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info Phare

Nº 5 -December 1994



New directions for Phare

An interview with Alan Mayhew, in charge of the Phare Programme

Since its creation in 1989, following the collapse of communism in central and eastern Europe, the Phare Programme has enabled its partner countries to implement decisive and fundamental changes in their social and economic structures. With a new mandate following the Copenhagen Summit, the role of Phare is changing.

InfoPhare:

Is it true that Phare's objectives have changed over the past couple of years?

Alan Mayhew:

Phare has always been, and remains a programme which provides economic assistance to central and eastern Europe.

Phare's role is changing for two reasons: because the needs of our partner countries are evolving; and as a result of the European Council decision on the accession of some countries at last year's Copenhagen Summit.

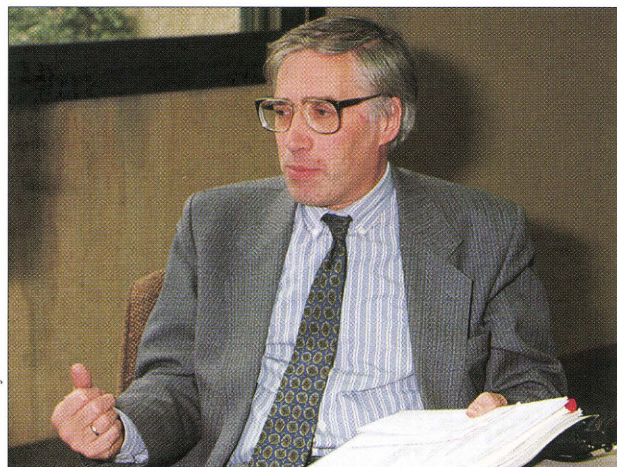


Photo: Thierry Dauwe

Alan Mayhew "Our partners have advanced in their reforms to the point where Phare is becoming a real investment tool."

Our partner countries now feel they have advanced so far in their reforms that they need support for investment as well as technical assistance. So Phare is now becoming a real investment programme.

The Copenhagen Summit offered the Phare countries that had signed the Europe Agreements, the prospect of membership, of the European Union as soon as they have met with specific economic and political conditions. This has enlarged Phare's role, enabling it to become an important financial instrument to help our partners on their way to integration.

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Country report: Slovenia

Slovenia has allied a tough economic policy with its penchant for export business to bring its economy back from nearly a decade of decline.

Today growth is slow and much of the economy is still to be privatised, but the economic indicators - especially consumer confidence - show that Slovenia is becoming an established member of Europe's business and trading community.



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InfoPhare:

In the past, Phare's role has been assessed in many different ways. How can it best be described today?

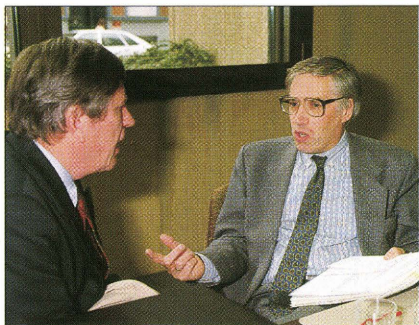


Photo: Thierry Dauwe

"The portion of Phare experts from the west is declining. More expertise is being provided by local organisations."

Alan Mayhew :

Today Phare's role is based on three platforms:

The first is that we are now working within a new political framework. The Europe Agreements and the decisions taken at the Copenhagen Summit have strengthened our political *raison d'être*. Phare will be called on to finance the integration of our partners into the Union.

Support for investment is the second platform. A particular example of this is the decision at the Copenhagen Summit enabling Phare to spend up to 15 per cent of its budget investing directly in infrastructure. This development is tangible evidence that Phare offers more than know-how. It also opens up the possibilities for Phare to develop into a more substantial financing instrument, to support our partners in their structural development efforts.

The third platform is the important role of Phare in the effort to render assistance to our partners more efficient and effective through coordination with other donors, particularly the International Financial Institutions (IFIs). The combination of Phare grants with IFI loans can be a very potent mixture, enhancing the value of both institutions' financing. Indeed in some cases, Phare grants are needed to allow the IFIs to disburse their loans to our partner countries. In essence the multiplier effect of the Phare Programme can be very significant.

