
Albania	=	2,1	MECU

(*) Total amounts committed per country 1990 and 1992

(**) Detailed information is provided on a country basis in annex

WHAT TYPE OF SUPPORT DOES PHARE PROVIDE ?

To address the needs of SMEs in Central and Eastern Europe, PHARE has concentrated its assistance on SME support services institutions, financial assistance and policy advice.

1. Assistance to SME Institutions

1.1. New SME Support Institutions

PHARE has sponsored the establishment of locally-based business support services for existing and new entrepreneurs. Such services would typically include advice, information and training, in the form of Business Support Centres, Local Enterprise Agencies or Business and Innovation Centres.

40 new SME support institutions have been established with PHARE support, and 22 are being set up, of which :

- Baltics = 9 Business Advisory Centres (being set up)
- Poland = 9 Business Support Centres
- Czech Rep. = 3 Business and Innovation Centres (BICs)
- 5 Regional Advisory and Information Centres
- Slovakia = 1 Business and Innovation Centre (BIC)
- = 3 Regional Advisory and Information Centres
- Hungary = 12 Local Enterprise Agencies (LEAs)
- 1 BIC (being set up)
- Romania = 5 SME Development Centres (being set up)
- 3 BICs (being set up)
- Bulgaria = 3 BICs (being set up)
- Slovenia = 1 BIC (being set up)
- Albania = 7 Regional Business Agencies

1.2. Support to existing SME Institutions

Complementary to new institutions it is necessary to support existing self-organised institutions such as entrepreneurs' associations and chambers of commerce and PHARE has given support, mainly in the form of technical assistance aimed at institution building for such organisations.

To achieve better this objective as well as to encourage direct relationships and twinning between similar organisations in Central Europe and in the Community, PHARE is also sponsoring technical assistance and training programmes carried out by :

- Eurochambers for Chambers of Commerce and Industry
- (EBN) European Business and Innovation Centre Network for BICs
- (EVCA) European Venture Capital Association for newly set up and emerging Venture Capital Funds
- (EFER) European Foundation for Entrepreneurship Research

1.3 **EIC and BC-Networks**

National "Correspondence Centres" have already been opened in Poland, in the Czech Republic and in Hungary, to give to these countries access to the Euro-Information Centre Network (EIC). A national network of EICs is now being developed in these countries from the Correspondence Centres.

Similar Centres will be opened in Slovenia, Romania, Bulgaria and in the three Baltic countries.

Poland, Hungary and the Czech Republic have also been connected to the Business Cooperation Network (BC-Net). The extension of the BC-Net facility will be gradually undertaken in the other countries as well.

2. **Financial instruments**

Clearly, problems connected with actual lack of capital should be solved in the longer term by commercial capital and international financial institutions. Nonetheless, the inexperience of the banking sector in dealing with SMEs and performing effective credit appraisal means that SMEs are starved of credit, particularly medium and long-term credit, and the banks are developing only slowly to the level where they can raise finance from international donors for SME lending. To address this, PHARE has established credit and credit guarantee schemes to deal with SME at the point of delivery.

The financing schemes are complemented by appropriate technical assistance to the banks, particular emphasis is put on creating special small loan windows in such banks for small businesses to provide the initial financing needed for SME development and strengthen the banking sector capacity.

2.1. **Four types of financial instruments** are normally provided through local financial intermediaries :

- **Credit Guarantee Funds** to cope with the lack of collaterals of small entrepreneurs and to demonstrate the effectiveness of such an approach to be adopted on a larger scale using national resources;
- **Credit Lines** to provide micro and small loans to start-ups and small enterprises, together with intensive technical assistance to the participating banks in the countries;
- **Grant Schemes** to facilitate the access of SMEs to credit by lowering the debt component of total project costs;
- **Regional Investment Funds** to provide seed capital for local SMEs (such as minority shares and subordinated loans) for enterprises that do not yet have access to locally-based sources of non-debt financing.

2.2. **The following financial schemes for a total of 125 MECU** have already been established or are being set up (*):

- **Lithuania** = Credit line of 3 MECU for small loans (*)
- **Latvia** = Credit line of 1 MECU for small loans (*)
- **Estonia** = Credit line of 1 MECU for subordinated and small loans (*)
- **Poland** = Credit line of 19 MECU for small loans
43 loans have been made for a total of 1,85 MECU

Grant scheme of 35 MECU for four regions (*)
Credit Guarantee Scheme of 5 MECU (*)
2 Regional Investment Funds with 2 MECU (*)
- **Czech Republic** = Credit Guarantee Scheme of 5 MECU since October 92
16 guarantees have been provided so far

Small Credit line of 3 MECU since September 92
200 loans have been made for a total of 1,1 MECU

1 Regional Investment Fund of 8 MECU (*)
- **Slovak Republic** = Credit Guarantee Scheme of 2 MECU since October 92
14 guarantees have been provided so far

Small Credit line of 1.25 MECU
1 Regional Investment Fund of 4 MECU (*)
- **Hungary** = Credit line of 4.5 MECU for small loans since Sept. 92
300 loans have been made, amounting to 3,7 MECU

Micro Credit scheme of 1.5 MECU since September 92
520 loans have been made, amounting to 1,4 MECU

1 Investment Fund of 2 MECU (*)
- **Romania** = Micro-grant scheme of 2.4 MECU (*)
- **Bulgaria** = Credit line of 11 MECU for small loans (*)
Credit Guarantee scheme of 3 MECU (*)
2 Regional Investment Funds with 4.5 MECU (*)
- **Albania** = Micro-loan scheme of 1.1 MECU since September 92
150 loans made

3. **Policy advice**

SMEs cannot develop and grow within a non-conductive legal, fiscal and financial environment. A clear and proactive SME policy is therefore of an utmost importance in Central and Eastern Europe. This is also the only way to guarantee the effectiveness of technical assistance and financial schemes.

Since the sector is new and does not have a powerful political lobby or clear and comprehensive institutional support, and given that the size of firms is typically very small, it is important that at this stage further support is given to the development of the sector in general. Many foreign donors, the Community in particular have recognised this factor and made SME development one of their priorities in giving aid to Poland. Equally, some Governments have recognised the importance of this sector by appointing a Minister with specific responsibility for Entrepreneurship Promotion, like Poland, or by deciding to set up SME Agencies, like Slovakia and Romania.

The bulk of the work, however, is still ahead to develop an umbrella policy towards the SME sector, including a regulatory review and the reform of civil, commercial and fiscal laws. To this aim, PHARE is providing advisers and assistance to relevant Ministries and will continue to plead for a conducive SME policy, together with other donors and international institutions concerned.

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HOW ARE THE PHARE SME PROGRAMMES MANAGED ?

The programmes are being run on a decentralised basis by a national institution in each country, supported by special Programme Management Units (PMU) consisting of local experts assisted by external specialists. Although the strategic direction of the programmes is set by overall agreements between the European Community and the country in question, the institution is responsible for turning this into reality and for commissioning actual work as required.

In general, it is therefore more useful to contact the relevant people at the PMU in the country concerned (names and coordinates in annex). For general information on PHARE support to SMEs, the following people in Brussels can be contacted :

PHARE / SME

Rue de la Science, 27

Mr. Pierre Mirel	(General, Hungary, Poland)	tel. : 32-2-295 61 72
Mr. Ignacio Iruarrizaga	(Czech & Slovak Republics)	tel. : 32-2-295 28 63
Mr. Dieter Thiel	(Bulgaria, Romania)	tel. : 32-2-295 28 69
Ms. Sophie Papalexiou	(Slovenia)	tel. : 32-2-295 20 34
Mr. Frans Hesse	(Baltic States)	tel. : 32-2-295 05 96
Ms. Lilse Nielsen	(Albania)	tel. : 32-2-296 22 10

fax : 32-2-295 74 31

DG XXIII Enterprise Policy, Distributive Trade, Tourism and Social Economy

Rue d'Arlon 80

Mr. Martin Harvey

tel. : 32-2-295 58 05

General Information / PHARE Advisory Unit

Rue d'Arlon 88
Office 1/27

Dr. Peter Kalbe

tel. : 32-2-299 13 56
 299 14 00
 299 15 00
 299 16 00
 fax : 32-2-299 17 77

ESTONIA - LATVIA - LITHUANIA

Activities in these three countries are currently being set up. In each country, assistance consists of policy advice to appropriate Ministries, alongside the establishment of Business Advisory Services to give basic advice, information and training to the SME actor and the setting up of small credit lines.

ESTONIA

Contact

Mr. Toomas SILDMÄE

*Ministry of Economy
11, Harju Street
EE001 TALLINN*

*Mr. Henning THOMSEN
(PHARE Adviser)*

*tel : 372-5-24 56 77
fax : 372-2-44 02 79*

Business Advisory Centres (BACs)

Three BACs will be established in **TALLINN**, **NARVA** and **TARTU** in September 1993.

Credit line

A 1 MECU Credit line is being established at the Bank of Estonia to provide small loans through the Hansa Bank and subordinated loans through the Estonia Investment Bank.

LATVIA

Contact

Mr. Aivars KREITUSS

*Ministry of Economic Reforms
36 Brivibas
LV-1070 RIGA*

*Mrs. Kathrin PETERS
(PHARE Adviser)*

*Tel : 371-2-224 233
fax : 371-2-280 882*

Business Advisory Centres

Three BACs will be established in **RIGA** (June 1993), **JELGAWA** (September 1993) and in a third city to be determined.

Credit line

A 1 MECU Credit line is being set up at the Bank of Latvia to provide loans between 5.000 and 50.000 ECU to SMEs through the Olimpija Bank and the Parex Bank.

LITHUANIA

Contact

Mr. Juilius VESELLEA

*Ministry of Economy
Gedemino Str. 38/2
2600 VILNIUS*

*Mr. Richard HINDLE
(PHARE Adviser)*

*Tel : 372-2-618 866
fax : 372-2-625 604*

Business Advisory Centres

Three BACs will be established in **KLAIPEDA** (June 1993), **MARIJAMPOLE** (September 1993) and **KAUNAS** (October 1993).

Credit line

A 3 MECU Credit line has been agreed with the National Bank in April 1993 to provide loans of 5.000 to 50.000 ECU to SMEs through the Innovation Bank, the Baltic Bank and the Vilnius Commercial Bank.

POLAND

The current programme consists of policy advice, SME support services and financial instruments - SME support services, in the form of Business Support Centres (BSCs) have been implemented in a selected set of regions in existing organisations, mainly local chambers of commerce and industry.

The 9 BSCs act as autonomous organisations within the relevant chamber of commerce giving advice, information and training to small enterprises whether or not they are members of the Chamber.

Additionally, the programme has supported the Agencies for Local Initiatives of the Foundation for Socio-Economic Initiatives in BIALYSTOK, GDANSK, OLSZTYN, TORUN and WALBRZYCH.

Contact / Programme Management Unit

Ms. Krystyna GURBIEL

*Fundusz Wspolpracy (Cooperation Fund)
ul. Zurawia 4a
PL-00-503 WARSZAWA*

*Mr. Mart NUTGEREN
(SME Adviser)*

*Tel : 48-2-693 58 18
fax : 48-2-693 58 15*

*Mr. Charles DE SMET
(Credit Specialist)*

SME Business Support Services

*BIALYSTOK Business Support Centre
Chamber of Industry and Trade
9 Branickiego str.
15-085 BIALYSTOK 23*

*Tel : 48-85-41-22-12 ext 270
fax : 48-85-21 351*

*LODZ Business Support Centre
Chamber of Industry and Trade
8 al. Marszalka Pilsudzkiego
90-950 LODZ*

*Tel : 48-42-36 28 81
fax : 48-42-36 84 17*

*PLOCK Business Support Centre
Chamber of Industry and Trade
16,3 Maja Str.
09-402 PLOCK*

Tel/fax : 48-24-26 848

*DZIERZONIOW Business Support Centre
Chamber of Industry and Trade
12 Zielona str
58-200 DZIERZONIOW*

Tel/fax : 48-74-31 34 25

SIEDLCE Business Support Centre
 Chamber of Commerce
 2 Konarskiego str.
 0^o 110 SIEDLCE

Tel/fax : 48-25-39 687

TORUN Business Support Centre
 Chamber of Industry and Trade
 al. 500-lecia 31
 87-100 TORUN

Tel : 48-56-23 342
 fax : 48-56-24 511

LOWER SILESIAN Business Support Centre
 Lower Silesian Economic Society
 39 Swidnicka str.
 50-029 WROCLAW

Tel : 48-71-44 10 17
 fax : 48-71-44 60 15

JELENA GORA Business Support Centre
 Polish Chamber of Foreign Trade
 29 Wolnosci str.
 58-500 JELENIA GORA

Tel : 48-75-25 616
 fax : 48-75-22 582

Financial Schemes

- **Under the 19 MECU Credit line** operating through the Lodz Development Bank, the Wroclaw Branch of Bank Handlowo-Kredytowy and the Cooperative Craftsmen's Bank, 43 loans have been made to Polish SMEs for a total of 1.850.000 ECU, as a contribution to a total amount of investments of 3.1 MECU.
- In addition, a **Grant Scheme of 35 MECU (STRUDER)** to lower the debt component of total project costs for SMEs is now being implemented in four selected regions : **LODZ, WALBRZYCH, RZESZOW** and **SUWALSKI-OLSZTYN**. STRUDER will include also a **Credit Guarantee Scheme** of 5 MECU, two **Regional Investment Funds** in **LODZ** and **WALBRZYCH**, as well as the financing of local small infrastructures, training and labour market development initiatives. The **Regional Development Agencies** in the four regions will play a key role in the implementation of these non-financial components of STRUDER.

CZECH REPUBLIC

The PHARE SME programme in the Czech Republic has supported the establishment of 3 Business and Innovation Centres (BICs) - including Incubators - in PRAGUE, BRNO, PLZEN and 5 Regional Advisory and Information Centres. Support is also being given to the Chambers of Commerce and to the Association of Employers. Moreover, a small loan scheme and a Loan guarantee scheme are operational since September 1992. Finally, emphasis is now given to regional reconversion and development in the region of OSTRAVA.

Contact / Programme Management Unit

Mr. Lubos VAVRA
Mr. Brendan RUSSELL (Credit Specialist)
Mr. Des FITZPATRICK (SME Advisor)

FEC PHARE Programme for SMEs
Ministerstvo hospodarstvi
(Czech Ministry of the Economy)
Vrsovicke 65
101 60 PRAHA 10

Tel : 42-2-712 29 76
fax : 42-2-743 554

Business and Innovation Centres (BICs)

BIC PRAGUE was established in May 1991 as an initiative of the Technical University to help entrepreneurs to establish innovative projects, to provide training and advice and to act as a catalyst for technology transfer. In addition, the Patent Office is now located at the BIC. 22 new firms have been established at the incubator, with a total of 240 jobs created.

BIC PRAGUE, which has been set up with the technical support of EBN, is twinned with the BICs of Lisbon and Liège. It has satellites at KLADNO and PLZEN. PLZEN is however developing as an autonomous BIC.

BIC PRAGUE
Plzenska 221
15000 PRAGUE

Managing Director
Mr. Pavel KOMAREK

Tel/fax : 42-2-524 330

BIC PLZEN
P.O. Box 325
Reigrova 1
30625 PLZEN

Managing Director
Mr. Joan VRATNIK

Tel : 42-19-22 18 05
fax : 42-19-35 320

BIC BRNO was also established in 1991 to provide similar support to SMEs, in particular to innovative projects. 3 new firms have set up their activity at the incubator, where 90 SMEs are registered as clients of the Centre. BIC BRNO has satellites at **ZLIN**, **TREBIC** and **KROMERIZ**. It is twinned with the Brabant and Trieste BICs.

BIC BRNO
Marianske nam. 1
61700 BRNO

Managing Director
Mr. Jaroslav CHALOUPKA

Tel : 42-5-337 84 19
fax : 42-5-339 871

Regional Advisory and Information Centres (RAICs)

5 RAICs have been set up in **KUTNA HORA**, **PARDUBICE**, **ZLIN**, **PISEK** and **JESENIK** aiming at :

- providing advice and guidance to potential entrepreneurs
- training entrepreneurs
- assisting SMEs with problem solving

The RAIC network will expand to also include the following regions : **HODONIN**, **LIBEREC**, **CHOMUTOV**, **RAKOVNIK**, **PŘIBRAM**, **KARVINA** and **TEPLICE**.

Financial Schemes

- The 3 MECU Small Loan Scheme is operated by the Bank Bohemia since September 1992. The maximum loan size is 8.500 ECU. So far, 200 loans have been approved, amounting to 1.1 MECU. The total number of employees of the borrowers is 800.
- The 5 MECU Loan Guarantee Scheme is operated by the Czech Moravian Guarantee and Development Bank. The essence of the scheme is that it shares the risk (up to 70 %) of loans provided by Czech commercial banks to SMEs of up to 100 employees and borrowing up to 110.00 ECU for a maximum 5 years.

So far, 16 guarantees have been provided.

Regional Programme

The emphasis has recently been placed on a more regional approach to facilitate SME development in regions, such as **OSTRAVA**, where the reconversion of traditional and heavy industries will not succeed unless new business development takes place. A regional programme in the **OSTRAVA** region is therefore being implemented which will include :

- the setting up of a Regional Development Agency, in cooperation with the French assistance of the MICECO;
- the support to training and retraining schemes;
- the setting up of a Regional Investment Fund to provide seed capital and subordinated loans to SMEs.