Overall, this evolution in Phare's role emphasises that we are responding to the changes in the partner countries and adapting our support to their needs. It also shows that most of our partner countries have passed through the initial transformations and now require specific support to stimulate investment and economic growth.

InfoPhare:

What can you say to those who accuse Phare of being a cleverly disguised subsidy scheme for western consultants?

Alan Mayhew :

The media - both in the partner countries and the west - continue to label Phare as a programme which gives money to western experts.

Yet, the proportion of Phare experts from the west is declining and increasingly more of the expertise is being provided by local organisations. For example - the latest statistics show that Hungarian companies receive the same volume of contracts as German experts.

The transfer of know-how from the European Union will continue. But we will see increased local specialisation as the needs of our partner countries change, and as Phare plays a more important role in the integration process.



Photo: Thierry Dauwe

"Our political *raison d'être* since the Copenhagen Summit is to be ready to finance the integration of our partners into the Union."

Recent research that we commissioned showed that very few people were able to give a comprehensive definition of the Phare Programme. As a result of this, we have prepared an information package which gives a complete description.

I urge anyone interested in our activities to read these documents. They give a concise account of where we have come from and what we have achieved to date.

Detailed documentation covering the programmes and sectoral activities in the Phare partner countries is also being prepared and will soon be available. ■

What can our partners learn from our experiences?

European Institute helps partner governments develop the 'public servant of the future'

If our western governments could do it all over again, what would they change? With hindsight, would we organise our administrations differently to serve citizens more effectively?

How can we best assist the administrations of the former communist countries to make the transition to systems of democratic politics and market economics?

Armed with pragmatic questions like these and loaded with experience and enthusiasm, the specialists from the Maastricht-based European Institute of Public Administration (EIPA) are helping governments across central and eastern Europe take an objective look at how they work today - so that they can build the more effective government structures of tomorrow.

For every EIPA project underway in these new democracies, the goal is to build efficient and effective government administrations. To do this the Institute's main ally is education.

The Institute's extensive experience in advising governments in the European Union on topics such as European integration and public administration reform makes it a unique resource in many Phare countries. It runs

regular training courses and consulting missions, but the main activity of the EIPA is to help these new democracies establish their own national centres to develop their civil servants of the future.

Since it first became involved in this activity in 1989 - with the creation of the Cyprus Academy for Public Administration - the Institute has brought this specialist knowledge to several of the Phare countries. Many current EIPA projects are being undertaken in networks with other partners within the European Union, along with institutions in Bulgaria, the Czech Republic, Estonia, Hungary, Lithuania, Poland and Slovakia.

Establishing a national centre to drive forward reform in each country is probably the most effective form of assistance to countries in transition, believes Michael Kelly, head of the central and eastern Europe task force of the EIPA. There are two reasons for this. Firstly, because the administrative reform process then becomes a part of the partner government's own activities; and secondly because this assistance has a lasting effect. The new reform principles are retained by the partner government after the training sessions are over and the external consultants have returned home.

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Photo: EIPA

Spreading the word: EIPA experts teach the new democracies to manage the business of government.

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Some of the EIPA's current work includes:

Seminars for high-ranking government officials on topics such as: General introduction to European Community Institutions and Decision-making, Introduction to EU policies, European Union trade policy and commercial relations and European Competition Policy.

❑ **In Bulgaria:**

a range of projects in areas such as: the establishment of a training programme for the Bulgarian public administration, within the centre for administration; modernisation and privatisation of agriculture and transport sectors; European integration courses for civil servants and academics at the Centre for European Policy Studies; assistance to Sofia University to build its international law department.

❑ **In the Czech Republic:**

development of civil service training; advice on improving the management of information technology in administration; assistance with development and harmonisation of Czech Republic legislation.

❑ **In the Slovak Republic:**

work to develop the School for Public Administration in Academia Istropolitana in Bratislava.

❑ **In Estonia:**

helping create a national civil servants training centre.

❑ **In Hungary:**

work with the Public Administration Reform PIU to improve its project management skills.

❑ **In Lithuania:**

help in developing the Lithuanian Centre for Public Administration.

❑ **In Poland:**

development of economic and law studies at the Centre for European Studies. Help in creating a national centre for the training of civil servants, parliamentarians, and other public officials.

❑ **In Slovenia:**

as part of the Cooperation Agreement between the government of Slovenia and the European Union, a programme of seminars for high ranking officials on European Union institutions, decision-making and relevant policies.

In addition to work on Phare-funded projects, the EIPA is also active in European Union programmes such as Tempus (education), Tacis (which fosters the development of harmonious and prosperous economic and political links between the European Union and the New Independent States and Mongolia), and national government initiatives such as the Dutch bilateral aid programme.

For further information about the EIPA's activities, please contact Mr Michael Kelly, fax (+31) 43 29 62 96. ■

A bluer Danube?

Danube Region backed by Phare funding unites to combat pollution

For anyone who has seen the Danube at close range, it is a real puzzle to know why Johann Strauss's world-famous waltz got its name. The heavily-polluted Danube can be grey, brown, green or buff, but it is certainly not blue. However since 1989, there is growing hope that the title will not lose its meaning for ever.

The Environmental Programme for the Danube River Basin has been praised by the European Commission and a host of international authorities as a sterling example of how inter-regional cooperation can create swift and positive change.

Close inter-regional cooperation between nine countries bordering the Danube River has for the first time produced a

real hope of transforming the spiralling environmental damage to this waterway into sustainable economic and industrial growth.

The cumulative effect of increasing pollution is the problem. But the traditional stumbling block for discussions on the environmental condition of the Danube Region was caused by inwardly-focused industrial and environmental policies, complicated by the east/west ideological clash.

Since 1989, open dialogue has progressed rapidly. The creation of the Environmental Programme of the Danube River Basin in 1991 brought together a consortium of governments and international organisations interested in solving the region's pollution problem.

Photo : Klaus Pahllich



Photo : Klaus Pahllich

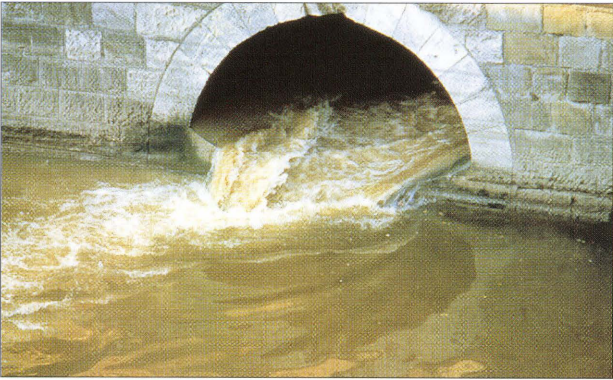
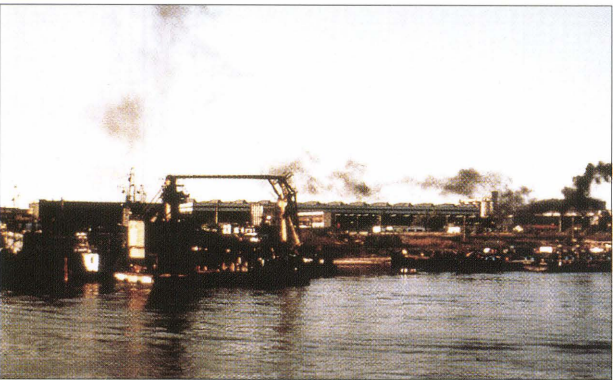


Photo : Klaus Pahllich



Blue Danube? Through the Danube Environmental Programme, nine governments are cooperating to reduce pollution and restore the region's natural splendour.

The programme is steered by a task force composed of authorities from each of the participating countries, and from international bodies such as the European Commission, the World Bank, the UN Development Programme and the United States Agency for International Development.

The biggest contribution for this effort - some ECU 13.9 million - is provided by the Phare Programme. The total amount of funding received from all participants is ECU 45 million.

As the River Danube winds its way eastwards for 2,700 kilometres from its source in Germany's Black Forest to the Black Sea, it crosses ten countries, and is contaminated with a multitude of pollutants - produced by inadequately treated waste-water, mining, pulp and paper manufacturing,

various airborne industrial wastes and the results of intensified farming and livestock breeding techniques.