SLOVAKIA

The current PHARE SME programme in Slovakia consists of SME support services and financial schemes. 1 Business and Innovation Centre has been established in BRATISLAVA, including an Incubator, and 3 Regional Advisory and Information Centres have been set up.

Moreover, a small loan scheme and a Loan Guarantee scheme are operational since October 1992. Finally, a stronger support to new business development is now being provided in the region of HORNE POVACE.

Contact / Programme Management Unit

A national SME Agency is being set up, where the PMU will be located. In the meantime, the PMU is at the Ministry of Economy :

Mr. Stefan TURAN (Head of PMU)
Mr. Brendan MARTIN (Credit Expert)
Mr. Tom MALONEY (SME Advisor)

EC PHARE Programme for SMEs
Slovak Ministry of the Economy
Mierova 19
827 15 BRATISLAVA

tel : 42-7-23 00 68
fax : 42-7-23 78 27

BIC BRATISLAVA The BIC was established in January 1992 to help entrepreneurs establish innovative projects, to provide training and advice and to act as a catalyst for technology transfer.

10 new firms have been set up at the Incubator, with a total of 30 jobs created.

BIC BRATISLAVA is twinned with the BICs of Nancy (Promotec) and Barnsley.

BIC BRATISLAVA
Nevazdova 5
SR-826 13 BRATISLAVA

Managing Director
Mr. Jan STRELECKY

tel : 42-7-237 666
fax : 42-7-231 736

Regional Advisory and Information Centres (RAICs)

3 RAICs have been set up in **MARTIN, POPRAD** and **NITRA** aiming at :

- providing advice and guidance to potential entrepreneurs
- training entrepreneurs
- assisting SMEs with problem solving

The RAIC network will expand to also include the following regions : **TREBISOV, PRASOV, ZVOLEN, POVASKA BYSTRICA** and **LUCENEC**.

Financial Schemes

- **The 1.25 MECU Small Loan Scheme** will be operated by the Slovak Guarantee Bank. The maximum loan size will be 12.500 ECU, mainly for the start-ups and small firms.
- **The 2 MECU Loan Guarantee Scheme** is operated by the Slovak Guarantee Bank which has also provided 2 MECU. The scheme shares the risk (up to 80 %) of loans provided by the SGB, but not exclusively, of SMEs of up to 25 employees, borrowing up to 15.000 ECU for a maximum of 3 years.

So far, 14 guarantee have been provided.

Regional Programme

A stronger support to new business development in the region of **HORNE POVACE** has been agreed, which will include :

- the setting up of a Regional Development Agency
- the support of training and retraining schemes
- the setting up of a Regional Investment Fund to provide seed capital and subordinated loans to SMEs.

HUNGARY

The longest established programme is in Hungary where the PMU has been operational since November 1990.

In terms of SME support structures, **12 Local Enterprise Agencies (LEAs)** have been set up on a county basis. 1 BIC is under consideration.

Support has been also provided to existing SME associations such as VOSZ, the Association of Hungarian Entrepreneurs, IPOSZ, the National Association of Craftsmen, the Chamber of Small and Medium Sized Enterprises, the Chamber of Commerce and Industry and the Association of Small Traders.

As far as financial schemes are concerned, a micro-loan scheme and a loan scheme are operational since October 1992.

Contact / Programme Management Unit

<i>Mr. Lajos KUSTOS (Acting Director)</i>	<i>Magyar Vallalkozasfejlesztési Alapitvány</i>
<i>Mr. Jon BURNS (SME Advisor)</i>	<i>(Hungarian Foundation for Enterprise Promotion)</i>
<i>Mr. Eamon CROKE (SME Advisor)</i>	<i>Etele ut 68</i>
<i>Mr. William MAJOR (Credit Specialist)</i>	<i>H-1115 BUDAPEST XI</i>

tel : 36-1-185 27 11

fax : 36-1-166 90 85

Local Enterprise Agencies (LEAs)

Six pilot LEAs have been set up in **TOLNA, BORSOD-ABAUJ-ZEMPLEN, JASZ-NAGYKUN-SZOLNOK, SOMOGY, FEJER** and **SZABOLCS-SZATMAR-BEREG** to provide comprehensive services to SMEs in the fields of advice, information, training, etc... The idea of LEAs has proved sufficiently popular that LEAs are now being established in 6 other counties. It is expected that the LEA Network will cover all counties in the course of 1994.

Also, direct bilateral assistance is now being provided to LEAs by Austria, Belgium, Canada, Denmark, Finland, France, Ireland, Italy, the Netherlands, Turkey and the United Kingdom.

Tolna

Regionális Vállalkozói Központ
Breloianisz u. 1-3
H-7100 SZEKSZARD

tel : 36-74-11 217
fax : 36-74-11 410

Somogy

Megyei Vállalkozói Központ
Csokonai u. 3.
H-7400 KAPOSVAR

tel : 36-82-15 122
fax : 36-82-16 024

Borsod-Abaúj-Zemplén

Regionális Vállalkozásfejlesztési Központ
MSZB tér 1.
H-3530 MISKOLC

tel : 36-46-51 266
fax : 36-46-51 217

Fejér

Regionális Vállalkozásfejlesztési Alapítvány
Rakoczi ut 25
H-8000 SZEKESFEHERVAR

tel : 36-22-18 010
tel : 36-22-18 000

Jász-Nagykún-Szolnok

Megyei Vállalkozásfejlesztési Alapítvány
József A. u. 22-24
SZÜV Székház II. em.
H-5000 SZOLNOK

tel : 36-56-43 134
fax : 36-56-32 286

Szabolcs-Szatmár-Bereg

"PRIMOM" Megyei Vállalkozásellenőrző
Alapítvány
Egyház u. 15.
H-4400 NYIREGYHAZA

tel : 36-42-15 259
fax : 36-42-15 275

Financial Schemes

- **The 1,5 MECU Micro Loan Scheme** is in operation in the six counties where LEAs have been set up since September 1992, with a maximum loan size of 3.000 ECU.

So far 520 small entrepreneurs have received a loan, for a global amount of 1.4 MECU. The average size of loan is 2.700 ECU. The breakdown of approvals to economic sectors is the following : 15 % to industry, 20 % to agriculture, 16 % to commerce, 46 % to services.

- **The 4,5 MECU Loan Scheme** is in operation in the six counties LEA counties since September 1992.

So far, 300 loans have been approved, amounting to 3.7 MECU, with an average size of 12.300 ECU per loan. The breakdown of disbursements is the following : 25 % to industry, 35 % to commerce, 22 % to services.

ROMANIA

Operational since February 1993, the SME programme in Romania - placed under the auspices of the SME Romania Centre (CRIMM) - aims at :

- Building a network of SME support institutions, the SME Development Centres. The SMEDCs will provide information, advice and training to small entrepreneurs. 5 such Centres are being set up;
- Setting up 3 Business and Innovation Centres (BICs), including an Incubator;
- Developing an SME favourable environment and conducive policy;
- Providing micro-grants to small entrepreneurs, under the 2.4 MECU micro-grant scheme to be operated through the SMEDCs and the CRIMM.

Contact / Programme Management Unit

Mrs. Gabriela STANCIULESCU (Managing Director)
Mr. Claudio DELLA VALLE (SME ADVISER)
Mr. Carlos CALCAPIETRO (SME Adviser)

CRIMM (SME Romania Centre)
Str. Ion Cimpianu, nr. 20
Sector 1, BUCHAREST

phone/fax : 40-1 312 69 66

BULGARIA

The SME PHARE programme in Bulgaria, under the auspices of the Ministry of Industry, aims at the setting up of 3 Business and Innovation Centres (BICs) in **SOFIA**, **PLOVDIV** and **VARNA**, at training of small entrepreneurs and local consultants, as well as at providing direct support to existing SME associations and at promoting a conducive SME policy.

Moreover, a small loan scheme of 11 MECU and a Loan Guarantee Scheme of 3 MECU are being established.

Contact / Programme Management Unit

<i>Mr. Ruman IVANOV (Head of SME Unit)</i>	<i>SME Development Programme</i>
<i>Mr. Herbert VAN WERKHOVEN (SME Advisor)</i>	<i>Ministry of Industry</i>
<i>Mr. Brian DUNGATE (Credit Advisor)</i>	<i>29 Aksakov Street</i>
<i>Mr. Alastair WATSON (Credit Advisor)</i>	<i>BU-1046 SOFIA</i>

tel : 359-2-87 19 13

fax : 359-2-87 19 12

Regional Programme

The emphasis has recently been placed on helping new business development in the regions of **SMOLJAN** and **BURGAS** through the setting up of 2 Regional Development Agencies, the support to local initiatives and training and the setting up of 2 Regional Investment Funds (under preparation).

The **Smoljan** Agency was opened in April 1993. The Agency in **BURGAS** will open in June 1993.

SMOLJAN Development Agency

P.O. Box 31
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SLOVENIA

A small SME programme of 0.7 MECU is operational since November 1992 in Slovenia.
It consists in :

- Providing policy advice;
- Technical assistance and training to the existing network of local SME advisors and support organisations;
- Setting up 1 Business and Innovation Centre (BIC).

Contact

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ALBANIA

The PHARE SME programme in Albania started in January 1992 with the establishment of an SME Unit responsible for providing policy advice, for setting up SME support structures and for operating a small credit facility of 1.1 MECU.

Contact / SME Support Unit

Mr. Pergaim DERVISHI (Head of Unit)
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Regional Business Agencies (RBAs)

7 RBAs have been established in DURRES-TIRANA, SHKODRA (Northern), KRUJA (North Central), ELBASAN (Central), KORÇA (Eastern), GJIROKASTRA (Southern) and VLORA (South Western).

One of the main purposes of these RBAs is to generate business plans from all parts of the country which can then be used to apply for credit through the SME Support Unit. Moreover, no loan can be approved unless the entrepreneur has participated in a training course, on business planning in particular, provided by the RBAs where local staff has been trained.

Small Loan Scheme

The 1.1 MECU small loan scheme is fully operational since September 1992 for providing loans of up to 10.000 ECU for a maximum of 3 years.

Since the banking system is not presently in a position to handle such a scheme, it is operated for the time being through the RBAs and the SME Support Unit. Credit applications are examined by this unit, on the basis of a Business plan elaborated with the assistance of the RBA. If acceptable, the application is approved by a Credit Panel and the loan granted.

The entire amount has been committed with **150 loans approved**, the average size being 7.300 ECU. Of the 1.1 MECU approved, 500.000 ECU of credit have already been delivered to the borrowers. The new businesses amount to approximately 1.000 employees.

It should be underlined that, as a result of this credit facility, 10 bakeries and 12 small food-processing firms have been established. Due to this success, other donors are considering providing funds for additional loans to be approved and delivered through the same channel.

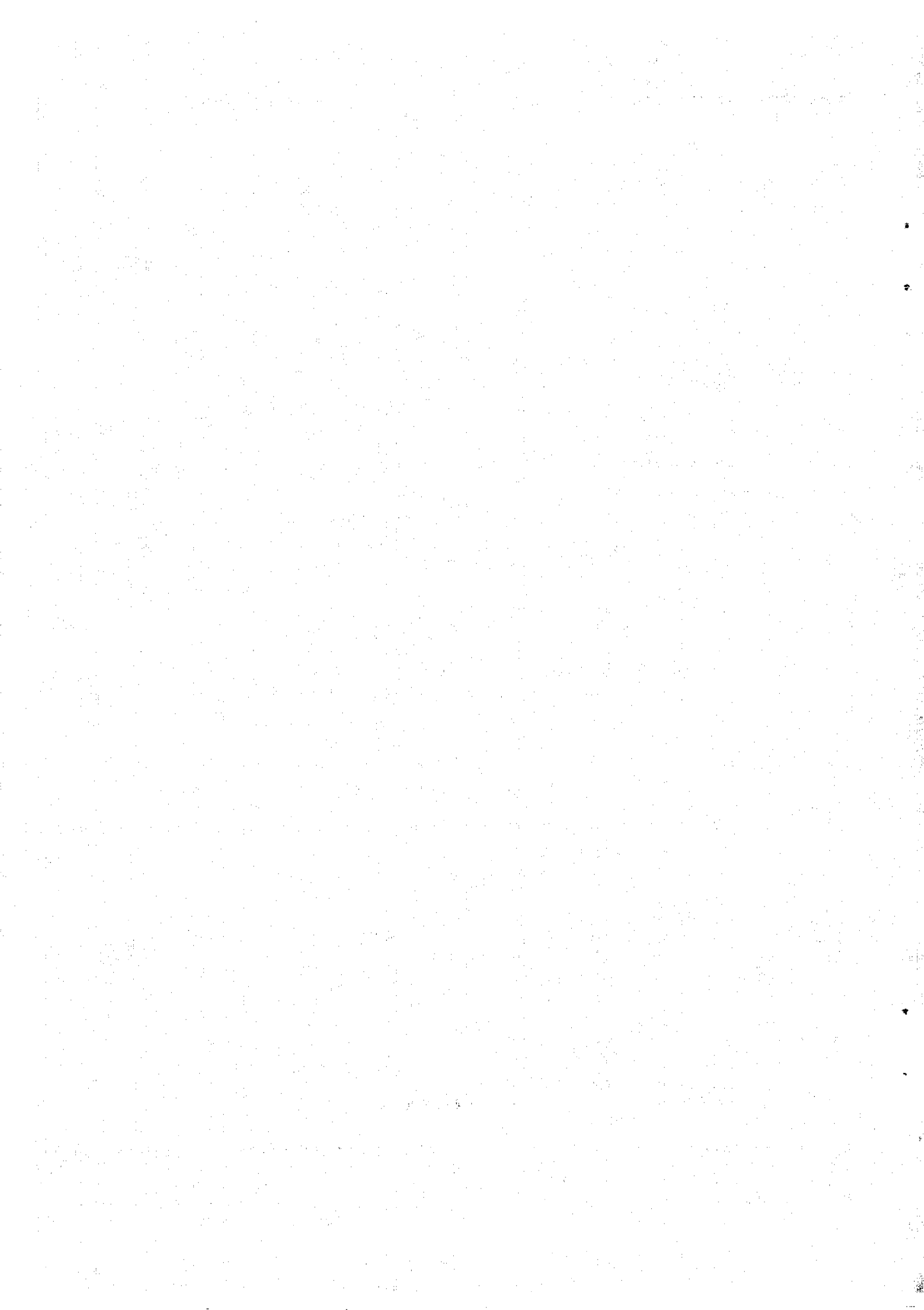


COMMISSION OF THE EUROPEAN COMMUNITIES
PROGRAMME OF ASSISTANCE FOR ECONOMIC RESTRUCTURING
IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

**The Social Dimension
of
*PHARE***

Written by PHOS 3

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THE SOCIAL DIMENSIONS 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 inter-disciplinary 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 and humanitarian aid	220 MECU
Support for social policy reform	205 MECU
- social protection and 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.

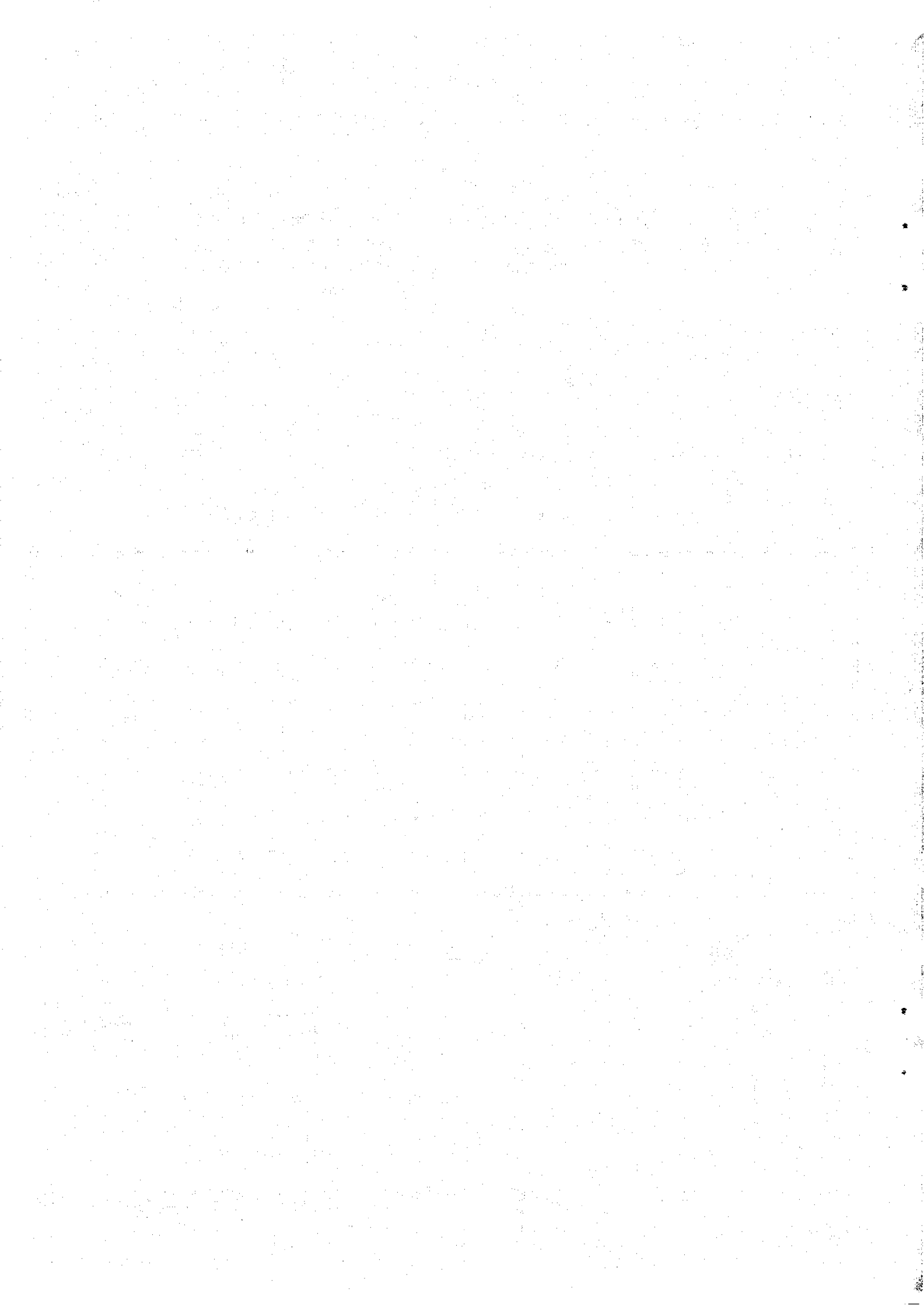


COMMISSION OF THE EUROPEAN COMMUNITIES
PROGRAMME OF ASSISTANCE FOR ECONOMIC RESTRUCTURING
IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

PHARE
&
Telecommunications

May 1993

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PHARE PROGRAMME TELECOMMUNICATIONS

In the field of telecommunications, the first Phare programmes in Central- and Eastern Europe are well underway.

The aim of Phare was and is to give grants to fund technical assistance in the form of long-term experts on the spot, short term consultancy, studies, pilot projects and training. Large infrastructure investment is the province of the different International Financial Institutions and the private sector.

Up to now a total of 36 MECU have been spent or is allocated to the sector covering the following countries Albania, Bulgaria, Czech Republic, Latvia, Poland, Romania, Slovak Republic and Slovenia. Furthermore a 7MECU regional programme for transfer of know-how and training just started.

A review of the Region's telecommunication shortcomings and issues indicate :

- severe imbalances between demand and supply of telecommunications services
- high operating inefficiencies
- lack of commercial and basic management skills
- poor day-to-day management
- abnormal low tariff levels
- network operations are often directly under Ministry control, resulting in conflicts between the policy of the government and the operators objectives
- lack of regulatory framework monitoring of operations
- lack of adapted legal environment
- lack of strategic planning for the future of the sector

The overall objective of the Phare support is to assist the countries in Central- and Eastern Europe to develop a strong and viable telecommunications sector.

This can be specified as

- reorganisation of the sector on a commercial basis
- linking the telecommunication sector of Eastern Europe to the CEC
- development of modern telecommunication systems

The strategy of Phare support applied up to now is fully consistent with the European Community Telecommunications Green Paper which many of the countries in the Region have endorsed as a blueprint for the medium term development of the sector.

The main principles are

- separation of regulatory functions from operational functions and that only basic telephone services should be kept under monopoly.
- creation of a Community wide-market for terminals and equipment. This concerns in particular the promotion of Europe-wide open standards, in order to give equal opportunity to all market participants.
- promoting the introduction and development of advanced services and networks in the less-favoured regions
- co-ordination regarding future development of telecommunications in the Community and common infrastructure projects.

All this is done in close co-operation and co-ordination with the Directorate General for Telecommunications, Information Industries and Innovation (for Community policies) and the European Investment Bank, the European Bank for Reconstruction and Development and the World Bank to accompany loans for sector transformation.

The key elements of the Phare technical assistance for the development and modernisation of the telecommunication sector through pilot projects and co-operation with the IFI's are :

- sectoral reorganisation and preparation of a new regulatory framework
- setting up of standards and certification norms and procedures
- improving and developing the management of modern telecommunication services
- developing of a new policy of cost-related tariffs
- training and human resource development
- quality control methods
- improved accounting, financial management and economic modelling, business informatics and marketing tools
- investment preparation
- prepare for foreign investment
- privatisation

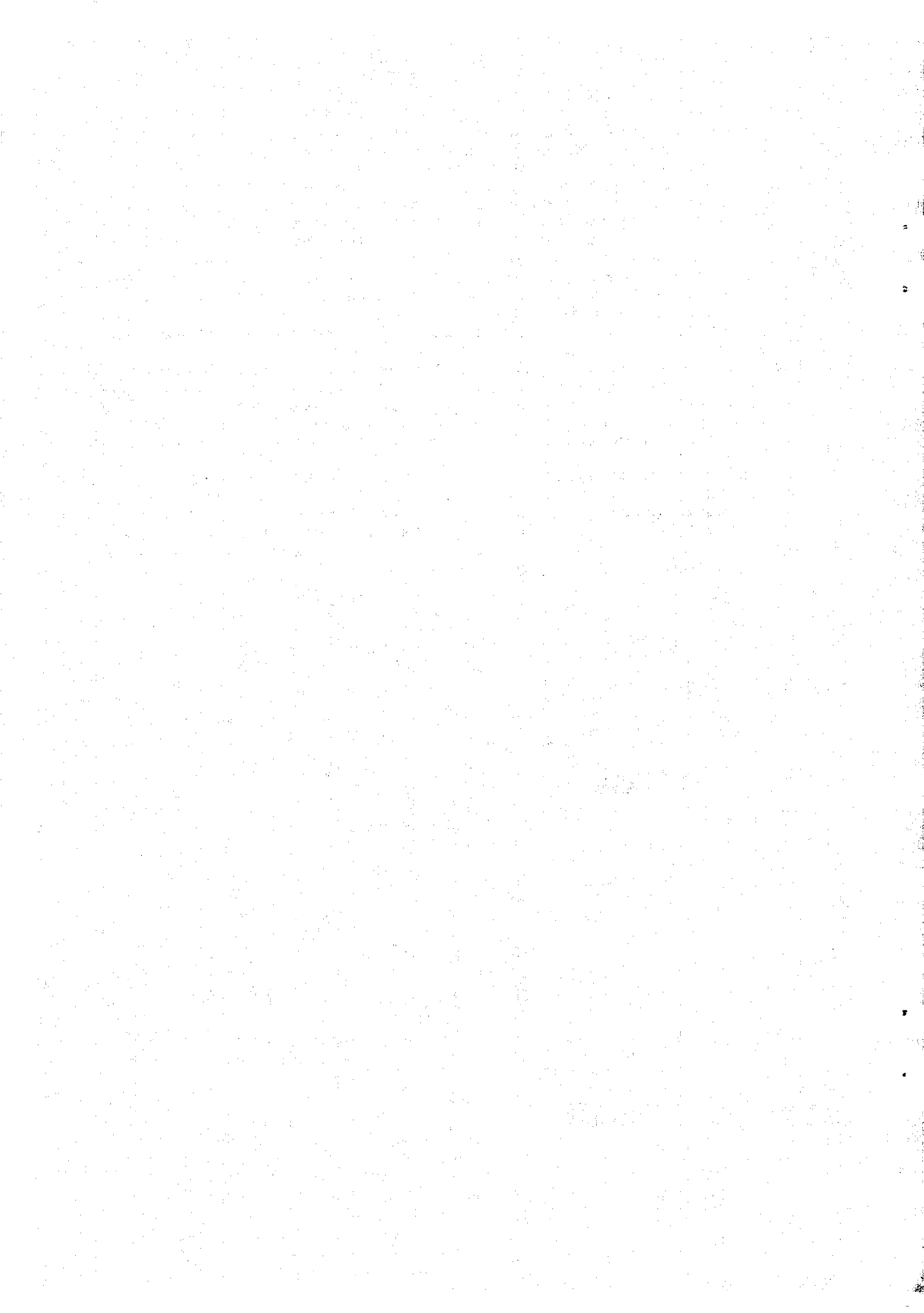
As a result up to now we can mention that the following is achieved (in a different pace and level of finalisation for each country) :

- regulations are issued as soon as possible establishing clearly and transparently, licensing and type of approval procedures, rules for controlling tariffs and customer disputes
- an separate regulatory body is established independent of day-to-day Ministerial control
- service obligations agreements are entered into with the principal operators requiring them to achieve targets in terms of development of the sector, quality and availability of the services. Failure to meet these obligations will allow the Regulator to require changes remove rights or terminate the licence

- tariffs are set at a sufficient level to attract foreign investment and a programme of rebalancing towards a cost basis is instituted
- partnerships are sought with foreign telecommunications operators based on substantial equity participation to import appropriate management and technical skills
- joint ventures are sought to develop the network in areas such as business services, radio and cable
- public telecommunications operators became much more efficient, allowing them to be more attractive for outside investment
- better return on investment capital by the operators.

The Phare programmes provide the foundations for the countries in Central- and Eastern Europe to build their own successful and liberalised telecoms sector, but it will take much more than money. Boosting their telecommunications will require a long-term commitment policy, management and human resources.

Further Phare programmes will focus on the continuation, improving, stabilisation and strengthening of the sector. Furthermore support will be given to rural telecommunications development, restructuring and liberalising of the postal sector, Trans European Network, satellite and radio and TV broadcasting.





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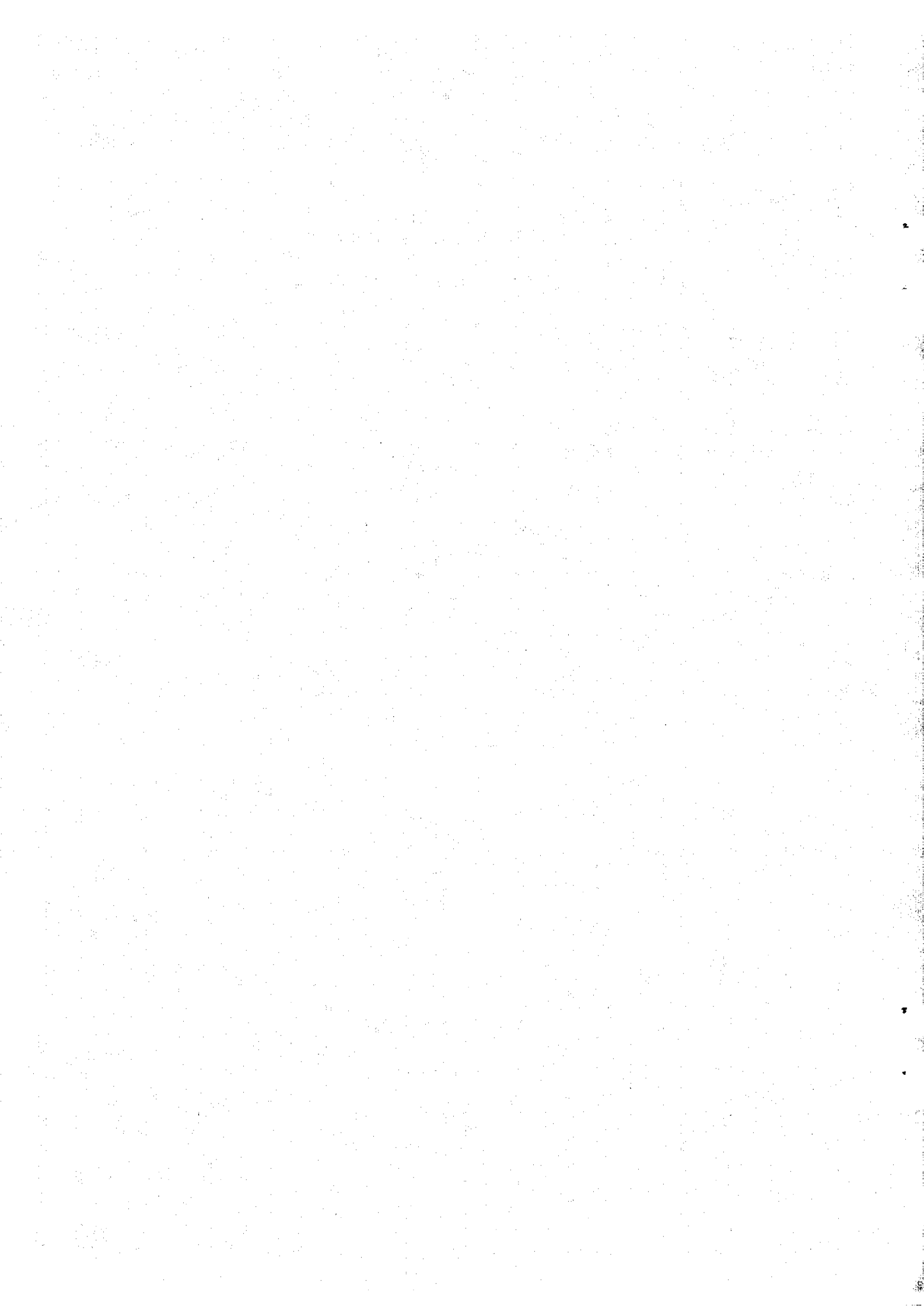
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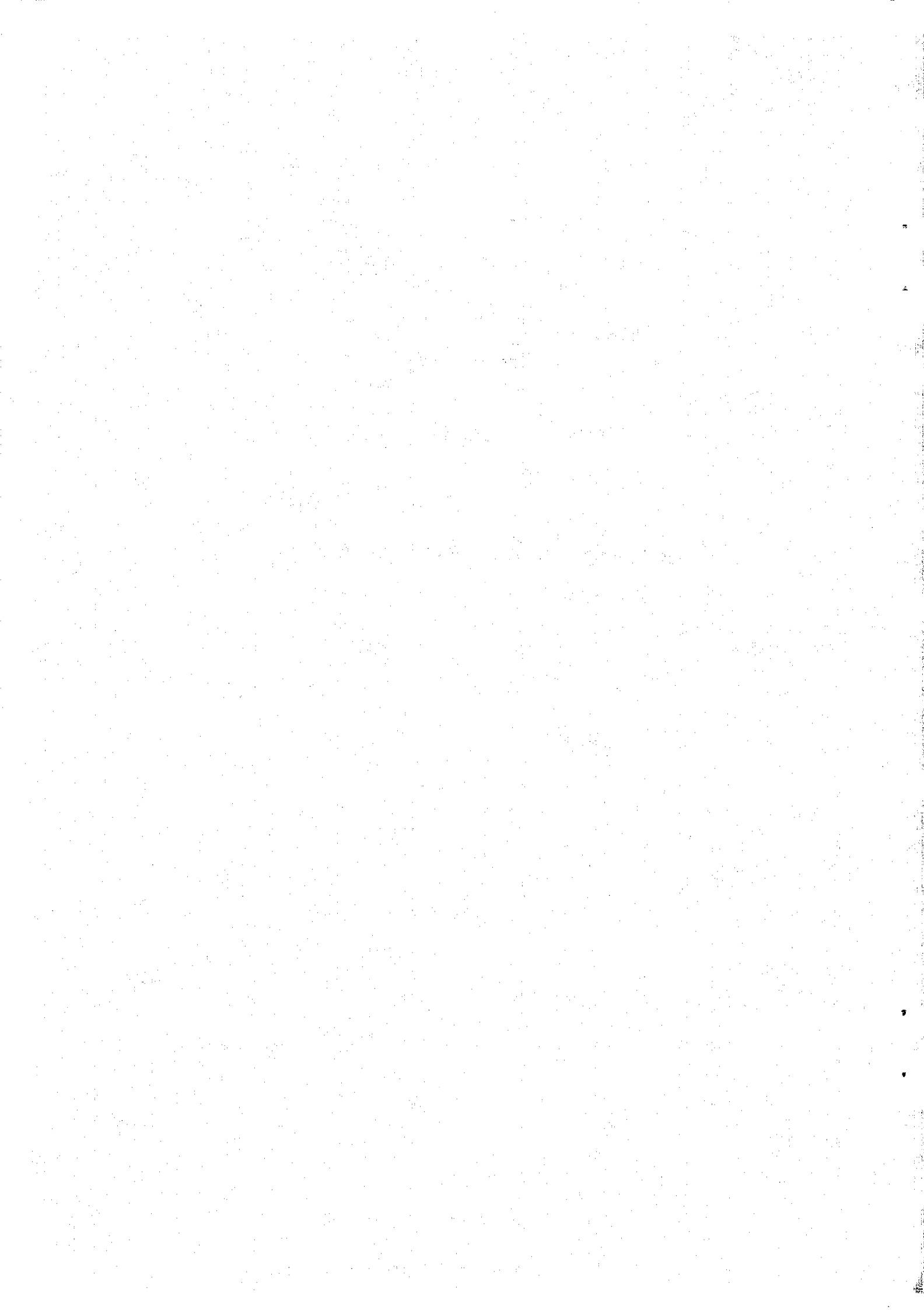
TOURISM

1993

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PHARE ASSISTANCE FOR TOURISM
AND
BUSINESS TRAVEL SECTOR DEVELOPMENT
IN
CENTRAL AND EASTERN EUROPEAN COUNTRIES



1. INTRODUCTION

1.1. Macro Economic Significance

The Tourism and Travel sector is composed of the vast network of businesses involved in the lodging, transportation, feeding, recreation and entertainment of the traveller. The sector includes all hotels and other accommodation units, restaurants, cafés, bars, amenities and recreational facilities, historical artifacts, cultural services and transportation.