Through the Danube Programme, the governments of Austria, Bulgaria, Germany, Hungary, Moldova, Romania, the Slovak Republic, Ukraine, and the European Union, are working together to define the priority areas for action aimed at permanently reducing pollution in the Danube region. The Programme supports the aims of the Convention for the Protection of the Danube River which was signed in June of this year.

The Programme's first phase - which runs until end 1995 - is a three-year plan which has initiated 17 pre-investment and regional studies, and a series of projects in scientific research, human resources, and institutional development. In Phase II, the recommended strategy will be implemented by the task force.

One of the short-term projects currently underway is the creation of the Danube Accident Emergency Warning System (AEWS). This concept is based on similar systems currently operating on the Elbe and Rhine Rivers in Germany. The Danube AEWS is composed of a central coordination office, which is linked to 11 Alert Centres located in each country along the river's path. Personnel working in the centres regularly monitor water quality and report changes, or news of accidents, to their colleagues downstream.

In the future, it is planned that all members of the network will be linked by a satellite communications system and will be supported by a complete database of toxicological and operational information.

The Danube Programme Coordination Unit has recently relocated from Brussels to Vienna, to be closer to the daily activities in the area. **For further information on this programme, contact David Rodda, fax: (+43-1) 21 345 836.**

Photo : Klaus Pahllich



Photo : Klaus Pahllich

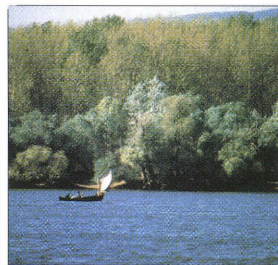
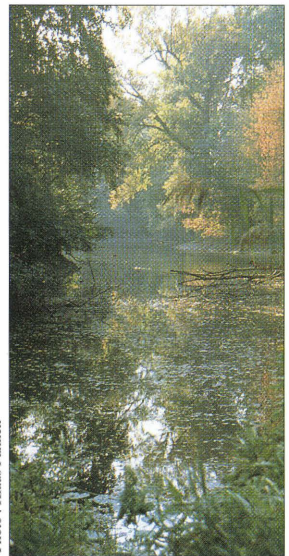


Photo : Klaus Pahllich



Blue Danube: some untouched corners of the Danube region offer a glimpse of untouched nature. ■

Slovenia

A focus on the future

The real distance between Slovenia and its European neighbours is mostly psychological. This country borders Austria, and has had close trading links with eastern Europe and the European Union for over two decades. Today Slovenia is registering economic growth after a decade of stagnation and decline. The figures look promising and - most importantly - public opinion is firmly behind the government's focus on the future. The main priority, says the Slovenian population, is to progress rapidly toward membership of the European Union.

Economic reform overview

Slovenia, as an independent country, has only been on the map of Europe for four years, but its cultural and business links with the European Union and its Member States have existed since the 1960s.

With a strong industrial base and a well-established trading culture, this small country (population 2 million) rivals countries such as Hungary and the Czech Republic in terms of trade volume with the European Union.

While its economy has had a rough ride following the double shock caused by the collapse of communism and the war in Yugoslavia, Slovenia, this year, has witnessed economic growth for the first time in nearly a decade.

Key economic indicators show an end to the recession, growing consumer confidence, and drastically reduced inflation. Judging by some key figures, Slovenia's tough economic policy is on target:

The beginnings of growth

After negative growth in 1992, GDP increased by 1 per cent in 1993, and a 4-5 per cent rise is expected for 1994.

Control of spiralling inflation

Slovenia has reduced its 1991 retail price inflation index of 247 to 22 per cent last year. The 1994 goal is 13 per cent.