Tourism and Travel is the largest industry in the world, accounting for about US\$ 3.5 trillion in sales. It is the largest employer in many countries, providing jobs for 1 out of every 15 workers worldwide. The industry is by far the largest employer in the European Community and in Germany, France and the UK.

1.2. Tourism and Travel and Economic Transition in Central and Eastern Europe

Although tourism should not be regarded as a "quick fix" for the problems of the Central and Eastern European economies, the sector has a number of characteristics which suggest that it can make a significant contribution to economic transition and development. Tourism can:

- increase foreign exchange earnings
- help maintain existing employment
- create jobs
- generate tax revenues for government
- generate linkages with other sectors of the economy
- help encourage local and regional development
- foster an enterprise economy
- promote business travel, thereby:
 - encouraging inward investment and
 - facilitating export development.

Tourism can spearhead the transition to a market economy and in the process encourage the emergence of entrepreneurship and enterprises because the tourism sectors of Central and Eastern European countries are primarily composed of small and medium sized enterprise units which are also more easily privatised.

More quickly than most other sectors of Central and Eastern Europe, the tourism sector is already operating in the market economy. These countries are already competing in the major source markets. Moreover, within all countries, the domestic market is becoming more competitive since all residents now have the greater options of travelling abroad.

1.3 Basic Strengths of the Central & Eastern European Tourist Sectors

As a consequence of being isolated for so long, the attractions of Central and Eastern Europe are not well known on Western markets. Yet they are considerable, including particularly, historical artifacts and cultural assets and events, accompanied by genuine welcoming and hospitable populations.

For example **Prague** is one of the most beautiful capitals in Europe. **Slovakia** has renowned recreational areas with rivers and lakes, mountains, skiing and spa resorts.

Bulgaria and **Romania** have a complete range of attractions, making them year-round destinations. The **Black Sea** has long been a sun/beach destination and both countries are well known for their skiing. In addition, the cultural wealth of both countries is enormous, ranging from the monasteries in **Moldavia** to **Balkan folk performing arts**.

Poland has spectacular lake and forest areas and numerous historical cities including **Cracow**. The spa resorts are renowned, as in **Hungary** which offers a similar range of attractions including **Lake Balaton** and **Budapest**.

By international standards, tourism in **Estonia**, **Latvia** and **Lithuania** is small scale. This was not always the case. Prior to World War II, the **Baltic countries** had a well developed tourist industry, primarily based on their long and attractive coastline, forests and historic **Hansa cities**.

Within the former **Yugoslavia**, **Slovenia** and **Croatia** were well known destinations for many years. The mountains and coastal resorts, the mediaeval city of **Dubrovnik** attracted millions of visitors. Neighbouring **Albania**, with its primarily rural attractions, is still virtually unknown.

An important strength is the level of prices which are still relatively modest by Western European standards. A point which should not be overlooked is that most of the countries have a track record in tourism. For example, in 1990 there were just over 10 million international visitor arrivals to **Bulgaria** and over 6.5 million to **Romania**. Consequently, these countries have a basic tourist infrastructure and knowledge of the source markets.

1.4 Weaknesses of the Central and Eastern European Products

Although all the countries have good natural attractions, severe deficiencies limit the development of the sector. These include:

- Environmental pollution
- Poor quality of tourism facilities and amenities
- Inadequate supporting infrastructure
- Poor quality services

In addition, management capabilities and manpower skills are inadequate to cope with tourism needs. The appropriate institutional arrangements and legislation are not in place. In particular, the appropriate organisational structures have yet to be established.

2. OBJECTIVES OF PHARE ASSISTANCE

The objective of the programmes are to help in the rapid development of the tourism industry of Central and Eastern Europe by providing technical and other assistance to help overcome the weaknesses described above. In the main, the assistance programmes focus on:

- (i) Institutional Strengthening - to establish the appropriate institutional framework and organisational structures
- (ii) Management and Manpower Development and Training - to improve the quality of management and skills in the industry
- (iii) Product Development - to give direction to the development of the industry covering cultural assets, handicrafts, spa-resorts etc.
- (iv) Tourism Promotion - to establish systematic promotion in the major source markets including formulation of a market strategy, production of collaterals, computer reservation systems etc.

3. OVERALL APPROACH

Two of the key factors are the *setting up of the appropriate institutional arrangements and manpower development programmes*. Establishing the appropriate institutional arrangements will create the climate for enterprise development on the one hand, and on the other ensure the promotion of the country as a destination in the different source markets. Manpower development, involving the transfer of knowledge and technology will ensure that the respective tourist industries can meet international standards. It is anticipated that the combination of a trained workforce and the appropriate institutional arrangements will result in a competitive private tourism sector, facilitating foreign investment and attractive to the tourist.

4. PROGRAMME COMPONENTS

4.1 Institutional Strengthening

For the CECs to develop their respective tourism sectors, a positive climate for enterprise development must exist. Unless the appropriate institutional framework and organisational structures are in place, neither labour nor capital can be productively used in developing this sector.

The work involved in developing the institutional framework includes

- formulation of national tourism policies;
- establishment of appropriate institutional organisations involving re-organisation of functions of the different Ministries and setting-up of National Tourist Organisations;
- establishment of comprehensive tourism statistical data bases with internationally recognised definitions.

4.2 Management and Manpower Development and Training

After years of operating in a 'command' economy with directives covering all aspects of their operation, the administrators of the new tourism enterprises in the different CECs are now being asked to 'manage' their operations in a commercial way. The major problem is that the management and staff of these enterprises have received no training in their new functions. Neither is there a structure in place for them to learn how to do so.

Consequently, management and manpower training is a major priority to

- (a) change industry staffs' attitude to the tourist ... become more customer oriented
- (b) update management skills ... become more market and performance oriented
- (c) improve the standard of service ... become more competent and professional in the provision of services.

The work involved includes

- *formulation of manpower training plans to establish*
 - the training needs in terms of needs and skills required
 - a curriculum appropriate to the country's training needs
 - appropriate international accreditation
- *establishment of vocational training units to*
 - provide on-the-job training to managers, supervisors
 - travel throughout country to enable greater participation in training courses.
- *training programmes for management and Ministry officials*
 - to provide training in areas such as tourism management, marketing and distribution, planning, tourism policy and strategy formulation, development planning etc..

4.3 Tourism Product Development

Implementing measures to encourage the more rapid development of the industry is a 'key' component of the programmes. These actions include:

- *formulation of master tourism plans*
- *development of domestic tourism distribution and awareness*
- *handicraft development plans*
- *development plans for spa and other resorts*
- *development plans for cultural resources*

4.4 Tourism Promotion

The successful marketing of the respective tourism products will need systematic promotion in the major source markets. The work involved includes:

- *formulation of a marketing strategies and plans, identifying potential source markets, how they should be developed etc.*
- *production of tourism collaterals including image creating brochures, travel trade manuals, posters, videos etc.*
- *undertaking computer reservation system studies, and*
- *support for the CECs' participation at tourism fairs.*

5. IMPLEMENTATION

All PHARE assistance projects lead to the creation of national self-sufficiency. By definition, their aim is to make the providers of technical assistance redundant by accelerating the capacity of the recipient country to discharge effectively the functions which the PHARE assistance has undertaken. This requires a planned and progressive involvement of national counterparts in the activities, events, decision and policy making aspects off programme execution.

The methodology is based on the transfer of 'know how', technology and human resource development. The emphasis is on advice and training at all levels.

This means that PHARE seeks maximum involvement of the respective Ministries and other national organisational counterparts in all aspects of the work programmes. A key goal of PHARE is to develop local staff, counterparts, institutions and organisations in order to ensure continuity of actions and initiatives after the completion of the Community's support.

6. FURTHER INFORMATION

PHARE has launched assistance actions in Poland, Romania, Bulgaria, Slovenia, Estonia, Latvia, Lithuania and Albania. In Poland and Romania, Programme Management Units have been established. Their addresses are indicated overleaf. For information on the other countries, please contact:

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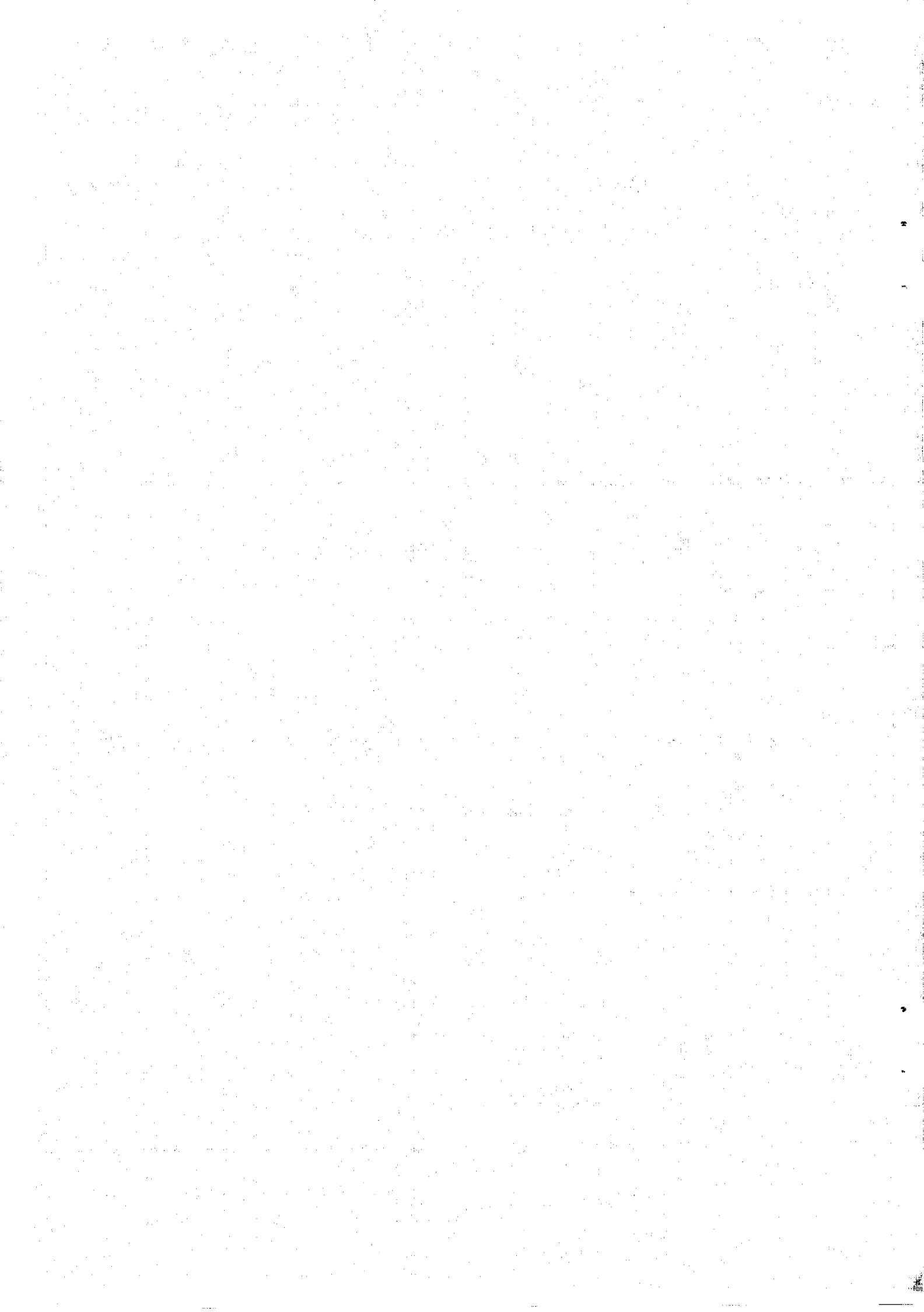
COMMISSION OF THE EUROPEAN COMMUNITIES
PROGRAMME OF ASSISTANCE FOR ECONOMIC RESTRUCTURING
IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

PHARE

Training & Human Resource Development

Written by PHOS 4 - November 1992

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A synopsis of PHARE activity in the field of training
and human resource development (HRD)

INTRODUCTION

This synopsis concerns PHARE involvement in training and HRD during the initial 3 year period of activity (1990-1992) under the EC Council Regulation 3906/89 governing EC assistance to Central and East European countries (CEECs).

The vocation of PHARE is to support the process of policy reform and the transition to pluralist democracy and a market-driven economy. Specific priorities for PHARE assistance are determined by the national authorities of the CEECs working in liaison with the EC Commission and taking account of the General Guidelines for PHARE assistance. PHARE programmes vary according to the differing pace and priorities of the strategy for reform in each country and the availability of other major sources of aid. PHARE may therefore be involved in supporting a wide range of policy reforms - from industry to environment, education to agriculture, transport to social security. PHARE inputs may vary from technical assistance and training to equipment and seed financing for local initiatives and credit lines.

Human resource development is clearly an important dimension of all areas of policy reform. Indeed, in the CEECs, where governments are engaged in such an ambitious process of political, economic and social transformation, training is often seen as the main tool of that transformation, the key to fundamental changes in attitudes, values and behaviour as well as being a means to acquire specific occupational and management skills. The definition of training needs and training policy will thus be rather different from practice in more stable situations in EC Member States.

The role of PHARE in training and HRD may therefore be considered in different ways. At one level, "training" may be seen as an implicit part of all technical assistance operations, in so far as the key objective of virtually all technical assistance is to transfer skills and expertise to the competent authorities and agencies in the CEECs to build up their capacity to design and implement policy reforms.

There is also a strong training and "institution-building" aspect in the style of management of most large-scale PHARE programmes. These are administered in a decentralised way by the Ministry concerned or the designated implementing agency, on the basis of advance payments combined with ex post control by the Commission. Over and above the technical issues of policy reform, there has been a continuing effort of training in management, financial administration, procurement and so on.

The training dimensions of PHARE programmes are more explicit in programmes which go beyond the initial phase of policy reform. Once overall strategy and specific policy objectives are clearly defined in

any given area or sector, then institutional dimensions can be worked out, core target groups identified and an implementation plan established in which training, retraining and general human resource development become a major concern. At that point, instead of ad hoc training inputs and study visits, the emphasis can switch to a fully-fledged HRD strategy, building up in-house or local training capacity and infrastructure.

The HRD strategy for a particular area of policy reform may impact on education and training structures at all levels, given the urgent need in many cases to introduce completely new professional profiles as well as specific occupational or management skills. Much of the impetus for change in systems of continuing training and in higher education thus stems from policy reforms in specific areas or sectors (such as financial services, environment and health...) where PHARE is a major source of financial and technical assistance.

A more intersectoral approach to the restructuring of training systems is evident at the level of labour market training where completely new systems and structures are being developed as a matter of great urgency in the context of employment policy. Similarly as regards the modernisation of initial vocational and technical training, a key priority of education policy reform is to overcome the fragmented sectoral approach to training that is the legacy of planned economies.

Given these two complementary approaches to human resource development in the CEECs, this synopsis on the role of PHARE in the process looks in turn at the intersectoral/horizontal approach evident in education and labour market policy reform (part I) and then at theme or sector related HRD (part II). The synopsis should not however be read as a general account of training in the CEECs since it does not describe activities financed by other multilateral or bilateral assistance, nor those reforms which are advancing without the need of external assistance.

I. EDUCATION, LABOUR MARKET AND HRD POLICY REFORM

With the prospect of serious structural unemployment, most concern has been focussed on the promotion of pro-active employment measures, requiring the development more or less from scratch of an adult training and retraining system. There is a broad consensus on the main parameters for such reforms, with a general commitment to decentralised management of training with tripartite structures and contracting out procedures if possible combined with strict quality controls. The immediate emphasis is on modular training courses with flexible entry/exit provisions and combining counselling and placement services. The World Bank, the ILO and the EC are now all deeply engaged in technical and financial assistance in this sector with various inputs from other donors.

The adult training developments are closely linked to other labour market measures and support for micro-enterprise and SMEs generally. Linkages with experience in the EC and elsewhere will be increasingly important as and when the basic structures of the new training systems become established. Changes with regard to continuing training of adults will clearly take more time being largely conditioned by the pace and rhythm of enterprise restructuring and privatisation.

Parallel concern has been expressed about the quality and effectiveness of initial vocational education training, traditionally providing over-

specific skills unadapted to a changing labour market. Working both with Ministries of Education and Labour as appropriate, some progress is being made in designing new systems of vocational education, particularly in Hungary where the World Bank was active as from 1989, and where the challenge is now to ensure the implementation of the new reforms across the country. Major issues of teacher redeployment and training, financing of equipment and materials and linkages with general and higher education necessarily mean that progress is slow, requiring a clear vision and sustained commitment by the national authorities. The development of comprehensive reform strategies for the system of vocational education and training and their implementation has since late 1991 become an area of major PHARE involvement also in Czechoslovakia and in Poland, in the latter case in close conjunction with the World Bank.

Other reforms affecting secondary and higher education systems have been much slower to evolve. Initially, the emphasis has tended to be placed on "opening up" to the West, hence the success of decentralised cooperation programmes such as TEMPUS (representing more than 10 % of PHARE assistance). Again Hungary is the country furthest advanced in developing new legislative and financial frameworks particularly for higher education with substantial World Bank support and some PHARE involvement. The experience of Hungary, also in science and research policy reform, may prove interesting to other countries which are all faced with the legacy of over-specialised and segmented structures ill-adapted to innovation and cost-effectiveness. Financial constraints are likely to hasten the interest in and commitment to structural reform. Indeed, in 1992 a major support programme for the renewal of the educational systems was agreed with the Czech and Slovak authorities which will address the key issues of education reform on all levels and will assist the country in moving from piecemeal and uncoordinated policies to a consistent strategy of change. Similarly in Poland education reform policies are taking with assistance from the World Bank and PHARE a more comprehensive shape with clear policy perspectives and strategies. In Romania, PHARE is in liaison with the World Bank associated with the design of substantial support for the education policy development.

Country Summaries

a) Bulgaria

The Indicative Programme for PHARE assistance to Bulgaria for 1991/92 foresaw technical assistance to Bulgaria to develop labour market structures. The programme worked out with the Ministry of Labour totalling 2.5 MECU over a 2 year period, approved by the Commission in December 1991, concentrates on the area of pro-active employment measures including adult training and will provide support for 3 components (general policy development, strengthening of local labour offices, local strategies for economic and employment growth).

The EC PHARE programme has been designed to complement the package of technical assistance in the area of training and requalification financed by the World Bank as well as UK Know How Fund inputs in the area of employment services which will focus on the development of job centres, the development of support materials and the improvement of the labour market information system.

Other bilateral assistance notably from the US is also being arranged. It is hoped that a medium-term strategy for continuing training and retraining can be worked out during 1992 to provide a framework for external assistance from 1993 onwards.

Under the general policy development component attention will be focussed in particular on 2 priorities: 1) young people, representing some 44% of the total number of unemployed in Bulgaria, and for whom the qualifications and skills acquired under the existing educational system no longer correspond to the requirements of the evolving labour markets; 2) underdeveloped regions which have a high ethnic minority population and which are experiencing high levels of unemployment. PHARE will assist the Ministry of Labour to develop specific employment programmes for these priority areas.

Action to combat unemployment is also foreseen at local level providing a "bottom-up" approach to the problems of unemployment. In particular the 3rd component of the labour market programme will support a pilot project in two centres, Sofia and Michailovgrad, where a network for information and training on self-employment and micro enterprise is being made available to the unemployed or those facing unemployment.

Training under this project is provided on 2 levels; firstly for the local staff who will be responsible for implementing the project, (including study visits to gain first-hand experience of similar initiatives in EC Member States), and secondly under the project itself, for local people wishing to consider self employment as an alternative to unemployment.

In addition, under a separate, 7.5 MECU programme of regional reconversion measures PHARE will provide assistance, including training and re-training programmes for redundant workers, in 2 areas of Bulgaria, Smolian and Bourgas, which have been severely affected by the restructuring of the Bulgarian economy and resulting decline in traditional industries.

PHARE assistance in the area of education has until now been exclusively concerned with participation in the TEMPUS scheme (13 MECU).

b) Czechoslovakia

Czechoslovakia devoted the first year after its "velvet revolution" of late 1989 essentially to a political restructuring of the country and to discussion and preparation of the transition to a market economy. Fundamental economic reform started in earnest only in January 1991 and focussed primarily on price liberalisation, restructuring and privatisation, and macroeconomic stabilisation by restrictive monetary and fiscal policies. Subsequently, labour market restructuring, education and training came into the picture of the reform agenda, and the Governments on both Federal and Republic levels fully recognise that the related issues need priority attention and the development of coherent policies and programmes. Within the context of the 1991 SAL of the World Bank, the Czechoslovak Government undertook as priority steps to:

- improve the administrative infrastructure for delivery of training for the unemployed;

- prepare legislation to implement a new training finance policy; and
- conduct a study of options for reform of secondary education and pre-employment vocational training.

Apart from training components incorporated in almost all of the major PHARE supported sector programmes (like SME development, restructuring and privatisation, environment, and telecommunications), education and training policies are addressed more systematically in the context of labour market development and restructuring on Federal level as well as in the context of education system reforms of the two Republics.

Within the PHARE-funded (15 MECU) labour market restructuring programme, agreed between the Commission and the CSFR Government at the end of 1991, the EC is providing technical assistance to increase the flexibility and relevance of training to market economy conditions. Support is being given in the following areas:

- establishment of an equitable and efficient training financing system;
- improvement of adult training and re-training programmes, including the development of administration and management of these programmes;
- review of the present structure and context of vocational education and development of coherent policies which address not only initial vocational training but the transition from school to work and continuing training for those already in the labour market;
- adjustment of the programmes of vocational schools to a more flexible format relevant to market needs.

With regard to general education, both Republic Governments have become aware that the partial and piecemeal approach to reform of the first years after 1989 has to be overcome and replaced by a coherent strategy defining priorities of policies and measures to relate education and training closely to the new economic and socio-cultural needs of the country. During 1992, the Czech and Slovak Republics have developed and agreed with the Commission a joint comprehensive support programme for systematic reforms in the education sector. The EC will - in the framework of this "Renewal of the Educational System Programme" - assist, first, in education policy development. Based on a major review of the present situation, constraints and future objectives in the education sector, a coherent strategy for the reform of the education system as a whole and of its different sectors will be designed, with concrete recommendations concerning the related legislative framework, administration and financing of education, curricular reforms, teacher training, and educational information systems. Furthermore specific support is foreseen for the improvement of basic and secondary education, for enhancing foreign language teaching and training, for strengthening the decentralised management of schools, and for the diversification of higher education.

Thus, PHARE has become a source of key inputs for education and training reforms in Czechoslovakia, being the only major donor involved in these sectors. In addition to the two sector programmes mentioned, PHARE assistance has also covered participation in the TEMPUS scheme (4 MECU in 1990, 9 MECU in 1991, and 15 MECU in 1992).

c) Hungary

One of the by-products of Hungary's economic restructuring has been a significant increase in the rate of unemployment and a consequent need for new initiatives in the areas of labour market reform, education and social welfare. Much of the activity financed by PHARE is directly related and complementary to the broad programme of reform in human resource development agreed with the World Bank in 1990.

At the end of 1990, small programmes of PHARE support were agreed for higher education and vocational education.

The programme for the upgrading of higher education worth 3 MECU contributes to the reform of higher education policy in particular via the "Catching up with Europe Fund" which promotes the development and reorientation of higher education in particular through the selection of proposals from higher education institutions via periodic competitions. TEMPUS is seen as an important complementary scheme promoting decentralised coöperation with West European higher education institutions. Hungarian participation amounted to about 6 MECU in 1990, 12 MECU in 1991 and for 1992 about 16 MECU is foreseen (16 % of the total aid package in 1992).

In the area of vocational education, PHARE is supporting the National Institute of Vocational Education (NIVE) with a programme of assistance amounting to 1.5 MECU. The role of NIVE is to stimulate policy innovation and exchange of experience and to develop new vocational curricula, to be implemented in the context of the new programme of reform.

In addition, PHARE has provided technical assistance to the Ministry of Labour and to the National Training Council in the context of its ambitious programme of reform largely financed by a World Bank loan affecting the whole adult training system and vocational education for young people.

In 1992, a programme for Employment and Social Development worth 20 MECU was agreed to support the general process of policy reform and innovation in employment and human resources development. The programme features significant training and retraining elements in each of its main components.

The Budapest labour market intervention component introduces a decentralised and integrated approach to labour market policy and via a process of partnership and active collaboration will contribute to the creation of new skills in areas of existing and potential demand in order to promote growth sectors, business diversification and improved access to labour market services.

In the area of youth training, two interrelated operations are envisaged. One complements existing World Bank activities and extends the process of curriculum development to additional vocational secondary schools with an emphasis on offering experience of "best practice" in the EC in areas such as alternance, language learning, career guidance and counselling and harnessing the multifunctional potential of schools. The other focuses on disadvantaged young people and through training for educators and

support for a number of local projects will improve the level of know-how transfer and knowledge in this field. The final component supports the reform, extension and strengthening of the processes of social dialogue via the tripartite National Conciliation Council including professional training for the representatives of the social partners and development of in-service training facilities. The Government also attaches high priority to the development of social policy and an amount of 6 MECU has been earmarked for this area. Support measures envisaged include:

- a) support for a network of regionally based social welfare "resource centres" providing technical advice and training for local government;
- b) support including training for innovative projects by local government and non-governmental organisations focussed on the needs of young people and elderly people;
- c) complementary measures to support information analysis and research.

Further substantial contributions of PHARE are being provided for the development and upgrading of higher education through the TEMPUS-scheme (6.2 MECU in 1990; 12 MECU in 1991; and 16 MECU in 1992).

d) Poland

The PHARE programme has been assisting the Ministry of National Education (MONE) in Poland in priority areas since 1990, notably the reform of vocational education and training, language training, and policy and programme development.

The initial programme (known as EC-VET), launched in 1990 with 2.8 MECU support from PHARE and still on-going, concentrated on the initial development and reform of curricula for vocational education and training schools, as well as on stimulation of policy aspects of vocational education and training, using the Polish Task Force on Human Resources (BKKK) as implementing agent. A small programme of assistance (1 MECU) was agreed at the end of 1991 (UPET-Upgrading Education and Training in Poland) to maintain some of the momentum started with EC-VET 1990. UPET is designed to provide technical assistance for policy development and evaluation by the MONE, support for the curriculum development already initiated under EC-VET 1990, and foreign language teaching (again building on a 1990 project) including in-service training.

The idea behind UPET was that it should pave the way for a fully-fledged medium-term education strategy in which the MONE would need to play a leading role and commit itself to specific objectives. That process began with the Education Reform Act, 1991, which restored responsibility for education to the MONE. The detail of the reform has been elaborated by the MONE in an October 1991 policy document called Directions of Change in Education in the 1990s. The timetable for introduction of the reform varies with individual elements. In general, the process is envisaged as continuing for a significant period. Preparatory work, however, is now well underway: PHARE has taken a lead role in discussions with the MONE and the World Bank in respect of a possible World Bank-financed loan to support the costs of reform of vocational education and training

at secondary level and the diversification of post secondary education, notably through provision of PHARE-funded participants in the World Bank team and technical advisors on special topics for which assistance was requested by the MONE. The objectives and content of the 9 MECU Education Reform (ER) programme in 1992 have been developed by PHARE in conjunction with the proposed project between the World Bank and the MONE, and are complementary to that initiative.

PHARE assistance under the ER programme is aimed at promoting innovation and reform in secondary vocational and technical schools through the provision of revised curricula for five core subjects to approximately 60 schools identified as existing leaders of the MONE reform programme; and promoting the structural development and adaptation of post-secondary institutes by enabling them to develop a range of short-cycle programmes in priority areas of need linked to the reform programme. The ER programme is also intended to facilitate refinement of application-based programmes in the education field such as TEMPUS (12 MECU in 1990, 13.5 MECU in 1991 and 26 MECU in 1992).

PHARE involvement in supporting the reform process in the future has been confirmed by a request from the MONE for technical assistance to further develop its strategic actions for 1993 and beyond.

In the area of labour market and social policy development, PHARE support has been worked out directly with the Ministry of Labour and Social Policy (MOLSP), with particular attention to complementarity with the World Bank-financed project on employment promotion and services which includes substantial inputs on adult training policy and development. As a result, the 18 MECU 1991 Socio-economic development (SED) programme is focussed less on adult and youth training as such and more on flanking employment and social policies. First, in the context of implementation of the new Social Welfare Act, the counselling skills and managerial capacities of local social workers are being developed, including assistance for a medium-term human resources development plan, in-service training and initial training in association with the MONE. Secondly, a training programme is being established for managers of social care institutions, and training for personnel in those institutions generally is being designed and implemented. Thirdly, staff training is being provided under the pilot programme for the delivery of social services by NGOs on behalf of the MOLSP. Finally, in the 10 pilot areas selected for local development initiatives for employment and socio-economic development, there is training for the Local Development Agent appointed to establish an action plan in each of the areas and training initiatives under these action plans.

e) Romania

As in Bulgaria, PHARE support for labour market and training policy development has been limited initially to a package of technical assistance (2 MECU) worked out with the Ministry of Labour and closely complementing a similar input financed by the World Bank. PHARE assistance will cover employment services development, employment promotion initiatives as well as support for adult training and retraining (identification of training needs, design of short courses, instructor training etc.).

In 1992, this work is likely to be further developed and extended particularly through a Programme of Active Employment Measures of 10 MECU. The Programme will support the design and implementation of measures to promote and monitor constructive responses to unemployment amongst local communities; the emphasis will be on the mobilisation of local resources and expertise to develop integrated strategies to promote employment.

Active employment measures proposed include particularly: training for alternative employment (re-qualification); training in skills likely to be useful in a market economy; training in self employment.

Training for alternative employment, to help people who will become unemployed due to the restructuring of enterprises to qualify for identified jobs in re-structured or new enterprises;

Training in skills likely to be useful in a market economy; opportunities are likely to occur in household and personal services, construction, maintenance, and transportation, the final identification and determination of training needs will be carried out at local level;

Training in self employment; there is an obvious need to assist entrepreneurs in the essential skills of running a business, because self employment will be a major source of employment in the future. This training programme will be offered in modules covering essential aspects of self employment: development of a business plan, assessment of market needs, access to credit and other subjects essential for the successful creation and operation of micro-enterprises.

The implementation of these measures will be achieved simultaneously at local and national level:

- at local level, support will be provided for the design and implementation of measures to promote and monitor constructive responses to unemployment amongst local communities;
- the national level will be responsible for management of the programme, providing training and materials development, quality maintenance; a non-profit institution which already exists, the international management foundation (IMF) and in which public and private institutions are involved, will be the key element at that level.

Complementing participation in TEMPUS (9 MECU in 1991, about 13 MECU in 1992), the Commission is also preparing to work with the World Bank in 1992 on the identification and appraisal of a large scale programme in the area of education policy development (particularly as regards secondary, technical and third level education).

f) Baltic States

The three Baltic countries, Estonia, Latvia and Lithuania, became partners of PHARE only recently, and the first Indicative Programmes were agreed in March 1992. Under these programmes, a total amount of 3.9 MECU was allocated for the initiation of reforms in the social sectors with particular emphasis on labour market

restructuring including the reform of training and retraining systems.

Currently, the detailed design of the respective programmes is being prepared in conjunction with the Governments of the Baltic States. It is envisaged that 1992 PHARE inputs will focus on two tasks with respect to the above mentioned areas:

- (i) provision of assistance in developing a medium-term strategy for the adaptation of the labour market administration and for the development of employment promotion policies in line with the new market economy requirements; this may lead to the formulation of larger sector programmes including the adaptation of training and retraining systems to be taken up under future PHARE programmes;
- (ii) drawing-up and implementation of a support programme for concrete measures targeted on the most pressing needs; one of the priorities will be to set in place rapidly retraining facilities to combat unemployment.

II. TRAINING ACTIVITY AND HRD STRATEGY LINKED TO SPECIFIC POLICY REFORMS

The HRD implications of each area of policy reform vary greatly as does the nature of PHARE involvement. In public administration for instance, a major focus of reform is the development of new personnel policies where changes in initial and in-service training are of fundamental importance though necessarily linked with changes in status, duties, remuneration and recruitment procedures. In the finance sector, a range of new professional profiles are urgently required. This has frequently involved the setting up of new specialised training institutes dependent on both public and private financial support. In health policy reform, the need for new types of specialisation has led to intensive cooperation with medical universities and faculties in the CEECs and in the EC implying diversification and adaptation especially in higher education. In the area of transport, PHARE has through the process of regional cooperation been supporting the strengthening of specialised training structures which have a regional vocation serving the needs of many CEEC governments. In environment, PHARE has been concerned not just with training in new skills but also in educational strategies for raising public awareness. In agriculture, reflecting the complexity of reforms in this sector, PHARE is supporting very diversified training inputs ranging from the development of extension services, assistance with land reform and privatisation, improvements in quality control and trade promotion, and business support for private farmers and management of credit schemes.

The following sector summaries are designed to illustrate some of this diversity.

Sector Summaries - Training as part of specific policy reforms

1. Public Administration

In PHARE financed Public Administration Reform programmes, training and training related components have generally been designed to support not only courses on general and specific subjects for civil servants and local government employees but, more importantly, the development of a

long term training strategy and human resources management capacity of governments - both at central and local level. These programmes then provide assistance for training often as part of the reconstruction of the government's entire training system, including strengthening or developing a network of regional training institutions. The programmes have also put an emphasis on developing the local government training capacity, particularly in those countries where there is a strong tendency to decentralize the delivery of public services.