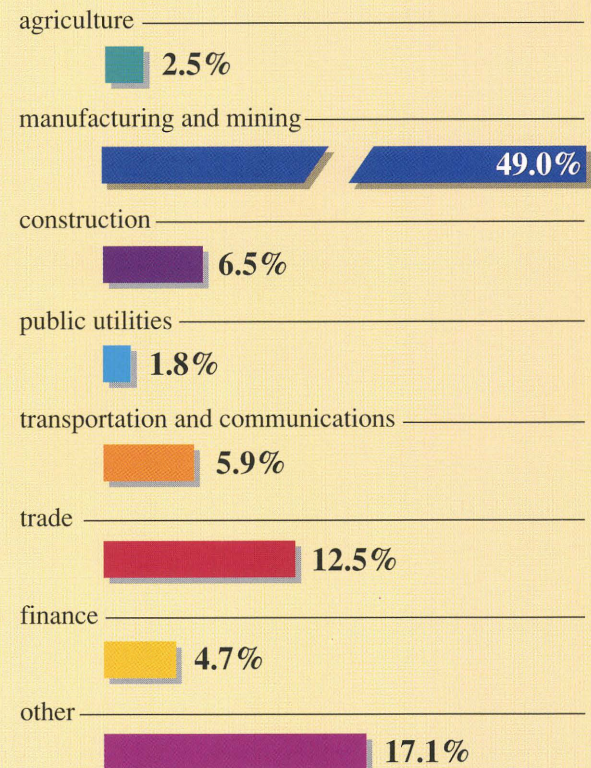
Production Increase

The industrial production index for the first seven months of 1994 shows an 8.1 per cent increase over the same period last year. Investment has grown by 14 per cent.

Republic of Slovenia

Area : 20,356 km²
 Capital : Ljubljana
 Population : 1,990,600

Labour distribution:



Principal products:

Industry-steel, electrical equipment, motor vehicles, chemicals, cement, textiles; mining (lignite); agriculture (wheat, corn, potatoes, livestock).

The leading manufactured products are automobiles, electric appliances, chemicals, textiles, food products, and printing.

Tough monetary policy

With its public debt at 32 per cent of GDP and a budgetary deficit close to zero, Slovenia already fulfils two criteria of the Treaty of Maastricht for European economic and monetary union.

As in other Phare partner countries, unemployment and privatisation are this economy's main concern. In Slovenia the unemployment figures are decreasing slightly, but are likely to remain higher than average in the years ahead. Temporary relief from unemployment has emerged in the form of the country's "grey economy". This provides cash to boost local spending, and work to help many people through this difficult transition period -some estimates calculate this contribution to be as much as 30 per cent of GDP.

The privatisation process is beginning slowly and is the next major challenge on the government's agenda. By May 1994,

only 364 of 2,500 companies had presented their dossiers to the national privatisation agency. These delays were caused by several factors: amendments to the privatisation law, the tangled process of returning property to previous owners, difficulty in financing management/employee buy-outs, and the requirement for certified auditing of each of these companies' accounts.

Foreign investment is needed for much of the privatisation. It is expected that more foreign investors will be attracted to the large and medium-sized Slovene companies once they offer an interesting stake in their shares to foreign investors.

But perhaps the most encouraging sign of Slovene recovery is the 10 per cent growth in private consumption in the past year, which is the result of a series of regular wage increases negotiated between the government and trade unions. Today Slovene workers take home the highest wage in the Phare partner countries - an average of DM 700 per month. This continual increase in workers' pay packets is good for business in more ways than one: more cash means more retail spending, and increased spending boosts overall consumer confidence.



While sceptics may argue that such small growth levels 'do not a market economy make', the Slovene government is confident that this growth pattern is more than an economic hiccup. And what's more, it has a powerful lobby on its side - the entire Slovene population.

Market economics: A working model

With a limited internal market, Slovenia has focused its industrial strategy on exporting its portfolio of specialised manufactured and electronics goods. The Slovene case is a good example how a centralised scientific research culture can be profitably applied in a market economy.

Did you know?

The Sinter company makes 450 models of automotive disc and jaw brakes which are installed by companies such as Audi, BMW, Citroen, Peugeot, Renault and Mercedes.

The company recently transferred brake production and technology to China.

For its population of 2 million, Slovenia has a high concentration of publications - 6 daily newspapers and 40 magazines - with eight focusing on business issues.

The MBA programme at the Centre Brdo prepares local managers for global competition. Faculty members from IMD Lausanne, INSEAD, Harvard Business School and the University of Western Ontario teach here.

Some 10 per cent of the Slovene population has a university degree.

Hermes Soflab, a Slovene company, develops software products and services in close cooperation with Hewlett Packard.