National Programmes

a) Poland

Two ongoing programmes, financed in 1991, and one new 1992 programme have a total combined budget for training amounting to 6 MECU. The first programme is assisting the Government with the preparation of a long term strategy for overall permanent civil service training and the development of a personnel management capacity as part of the Government's civil service reform. In addition the programme, as a first phase of implementation of the long term policy, will assist with the training of 500 civil servants of senior rank, which will include development of curricula and training of a core team of trainers. The second programme is oriented towards local governments and is executed through a non-governmental organization, supported also by various other donors (UK, USAID). It provides training of local officials through 16 regional training centres, which were established with the help of the programme and is targeted at specific topics : financial management, environment, planning, economic development, and conduct of council business. The third (and new) programme will provide assistance for training of officials in specific topics of micro-economic policy as part of the restructuring of public sector management ministries, based on a training needs analysis. More importantly, the programme will assist with the training of local government officials as part of further decentralization of Polish state structures, through regional training centres, on subjects relevant to officials in their new role in a decentralized state system : financial management, expenditure planning and control, procurement and contracting, and land management.

b) Hungary

A new 1992 programme, of which the budget for the training and training related component will amount to 3.5 MECU, will support the development of the personnel strategy of the Government and the human resources management capacity at the Ministry of Interior and line ministries, in addition to training of civil servants. The training will be executed through the establishment and training of a core group of trainers, consisting of practitioners of existing institutions, universities, central and local services and regional centres and will be targeted both on general subjects related to the introduction of an examination and performance related system, as part of a civil service reform, and on specific subjects of financial management, internal control, public procurement, and informatics. An important part of the programme is reserved for officials of local government.

c) CSFR

Further to an initial phase of technical assistance which helped to establish a training strategy and the identification of training needs of local governments, a programme of training courses got underway in 1992. The programme which is being implemented by a team from the Association of Netherlands Municipalities and the National Association of Local Authorities in Denmark will focus on topics related to the new responsibilities and tasks that officials have assumed as a result of the decentralization process. The courses are being delivered through a network of 20 training foundations newly established by the Czech and Slovak Unions of Towns and Communities. The total budget for training is 2 MECU.

d) Romania

A new 1992 programme, similar to the above, of 1.5 MECU, will be developed, which will respond to the short and long term needs for training for municipalities. The programme will also assist with the establishment of a clear training strategy and the allocation of responsibility for the delivery of training by different levels of government. This programme will be implemented in close coordination with the World Bank.

Regional Programme

The regional SIGMA programme, financed by PHARE in 1991 and executed jointly with OECD, covering five countries in Eastern Europe (Poland, Hungary, CSFR, Bulgaria and Romania) plays a key role in helping to identify reform policies, and as such there is an important interface with the national programmes referred to above. Specifically as regards training, SIGMA assists in the development of a personnel training and recruitment management policy, including recommendations for the creation or development of institutional structures for the delivery of training, which, it is envisaged, will be implemented with assistance from the national programme. Other training courses are conducted by the programme for policy advisers and trainers from national training centres in areas of economic and financial management and public administration, e.g. in public procurement, through the joint BIS-EBRD-EC-IBRD-OECD-Vienna Institute.

Aspects of public administration reform are included in many sector specific PHARE programmes. From the early stages of reform, high priority was for instance attached to the modernisation of customs and statistics services. In the field of customs administration reform, where the objectives are clear and urgent linked to the introduction of the SAD and the target group is well defined, PHARE is assisting all the national customs services in carrying out larger scale training operations (cf. 1990 programme in Poland; 1991 regional programme, extended in 1992 to Albania and the Baltics: total about 8.5 MECU).

In the field of statistics reform, where general upgrading and retraining in new techniques has been of immediate necessity, PHARE through EUROSTAT has been supporting all the national statistical offices in developing their own in-house training structures (cf. 1990 programmes in Poland and Hungary; 1991 regional programme, extended in 1992 to Albania and the Baltics: total about 6 MECU).

2. Financial Sector

The financial sector (banking, insurance, accounting and taxation) plays an instrumental role in the transformation of the economic structures of Eastern Europe. Presently, there are approximately 1.4 million people employed in the financial sector, a figure which could double over the next three to five years. As new companies emerge and existing ones are restructured, this explosion in employment is matched by a growing demand for new and improved quality of financial services.

Training is considered to be the most important response to this development. For this reason, PHARE has committed 18 MECU towards training in the finance sector over the last three years (1990 to 1992). These programmes are designed to meet both the short term and long term needs. In the short term, projects are geared towards meeting immediate needs by providing such assistance as study visits and courses, normally delivered by foreign trainers. Such courses are, however, by nature piecemeal and supplier driven.

Over the long term, PHARE has developed a more strategic and comprehensive approach which is tailored to address the particular needs of the countries in question. Focus on the national training capacity by building and strengthening the structures and institutions providing in-house and external training, leads to a more sustainable and appropriate training infrastructure.

An important means for delivering long term training is "training the trainers". Through this approach a critical mass of employees are trained, who subsequently train and influence their colleagues in newly acquired skills and concepts. This multiplier effect will help ensure that the greatest possible impact is achieved in the shortest possible time.

This general training approach is adopted in a number of different programmes in the following countries:

a) Albania

To introduce the techniques of a newly enacted accountancy law, training is planned for the industrial sectors accountants and the public sectors accountants/auditors. In addition, in-house training will be given at the central bank of Albania under the guidance of a resident advisor to the central bank. All activities will be coordinated with IMF actions. The total of the PHARE training programme will amount to approximately 200,000 ECU.

b) Baltic States

In the Baltic States, a training programme has been organised for the investment banks which have been created in each of the three countries, notably covering project analysis and accounting. The implementation of national programmes of bank training and retraining of staff of commercial and central banks will also be supported in the three countries; such a programme has already started in Estonia, with the assistance of two resident advisors. Programmes are also to be launched to develop general training for accountants, as well as specific training in the field of bank accounting and auditing. In finance administration, training will focus on tax and customs administration, notably in the field of VAT.

c) Bulgaria

A comprehensive study has identified the need for both short and long term training resulting in specialised courses on banking and the role of banking in conjunction with the establishment of a banking institute. In the field of taxation and accountancy, combined courses have been organised. In addition, a large programme of assistance has been designed to meet the long term needs in accountancy such as developing curricula at university, establishing an institute of accountancy to maintain training standards; training the end users (companies) in the use of accountancy as a management tool.

d) CSFR

Comprehensive studies in all fields of the financial sector have been carried out resulting in specialised courses responding to urgent needs. Substantial technical assistance has been provided to enforce the position of the Banking Institute enabling it to take over the training and legal and organisational aspects of banking.

e) Hungary

Under the modernisation of the Financial Sector Programme considerable support (690,000 ECU) has been focussed on the International Training Centre for Bankers (ITCB) to develop the capacity of the institute to provide training. Assistance included equipment, developing management and training capabilities and providing actual courses. ITCB now plays a major role in bank training. With the first seminar on training in banking institutes, ITCB also serves as an example for other Central and Eastern European countries. A bank training assessment study is being undertaken which will aim to meet the needs of the banking sector along the strategic lines mentioned previously.

f) Poland

In Poland, training actions have been initiated in the fields of banking, insurance, taxation and accounting. In the banking and accounting field, training needs are being met in the short term, through visiting lecturers at a major banking school, the Development Bank and the Polish Banking Association. Long term needs are being addressed, through support to the Warsaw Banking School (eg. curriculum development).

In the taxation field, seminars have been organised for the VAT officials and tax control. However, the follow up of two studies will form the main aspect of PHARE assistance: 1) human resource development (career development and job retention for tax officials) and 2) setting up a tax school.

In the insurance field, PHARE is supporting the establishment of an Insurance Training Centre, initially through a design study including objectives, financing means, staffing and curriculum development.

g) Romania

Training programmes have begun in the fields of banking, taxation and accounting, while training in insurance has been foreseen. Following a needs assessment study in bank training, a strategy has

been designed and adopted by the banking community which meets both in-service and pre-service training needs. This study also provides the basis for PHARE and the donor community's support, primarily to the banking institute but also to the banks and educational bodies. In accounting and auditing, PHARE will be assisting a national programme to introduce the new "Plan Comptable" which will come in to force in 1994. Training the trainers will consist of providing seminars and workshops to a core group of users and officials. Following a trial period of utilisation, the Plan Comptable will be revised to meet the specific needs in Romania and a national training programme will then be embarked on. In taxation, seminars in VAT have begun and further work will be carried out in the field of human resource development.

3. Enterprise Restructuring and Privatisation

Management training to support the restructuring and privatisation programme has been running for two years in Poland, while in Bulgaria, Hungary and Romania training programmes will be launched in the last quarter of 1992. CSFR and the Baltic States are at the stage of planning and analysing needs. Training actions are also being taken within the SME sector in Poland, Hungary, CSFR and Bulgaria.

a) Poland

The privatisation process has been accompanied by a large training programme, under which several thousand people have been trained in the last two years at the Centre for Privatisation's own school for finance and management. The numerous courses include training for staff of the Ministry of Privatisation, local authorities and consulting firms, Board members of state-owned companies, and management, marketing and stockbroking courses. As part of the continuing programme to support the privatisation process, new courses are being developed on contract law, investment analysis, enterprise restructuring, company strategy, capital markets and investment.

PHARE's contribution to the costs of this programme amounted to 1.1 MECU between December 1990 and October 1992. USAID is the largest contributor to the programme, and there are other bilateral donors on a smaller scale.

Training has also been carried out under the PHARE programme with the Industrial Development Agency. This has involved institution building through the financing of seminars for staff of the Agency and of the Ministry of Trade and Industry. PHARE finance in the first half of 1992 amounted to 0.3 MECU. Training will continue to be provided as an element in the restructuring programme.

b) Hungary

The outline training programme for managers of enterprises undergoing restructuring will be finalised in October 1992, with a budget of 2.5 MECU. The targets for the training are the 500 top managers and senior officers of 65 large and medium-sized state owned companies undergoing restructuring. The objective is to enable them to reorganise the businesses so they can function in the market economy. The training process will be organised to run in parallel with the restructuring of the companies over a period of 6

to 9 months, with seminars alternating with practical application on the job. The programme will be delivered by a partnership of an EC training provider and a Hungarian partner.

Provision of 0.5 MECU has been made for the training of staff in the State Property Agency. A work programme will be established when a needs analysis study (to be financed by USAID) has been undertaken.

c) Bulgaria

Under a training framework agreement, work started in September 1992 on setting up a management training programme for managers of state enterprises and the staff of Ministries and other agencies involved with the restructuring and privatisation of the Bulgarian economy. The programme comprises a training needs assessment, the delivery of ad hoc, targeted, action-oriented courses, and assistance with the development of local trainers and training institutions so that they can play an increasing role in the future of the programme. The objective of the courses will be to impart an understanding of the principles of business in a free market economy. The total budget available under PHARE for this programme is 1.25 MECU.

d) Romania

Work will begin in November 1992 on the implementation of a training programme for senior and middle managers of the state-owned companies undergoing restructuring, for public sector managers involved in privatisation, and for management trainers. The budget available is 1.2 MECU.

When this programme has been launched, the next priority is the preparation of a smaller programme for training civil servants in the Ministry of Industry.

e) CSFR

Training will be an important element in the "soft restructuring" facility which is currently under discussion. The proposal is to establish a fund from which enterprises can ask for contributions for training and marketing studies. Training would also be a responsibility of the proposed regional development agency.

f) Baltic States

An assessment of the training needs of top and senior managers of state-owned enterprises undergoing restructuring was commissioned in September 1992, to be completed in November. The output will be proposals for management training programmes in the 3 countries, and recommendations on the counterpart institutions which could provide them. The indicative budget for the 3 countries totals 1.05 MECU.

SMEs

Training continues to be a part of the SME programmes for Poland, Hungary, CSFR and now Bulgaria, particularly for local business advisory staff, bank staff involved in SME work, and staff in SME units of Ministries and agencies.

4. Health Policy

Training and human resource development is a key instrument of health policy reform in the CEECs, which requires not merely the rapid acquisition of a range of new skills and knowledge but also the development of completely new professional profiles. Though the initial tendency of those in medical circles was to seek retraining oriented towards the latest medical technology, priorities for reform have shifted towards structural change. Key themes for PHARE programmes include:

- support for the development of primary health care and the concept of general medicine, epitomised by the idea of the "family doctor" due to become a new actor in the health system and requiring a new professional profile;
- similarly the development of public health, requiring the introduction of basic concepts into medical and paramedical training courses as well as a new area of academic specialisation;
- the introduction of health economics and health management, including hospital management, vitally linked to fundamental reforms in the management and decentralisation of health services.

The types of intervention under PHARE programmes with respect to training include:

- support for the definition of new staffing and training policies at national level including administrative, medical and paramedical staff;
- technical assistance (including training of trainers and study visits) for the elaboration and modification of technical and university level courses;
- support in the form of equipment and documentation to build initial and in-service training capacity.

PHARE support has taken various forms: specific components for multi-sector training exist within the framework of the general health restructuring programme for Romania (3 MECU) and Bulgaria (7 MECU); specific training components, related for instance to management, exist for Poland (4.5 MECU), Hungary (0.4 MECU) and CSFR (0.5 MECU). In addition, in connection with specific health policy objectives, training provisions are fully integrated. For example, in Poland, 6 MECU is earmarked for the training and establishment of a core group of general practitioners in the context of the restructuring of primary health services. In Bulgaria, a major component (10 MECU) of the 1992 programme concerns the modernisation of emergency medical services, entailing training of front line staff (police and firemen) as well as medical and paramedical staff. This activity builds directly on a TEMPUS cooperation project.

PHARE programmes in the health field are closely coordinated with the activities of other multilateral agencies notably the World Bank and UN agencies such as the WHO as well as with bilateral assistance. In Romania for instance, equipment supplies for training facilities are shared with the World Bank, training specialists with the UN and Danish bilateral aid, training and restructuring of blood transfusion services with French bilateral aid.

5. Agriculture

Training strategies and activities in the context of agriculture policy reform are characterised by their diversity, reflecting the very different situations as regards agriculture in the CEECs.

a) Poland

PHARE support as from early 1990 for large-scale import programmes amounting to 70 MECU for animal feeding stuffs and plant protection brought PHARE directly into accelerated training for the state extension service, private farmers, feed processing businesses as well as institutional support for training and monitoring. The large-scale credit operation (30 MECU) dating from 1990 has also involved considerable training support for bank staff and for business advisory staff.

From the 1991 and 1992 programmes, within the National Union of Cooperative Banks, 1 MECU is committed for assisting in the establishment of an audit training school; over 4 MECU is foreseen for training business advisors for cooperative enterprises; pilot instructor training has also begun in respect of veterinary surgeons, small farmer extension services and secondary agricultural school teachers. These will be incorporated in a national programme planned for 1993.

b) Hungary

A wide range of inputs to training activities have been included in PHARE programmes since 1990. They include instructor training and course development for extension services, for farm accountancy, market information, quality control, rural banking and land registration, amounting to over 2 MECU already in 1990. The 1991 programme focussed on agro-industrial development and included management training as part of sectoral restructuring activity. The 1992 programme, focussed on agricultural credit, will include substantial training (2 MECU) by the European Association of Cooperative Banks for Hungarian Savings Cooperatives.

c) Romania

PHARE activity started in 1991 with an emphasis on land reform with training in land registration, cadaster, surveying and digital mapping (0.3 MECU). The large-scale 1992 programme (12 MECU) concerns both extension services linked with the privatisation of agriculture and credit and agri-business services with corresponding training programmes.

d) Bulgaria

PHARE is the principal source of external assistance with over 50 MECU in the period 1990-92, covering technical assistance, training, equipment and supplies and credit operations. Core training inputs (amounting to nearly 4 MECU), concern land privatisation, management in the agroprocessing sector, extension services and marketing. Technical assistance and materials are also provided to adapt courses at the level of agricultural higher education institutes and vocational schools.

6. Environment and Nuclear Safety

PHARE is currently financing approximately 150 individual environmental projects, where training although in most cases not the major objective, is a part of the project. These 'indirect' training activities cover a broad range of activities, ranging from: overall management training, policy and strategy formulation, environmental impact assessment and environmental monitoring and data management to specific technical design, investment preparation and general project management.

In the more advanced countries such as Poland, CSFR and Hungary, it is now a general practice, specified in the terms of reference for the specific project, that a certain percentage of the input has to be provided by local experts in order to ensure on-the-job transfer of know-how and experiences. It is estimated that between 10-15 % of the total budget allocated for environment in 1990, 1991 and 1992 (25 - 30 MECU) is used for this indirect training and transfer of experience. Apart from this indirect training element a number of specific projects and programmes are specifically related to training. These projects/programmes can be summarised as follows:

a) Bulgaria

An ongoing training programme will be carried out for the staff of the Ministry of Environment and regional environmental inspectorates in environmental impact assessment and preparation of legislation.

b) CSFR

A number of nuclear safety projects focus specifically on the upgrading of the knowledge of operators in management and operation and training courses and twinning arrangements have been and will be undertaken.

In the 1991 programme, 1.5 MECU was earmarked for the strengthening of environmental education and public awareness activities.

c) Hungary

Two 1990 projects directly related to environmental education and training, prepared the foundation for two major training and education programmes which were financed through the 1991 sector programme:

- * Post-graduate environmental training programme, comprising the development of various technical modules; and
- * environmental education and training exchange programme, comprising further financial support for specific courses and exchange programmes.

d) Poland

One training and exchange programme was included in the 1990 sector programme. In the 1991 programme, 1.8 MECU was allocated for the establishment of a National Centre for Environmental Education. This Centre will focus on environmental education and training at various levels, covering environmental management and environmental impact assessment and will support the modernisation of training programmes and environmental curriculum development. Training of trainers and tutors will be a main component. A staff training programme for the Ministry of Environment is supported through the 1991 programme as well.

e) Romania

A joint education and training programme on environmental audit is currently being prepared by the Ministry of Environment and the Ministry of Industry, partly financed from the privatisation programme and partly from the environment programme (0.8 MECU).

Regional Programmes

The Regional Environmental Centre in Budapest was supported in 1990 with 2 MECU and through the 1992 Regional Environmental Programme with an additional 1 MECU. The activities cover in general terms support for NGO activities and environmental training and education. A main component in the Danube, Black Sea and Baltic Sea Environmental Programmes is human resource development and institutional strengthening, the details of which are currently being defined.

As regards nuclear safety, the 1992 regional emergency programme provides for a twinning and housekeeping programme (7 MECU) carried out by WANO. This has both immediate objectives to restore the safeguard system to an operating level in the Kozloduy Power Plant, and longer term activities concerning management and organisation, the development of a "safety culture" and building up training capacity.

7. Transport

In addition to training linked to technical assistance and strategy development at national level, the 1992 regional programme for the transport sector provides 2 MECU for training operations. This includes language training for air traffic controllers at the regional training centre in Budapest, training in EC standards and procedures in road and rail transport at the Loncen regional centre in CSFR; for inland waterways, navigation training modules will be tested first at Burgar in Bulgaria. Similarly for maritime transport, a regional centre will be foreseen in Poland.

8. Telecommunications

Training constitutes an integral part of all the national telecommunications sector programmes. Medium/long term staff policies will be developed as and when policy decisions on reforms are made allowing a proper assessment of needs and identification of target groups. For the telecommunications sector in particular, the possibilities of developing - at least during the transition period - systems of complementary education/training with their relative advantages and disadvantages where private and public funding run in parallel, merit further reflection at least as regards the telecommunications sector where some of the financial constraints could be overcome in the context of joint venture operations or licensing arrangements.

a) CSFR

Approximately 700,000 ECU is reserved for HRD. Key issues to be covered concern the development of a sectoral strategy in relation to a UNDP-financed curricula project in the form of a 'master plan' (staff requirements/manpower planning, career system, structures and organisation of training, possible changes and integration of the roles of the present training centres, identification of teaching/training materials, their production and the necessary accompanying equipment, development of curricula for technical and management training). Study visits and fellowships in the EC are also foreseen.

b) Poland

The rural telecommunications programme provides assistance (approximately 900,000 ECU) to newly created private operating companies through a Development Centre which - in addition to direct technical assistance - will offer training for the operators' staff in key areas of management and technical operation (education in telecommunications technology, legal and financial aspects, business/strategy planning, performance monitoring, etc.).

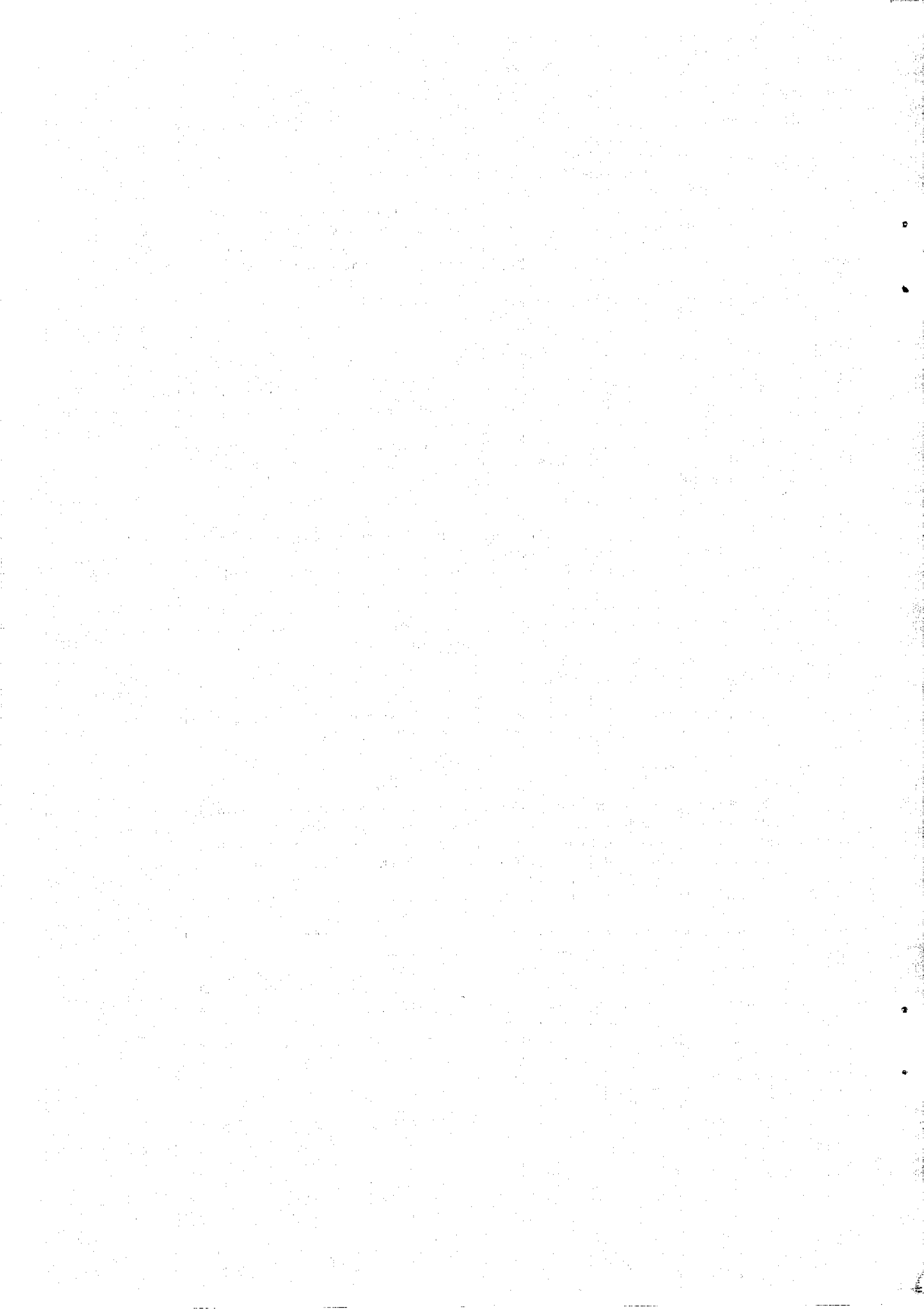
In addition, approximately 950,000 ECU has been allocated in support to PPTT-TPSA, for training of counterpart staff. The training responds to the HRD requirements outlined in the EIB/IBRD loans for a DON and covers mainly the design of a master plan and its application, management and commercial short-term training etc. Policy and regulatory issues are dealt with in a separate specialised training action for the Ministry's staff.

c) Bulgaria, Romania and Slovenia

In these countries, the training dimension of their programmes is integrated at this stage in the technical assistance.

Regional Programmes

A major technology and know how transfer programme (7 MECU) was approved in mid-92 for the original five PHARE countries. It has a modular approach, based on a series of principles: assistance to identified national counterparts for clearly identified jobs, the supplementary function of external consultants, joint teams and working groups composed of foreign experts and national counterparts of all five countries. Areas covered will be: investment preparation and harmonisation of strategies/standards/policies at regional level, management and legal/regulatory issues of national relevance but where collaboration at regional level would be more efficient or require concertation among the countries concerned (ie, performance monitoring, billing systems, etc.). Each recipient country will assume responsibility for one or more modules, and training infrastructures will be used jointly. HRD and preparation of in-house training programmes are foreseen in the global plan of action.



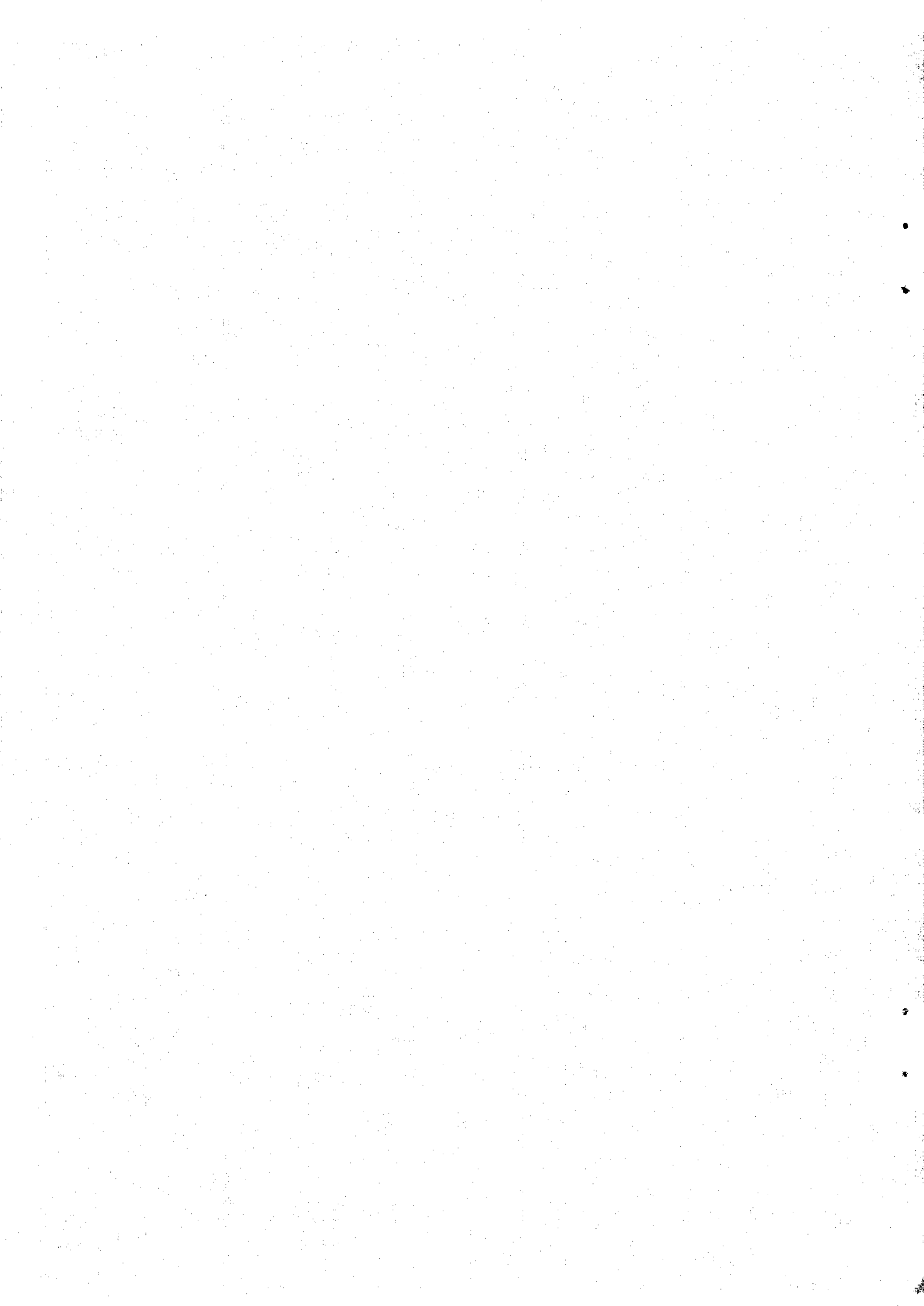


COMMISSION OF THE EUROPEAN COMMUNITIES
PROGRAMME OF ASSISTANCE FOR ECONOMIC RESTRUCTURING
IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

PHARE
&
Management Training

Written by DG I / L4
October 1993

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MANAGEMENT TRAINING ACTIVITIES UNDER THE PHARE PROGRAMME

INTRODUCTION

The success of economic transition in the PHARE countries depends not only on the creation of a favourable business environment, but also on the ability of company managers and entrepreneurs to operate successfully within it. For this reason, the importance of management training has been recognised from the beginning of the PHARE programme.

The objective of any management training is to enable managers to run their companies successfully. This requires a mix of personal and technical skills, as well as an understanding of the internal business system of a company and the market it is operating in. The extraordinary changes being faced by managers in the transition economies means they have a variety of different needs, and therefore a flexible approach is needed if the assistance is to be effective. Several different kinds of management training activity are being supported by PHARE, depending on the specific needs of the country and the target group for training:

1. General management training programmes
2. Support to management training institutions
3. On-the-job training for managers

The major programmes sponsored in these three areas are described below. PHARE is also involved in training for entrepreneurs and for managers of small and medium-sized enterprises. This is provided under the SME programmes, through the networks of locally-based business support services, which are described in a separate PHARE publication. In addition there have been a number of other actions organised by the PHARE Project Management Units in the recipient countries, for example seminars for managers from particular sectors such as coal, steel, pharmaceuticals, tourism.

MAJOR MANAGEMENT TRAINING ACTIVITIES SPONSORED BY PHARE TO DATE

Assistance for management training is aimed at senior and middle managers of large and medium state enterprises which have a high priority in governments' privatisation and restructuring plans. In addition, some civil servants working closely on company privatisation and restructuring are normally included in the programmes, as well as some trainers or business teachers who can multiply the effects of the training. Board members are another group receiving training. The programmes described in this paper are mainly concerned with short-term professional training which is urgently needed to equip existing managers with new skills. The longer-term question of management education is being addressed in programmes concerned with education policy.

1. General Management Training Programmes

Bulgaria

A management training programme has been developed in 16 modules, from which managers can make their own selection. Examples of modules are: Change Management for Policy Makers; Corporate Finance; Business Strategy; Human Resource Management. Over 500 managers and civil servants attended courses in the first year of the programme, and at least one thousand will attend in the second year. Linked to the formal training, there is also on-the-job coaching for managers, and training courses tailored for individual companies.

Hungary

The training programme for the top management team of 65 state owned companies consists of modules totalling 15 days spread over several months, and a one-week study tour for a participant from each company. The programme helps the management teams to analyse the position of their own companies, and to build a corporate strategy for tackling the challenges of the market. Plans are developed for implementing the strategy throughout the business, and for involving the staff in this process. The programme will train a total of 500 managers from the 65 companies, and will be completed by the end of 1994.

Romania

A five-week management training programme has been developed for 240 senior and middle managers. It focuses on the areas of strategic marketing, finance, production and Total Quality Management, organisation structure and personnel management. A further one-week course is for chief executives and senior managers, and concentrates on strategic management, personnel management and business ethics. In addition, there is a two-week course in negotiation skills for 80 senior managers of companies likely to be involved in privatisation or in negotiating other types of agreement for cooperation with Western companies. The programme will be completed by the end of 1994.

Estonia

A three-week programme, which combines classroom training with on-the-job consulting support, was run three times in 1993 for a total of 72 participants from 20 companies. The programme was attended by the senior management team of the selected companies. In the middle week of the programme, the consultant/trainers visited each team at their company to help them develop action plans for improving the company's performance.

Lithuania

A three-week programme similar to the one in Estonia will be run 5 times by the end of 1994 for 120 participants from 30 companies.

2. Support to Management Training Institutions

Poland

The Foundation for Privatisation, set up in 1990, runs a large number of training programmes at its Rynia Centre for managers, professionals, civil servants, and members of supervisory boards. Many of the courses have been crash courses aimed at a quick broadening of the knowledge required to administer and privatise in the new conditions of the market economy. In the first three years, about 15,000 people have been trained on courses organised by the Centre. The PHARE programme has financed a significant proportion of the costs of the Centre's training and associated publishing activities. The support is being phased out in 1994 as the Centre becomes self-sufficient.

PHARE also supported the setting up of the International School for Trade and Commerce at Rynia, under Poland's Vocational and Educational Training programme. This was "pump priming" assistance for training faculty abroad, training the school's management, developing educational materials, and employing foreign lecturers and equipment.

PHARE is cooperating in a UNDP project to strengthen privatisation in the regions. The component supported by PHARE concerns the training of trainers at regional training institutions, which will then take the lead in training company managers and regional government officials in the skills needed for successful privatisation.

TEMPUS

Although TEMPUS* is concerned with higher education, it is making a contribution to management training through some projects which, though based at universities, are primarily aimed at continuing education. Projects which include a component of continuing education are in the following areas:

	MECU to 9/93
Establishment / development of business schools	2.70
Course design, training trainers	1.81
Open/distance learning	0.51
Sector management: construction, ports, textiles tourism, transport	1.29
Professions: public administration, consultants	0.63
Establishing business networks	<u>1.26</u>
TOTAL	8.20

Poland accounts for over half of this amount.

* Scheme for cooperation and mobility in higher education between Central/Eastern Europe and the European Community

3. On-the-Job Training for Managers

Turn Around Management Programme (TAM)

The TAM programme has been developed by UNDP in cooperation with PHARE and EBRD. It offers on-the-job training and consulting support to the top management team of enterprises through a series of visits over a period of months, with the objective of enabling the managers to improve significantly the performance of their companies.