The Iskra company has been a European technology leader for several decades. Its most recent innovation is the production of digital telephone exchanges in cooperation with Siemens.

Another division of Iskra, Iskra Stevci, exports 70 per cent of its production of electricity meters to customers in the European Union. Some 80 per cent of its materials and spare parts are bought in the EU.

In the clothing and fashion sector, the Rasica company produces for customers such as Adidas, Benneton and Boss.

A turnover of ECU 500 million and business contacts on five continents are the calling card of Slovenijales, the country's biggest commercial/trading conglomerate which brings together 40 companies and 900 people across Slovenia.

Passenger and goods transport vehicles are the specialty of TAM. TAM buses are exported from Slovenia to central and eastern Europe, Germany, Israel and the United States.

One in ten vacuum cleaners sold in Europe has a vacuum unit made by the Slovene Domel company. Domel works with AEG, Braun, Philips and other manufacturers.

Slovenia's Phare partnership

Since its first cooperation with Phare in 1992, Slovenia has received ECU 39 million in funding, which has been applied to a range of structural, economic and social reforms. A further ECU 4 million was allocated through the Phare Programme in 1994 for cross-border improvements.

Early Phare funding was used by the Slovene government to initiate structural reform programmes, such as the privatisation of most state-owned companies, the restructuring of public services, and building of foundations for a new banking sector.

Since 1992, Phare funding has evolved steadily towards support of private sector projects. The longer-term focus for Phare funding, as defined by the Slovene government, is on broader social and infrastructural issues such as the creation of a social safety net and the large-scale privatisation of all sectors of the economy.

Today Phare funding is focused on four priority areas:

- ▣ Strengthening the industrial sector by levelling the imbalance between its various activities
- ▣ Supporting the banking sector so that it can serve Slovene industry
- ▣ Improving public utilities and increasing fiscal revenues
- ▣ Strengthening trade and investment relations with existing and new markets.

Privatisation and restructuring

Phare funding is being applied to support the privatisation process at several levels. The first is the development of the expertise of the State Privatisation Agency. Phare also funds different types of direct support for enterprises, helping them implement restructuring, preparing privatisation plans and setting long-term strategic business plans.

The restructuring of the 10-15 biggest strategic Slovene companies is being funded by Phare, together with the European Bank for Reconstruction and Development (EBRD).

Other Phare support includes market and industry analysis, to identify problem areas and determine future trends; implementation of specific privatisation plans; and work with the Slovene government to develop a national strategy for small and medium-sized enterprises - a key factor behind the continued growth of the country's new economy.

Banking and finance

Reorganisation of banks and the banking sector, debt restructuring, and support to the national Bank Rehabilitation Agency are main areas of Phare's support to banking and finance.

Other support includes advice to the National Bank of Slovenia, work with the Ministry of Finance to establish the new taxation system, and help in implementing VAT and excise taxes.



Photo : Marjan Smerke

Marine research: The area is the site of salt production and research by the Marine Biological Institute of Ljubljana University.

Transport and telecommunications

An important element in the future of the Slovene economy is its location as a key north-south and east-west trade link through the region. For this reason, a high quality road, rail and telecommunications infrastructure is a national priority for Slovenia.

The Phare Programme is funding a series of feasibility studies and related forms of know-how which will serve as the basis for the construction of new motorways. The building and improvement of these roads will be financed by the EBRD.

In the telecommunications sector, Phare funding is being applied to the restructuring of the national telecommunications company, and for quality improvements to television and mobile radio systems, to ensure compatibility with western European standards.

Europe Agreement and legislative reform

Following the signing of its Trade and Cooperation Agreement with the European Union last year, Slovenia is currently negotiating its Europe Agreement.

Phare funding supports this process in two areas. By offering support for the development of legislation compatible with the European Union; and by helping develop the combined nomenclature for goods classification required for intra-European trade.

Science and technology

Because of its established industrial background Slovenia has a well-developed scientific research and development culture. Phare is supporting the creation of the country's National Science Foundation, which will serve as the new link for R&D between the private and public sectors. Phare funding covers the drafting of a business plan for the Foundation.