A typical assignment carried out under the programme involves providing a selected enterprise with a team of one or two very senior managers with relevant, Western, industry experience, together with a local consultant or business teacher. The team starts the project with an initial week spent on-site to analyse the company's situation and help the enterprise's top managers to develop a plan of action. The team returns on average for 5 days every two months, to help solve problems and give advice on implementing the plan of action. The timing of the visits ensures the team remain in an advisory role, without sidelining the actual managers.

UNDP is providing the core funding for the supervision and administration of the programme; EBRD is providing the office facilities, and is funding some assignments from Trust Funds given by bilateral donors; and PHARE will finance assignments (at around 50,000 ECU per assignment) through national Privatisation and Restructuring programmes. The expenditure on TAM will depend on the demand from PHARE recipient countries. Interest is strong in several countries, and the first assignments have already begun.

Industrial Training Attachments Scheme

Under this scheme, arrangements are being made to find one-month attachments in companies in the European Community for 150 middle managers from the Czech Republic, Hungary, Poland and the Slovak Republic. Initially the sectors being targeted are food processing, electronics, wood processing, footwear and construction: this part of the scheme is being organised by Eurochambers (the Association of European Chambers of Commerce and Industry). It is also planned to include the chemical industry in the scheme, with the assistance of the European Chemical Industry Association (CEFIC). The objectives of the scheme are first, to enable the managers to develop solutions to specific problems they face in their companies, and second, to create business links between the sending and receiving companies.

Training Management Consultants

In Slovenia, management consultants are being trained in restructuring and privatisation techniques. Formal training is being provided for 60 junior and senior consultants and 30 managers of consulting firms. In addition, on-the-job training is being provided for 20 consultants who will work on major restructuring assignments under the supervision of EC consultants. The benefits of the project will include the restructuring of five companies, and a number of trained consultants who, in turn, will be able to give managers on-the-job assistance in their future consulting work.

FUTURE PRIORITIES

There will continue to be demand for all three approaches described above: training programmes, support for training institutions and on-the-job training. In meeting this demand, the experience of the first three years will need to be taken into account. Particular issues are:

1. Managers want help to solve their current problems. Training programmes therefore need to be strongly oriented to this end, with resources provided for follow-up consulting support.
2. The training of trainers needs to be pursued on a broad front, as the "trainers" may be business school teachers, consultants or - within companies - the training department or personnel department. Long-lasting results from training trainers depends on those people having roots in a company or training organisation.
3. It is the long-term aim of all recipient countries to **develop their own, high quality, management training capability**. PHARE can contribute to this both by direct support to institutional development and by delivering programmes in partnership with local institutions, with the aim of transferring the know-how and materials to them.

FUTURE PROGRAMMES

PHARE is a demand-driven programme. Each year the recipient countries agree with the Commission the priority areas for PHARE funding. The agreed annual programmes usually can be implemented over a period of three years. In most countries, the programmes are implemented by recipient organisations, supported by Project Management Units (PMUs) staffed in part by external advisers. The PMUs consult with the EC Delegation to the country (if there is one) and with PHARE Brussels on the detailed implementation of the programmes. Queries concerning financing or projects should be addressed to the PMU of the country concerned. Queries on general schemes such as TAM may be addressed to PHARE in Brussels (see contact list at end).

Below is a description of future plans for management training in each of the PHARE countries. These items mainly fall under PHARE Private Sector Development programmes, because they are designed to underpin the efforts on industry privatisation and restructuring. They will, of course, need to be finalised in agreement with the countries.

LIST OF FUTURE PROGRAMMES BY COUNTRY

Albania

A management training programme may be initiated to complement the technical assistance being provided to restructure state-owned enterprises, and to support the growth of the private sector. A feasibility study has already been prepared under UNDP funding. The programme is likely to be carried out in cooperation with other donors.

Bulgaria

The extension of the current management training programme will finish at the end of 1994. Discussions are under way with the Bulgarian government about how the programme can be transferred to a permanent Bulgarian institution. This may result in a programme of faculty training and institutional development.

Czech Republic

Companies which have received technical assistance with restructuring will be assisted by senior western managers in the implementation stage. This consulting / training support will be provided under the TAM programme and through other delivery mechanisms.

As part of the export development programme, training will be provided to 300 managers of medium sized industrial companies with export potential. The objective of the training will be the development and implementation of export plans. Modular, classroom training will be combined with on-the-job consulting assistance, backed up by a phone-in service.

Estonia

A business college is to be established in Tallinn, in cooperation between the Danish government and the PHARE programme. The school will provide a two year undergraduate course, a two year postgraduate course, adult evening courses, continuing education for lecturing staff and language tuition.

Hungary

Two projects are in preparation by the SPA: one is for the training of 75 crisis managers to work in companies; and the second concerns the training of Board Chairmen of 300 companies to be selected among those of which the SPA is the majority shareholder.

The Ministry of Industry and Trade is preparing a joint training programme for 45 company managers, employers' representatives and MIT officials working closely with companies.

There will also be some consulting support to follow up the senior management programme, and a training programme for the new State Holding Company (AVrt).

After the current training programme for senior managers has been completed in 1994, the priority is likely to be for middle managers to be trained in functional and general management skills.

Latvia

Given the limited absorption capacity at present in Latvia, training assistance is to remain focussed on the financial sector rather than on general management training.

Lithuania

For middle managers, a series of basic management courses in modular form will be developed and delivered in partnership with local institutions.

For senior managers of large enterprises undergoing restructuring, on-the-job coaching will be provided to support and advise them as they plan and implement change.

Poland

The Mass Privatisation Programme will be supported by a training programme for 3000 executive board and supervisory council members of the 600 companies involved.

A separate programme will be organised to train the 5,000 supervisory board members of Treasury-owned companies.

Management training will be part of a package of support measures for restructuring in each of the following industry sectors: chemicals, pharmaceuticals, textiles, leather, machinery and equipment.

Romania

A strategy for the coherent development of management training in Romania is being defined by the International Management Foundation (FIMAN) in Bucharest with PHARE support. When it is complete, there will be major investments in (1) strengthening management training institutions, (2) general management training and (3) functional skills training.

Slovak Republic

Some basic management skills courses will continue to be arranged on a small scale as in the past. In addition, there will be some coaching for senior managers on-the-job, probably under the TAM programme.

Slovenia

If the training of management consultants (described under section 3 above on "On-the-job Training for Managers") is successful in its first year, the programme may be extended for a further year.

CONTACTS FOR FURTHER INFORMATION

The first point of contact should be the Project Management Units in the recipient countries. A list of the Enterprise Restructuring & Privatisation PMUs, with their Directors and foreign experts, can be obtained from :

PHARE Information Service
AN 88 1/26, rue de la Loi 200
B-1049 Brussels
Tel: (32 2) 299 0149 / 295 9161
Fax: (32 2) 296 4251 / 295 7431

For general questions about management training in PHARE contact:

Mrs Kay Brock
Industry, Investment & Finance Unit (DGI L/4)
rue de la Loi 200 (SCI 29 1/34)
B-1049 Brussels
Tel: (32 2) 295 1602
Fax: (32 2) 296 4251

Other PHARE programmes which contain some element of management training, and the contact points for them, are:

SME programmes

A separate booklet can be obtained from the PHARE Information Service (address above) listing contacts in the recipient countries.

Sector programmes (for example, telecommunications)

The PHARE Information service (see above) can provide details of the people to contact in PHARE Brussels and in the recipient countries.

Education and training reform programmes

Mr Vincent Piket / Mr Henrik Bendixen
Social and Employment Policy Unit (DGI L/5)
rue de la Loi 200 (SCI 29 2/26)
B-1049 Brussels
Tel: (32 2) 295 2910 / 295 6986
Fax: (32 2) 299 1666

TEMPUS programme (Scheme for cooperation and mobility in higher education between Central/Eastern Europe and the European Community)

Mr Jose Puigpelat
Task Force for Human Resources
rue de la Loi 200 (J 37 4/27)
B-1049 Brussels
Tel: (32 2) 296 8550
Fax: (32 2) 295 5719

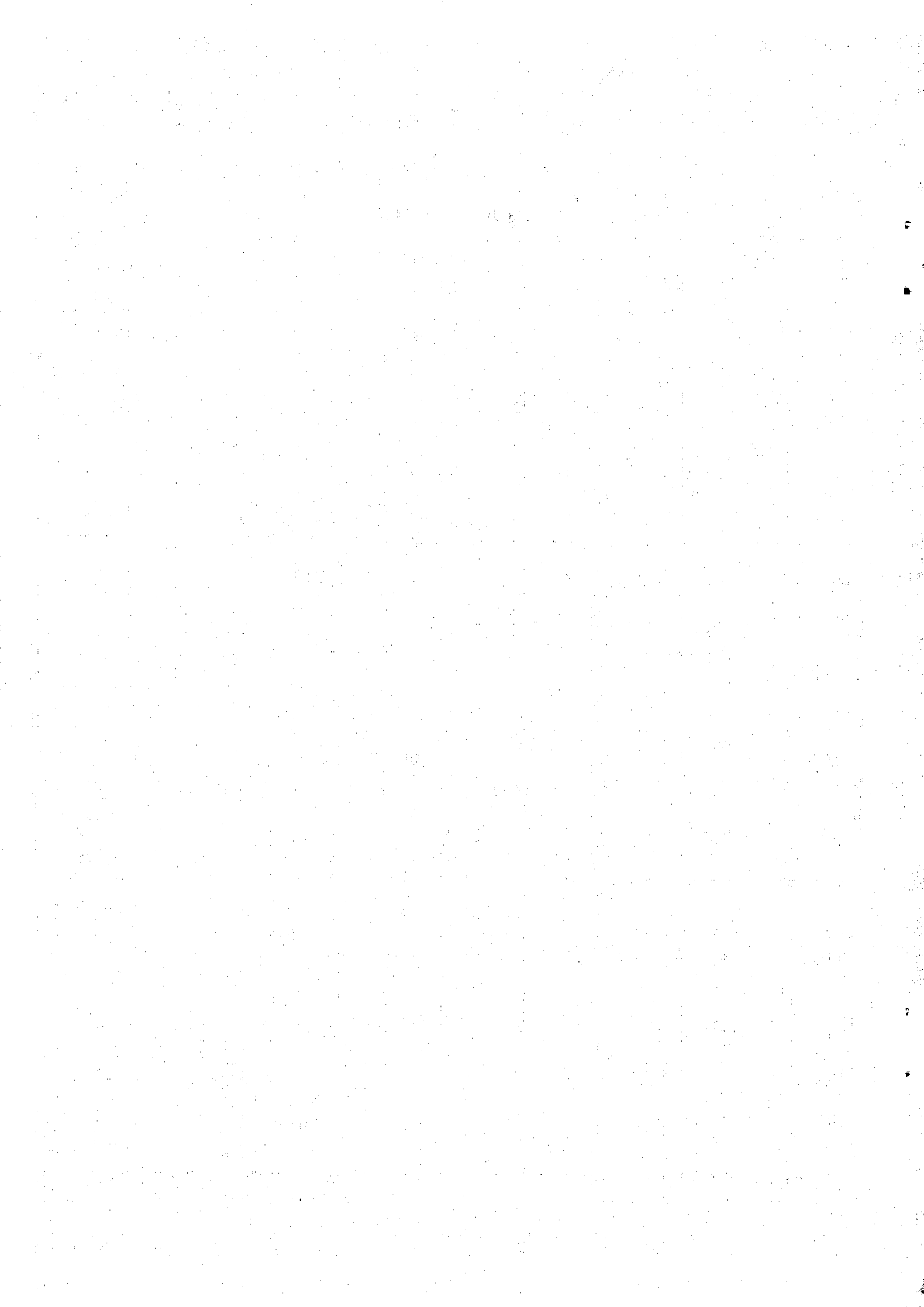


COMMISSION OF THE EUROPEAN COMMUNITIES
PROGRAMME OF ASSISTANCE FOR ECONOMIC RESTRUCTURING
IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

PHARE & Transport

May 1993

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PHARE Programmes in the Transport Sector
Presentation note

Introduction

1. In the field of transportation, the assistance provided under the PHARE Programme aims, in line with the general objective of the PHARE, to support the process of transformation of the economies from the centrally planned to the market oriented.

Up to now about 50 Mecu have been allocated to the sector (annex 1), as well under the National Programmes as in the framework of Regional Programmes. They cover a wide range of activities, from the institutional building to the direct investment in transit infrastructure.

2. The economic reform and restructuring effort that is on its way in Central and Eastern European countries brings major changes to the economy including the transport sector, where new forms of services, reductions in resource requirements and in the activities of heavy and extractive industries coupled with partial privatisation and decentralisation of responsibilities are key features.

These changes have important consequences on the transport sector where significant shifts will occur in the traffic flows and the relative importance of the different modes and utilisers of transport.

The reorientation of the economy moving from central planning to an increased reliance on competition and market needs, requires that adaptation measures are taken by the decision makers in order to create an orientation framework for investment allocations and accelerated modernisation of the sector.

In this context the aim of the national programmes established for Poland, Hungary and Czechoslovakia was to share the experience acquired in the European Community in the field of transport in order to enable the staff of the Ministries of Transport and other relevant institutions to respond to their complex tasks of defining sectoral reform policy and translating it into operational measures. The PHARE Programme plays also an important role in the implementation of the Association Agreements.

3. The Regional Transport Programme is focussing on projects of cross-national and regional interest, such as the upgrading of the transit infrastructure, development of harmonised networks on a Pan-European level (Trans-European Motorway, Trans-European Railway).

Apart the technical assistance, sectoral studies and training, this programme finances priority investment to alleviate bordercrossing bottlenecks on the main transit routes of the region.

Regional1992

The total amount of 21 MECU has been allocated as follows:

- * 15 MECU for the transit infrastructure/bordercrossings project to finance the upgrading of access roads to the bordercrossings on main transit roads in Hungary and the Czech Republic (5 MECU per country), construction of a bordercrossing at the border between Poland and Lithuania on the Via Baltica (2,5 MECU) and elimination of bottlenecks at the bordercrossings Giurgiu/Ruse and Calafat/Vidin at the Bulgaro-Romanian border (2 MECU).
- * 2 MECU for training activities which are concentrated in two areas: (i) training of multilpliers in th transport and forwarding bussines and (ii) English language training for air traffic controllers.
- * 4 MECU has been reserved for a number of regional study activities. The three main components will be (i) feasibility study for the two high priority Trans-European Railway Corridors, (ii) feasibility study for a limited number of trans European Motorway Corridirs and (iii) elaboration of a Network Guideline Study for the harmonisation and coordination of the development of the transport infrastructure.

Albania1992

4,4 MECU were allocated to the transport sector for the critical imports and technical assistance programme.

The list of goods to be purchased covers: buses for the urban transport of Tirana (2,5 MECU), spare parts for buses and trucks (0,8 MECU) and maintenance equipment for vehicles workshops (0,4 MECU).

The technical assistance (0,7 MECU) is oriented towards the institutional support to the Ministry of Transport and the reorganisation/privatisation of the urban/intercity passenger transport.

Poland, Hungary1991

2 MECU per country were allocated to the Integrated Support to the Reform of the Transport Sector Programmes which are the advisory and training schemes.

In both countries, Advisory Units were established within the Ministries of Transport, composed of external and local experts. Their functions relate to recommend on policy/strategy definition, harmonisation of the national transport legislation with the EC legislation, institutional reorganisation of the transport sector, privatisation and restructuring of transport companies. On the basis on the analysis of needs special training programmes are to be provided.

Romania

1991

8 MECU was made available for the import of critical spare parts to the transport sector. The spare parts and critical equipment have been provided to three operating bodies responsible for public transport and road rehabilitation.

1 MECU was made available for a limited number of high priority technical assistance projects which are currently under implementation. Focus is support for the development of a Road Rehabilitation Management System and support for privatisation of road transportation.

1992

2 MECU was included in the General Technical Assistance Facility Programme for a limited number of projects and purchase of office equipment to the Ministry of Transport.

Bulgaria

1992

1 MECU with the main focus on providing technical assistance for institutional development and strengthening of the Ministry of Transport and the development of Sofia International Airport.. The projects are currently under implementation.

Estonia

1992

0,3 MECU from the 1992 GTAF. Technical assistance will be provided for the institutional development and strengthening of the Ministry of Transport especially the Rail Department and the development of the Civil Aviation Authority.

Latvia

1991

2 MECU from the GTAF has been allocated to a limited number of technical assistance projects and a training programme focusing on the institutional development of the Ministry of Transport and the development of the Latvian Ports.

Lithuania

1991

2 MECU from the GTAF has been allocated to a limited number of high priority technical assistance projects with a special focus on the institutional development of the Ministry of Transport including a major training programme, the development of the port of Klaipeda and support for the Road Department.

1992

0,3 MECU will be used for financing a feasibility study for the electrification of the Lithuanian Rail network and introduction of European standard gauge.

PHARE FUNDS ALLOCATED TO THE TRANSPORT SECTOR

COUNTRY	1991	1992
	MECU	
<u>National Programmes</u>		
Albania	-	4,4
Bulgaria	-	1,0
Czechoslovakia	2,0	2,0
Estonia	-	0,3
Hungary	2,0	-
Latvia	2,0	-
Lithuania	2,0	0,3
Poland	2,0	-
Romania	9,0	2,0
<u>Regional Programme</u>		
Bulgaria, Czechoslovakia, Hungary, Poland, Romania	-	21,0