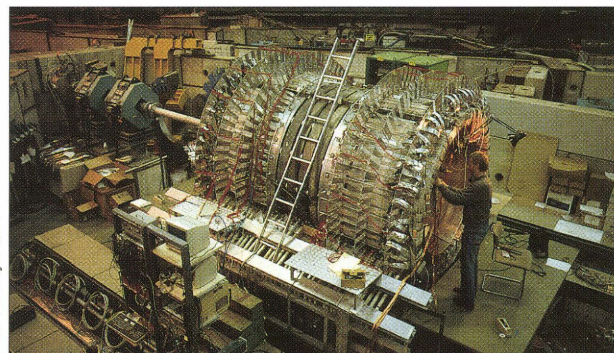


Photo: Thierry Dauwe

Atomic focus: Slovene scientists are founder members of the CERN nuclear research facility in Geneva.

Future Phare activities

Phare funding for Slovenia in 1995-1996 will focus on private sector development, social policy/labour market reform and environmental issues.

Teaching the benefits of privatisation

Phare-funded campaign makes use of print, media and special events

In Slovenia, a public information campaign funded by Phare promises to familiarise the Slovene public with the benefits (and necessity) of privatisation.

The campaign, managed by a consortium of three communications agencies - one Slovene, one British and one Dutch - aims to highlight the Slovene government's privatisation efforts, and inform the public of the concepts associated with this process.

Phare funds will be used to strengthen the capacities of the Slovene Agency for Privatisation. These funds will also cover the cost of creating and printing documentation, organising informational events, and the creation and air-time costs for television and cinema spots. The Agency will supplement this effort with additional funds of its own.

Economic and institutional reforms have been progressing steadily in Slovenia for the past three years, but full-scale privatisation has begun only recently.

The total value of this project is ECU 600,000, of which Phare will be funding ECU 410,000.



Photo: Marjan Smerke

Information Age: A bumper crop of new Slovene titles have appeared in recent years - six dailies and 40 magazines. ■

Building east-west business bridge

JOPP Programme brings SME partners together

What is JOPP?

JOPP is the Phare Joint Venture Programme. It was created to fund joint venture partnerships between small and medium-sized enterprises located in the European Union and the central and eastern European countries.

Guidelines are: applications must be submitted by at least two companies - one in the European Union and one from a central and eastern country; the net fixed assets of the company must be less than ECU 75 million, with a maximum of 500 employees. Not more than one-third of a company's shares may be held by a major company. Priority will also be given to joint ventures located in central and eastern Europe whose fixed assets do not exceed ECU 10 million.

Regardless of the various local approaches to privatisation, the dilemma for every central and eastern European country is the same: how to maintain a dynamic and flexible market economy in the period when large industries and governmental institutions are restructured at their own pace. The unanimous answer to this is the small and medium enterprise (SME).

SMEs enjoy a special role in these growing economies. Today, for example, many retail companies provide day-to-day cash for large sections of the population, allowing life to go on in these market economies during this difficult transition period. At the other end of the small business spectrum, new SMEs employing up to 500 people - being created in the technical, industrial and professional sectors - are becoming valuable national assets. Many of these companies export finished products, or work as specialised subcontractors to industries in the European Union.

Cooperation between SMEs in the European Union and in the Phare partner countries is being encouraged by the Phare Joint Venture Programme (JOPP). Since its beginnings in 1991, JOPP has helped many east and west European companies build mutually profitable partnerships.

Typical examples of successfully started JOPP-funded ventures include:

- ▣ A Polish/French joint venture to produce PVC and aluminium double-glazed windows.
- ▣ A Hungarian/German company which produces metal frames for false ceilings.
- ▣ The production of industrial ventilation units by a Czech/French company.
- ▣ The production of industrial electronics by a Romanian/Italian group.

- ▣ Bulgarian/Greek cooperation to produce textiles for the European fashion industry.
- ▣ The production and export of cheese and dairy products by a Hungarian/French venture.

The JOPP Programme helps companies such as these by providing three levels of support: funding of feasibility studies; co-financing of joint ventures; financing of the transfer of technology and provision of training. Funds are also provided for trade organisations and professional associations to organise information events or seminars.

Project funding is given in the form of advances, to be repaid only under certain conditions, of up to 50% of feasibility study costs, (in successful cases, the other 50% is added); equity capital financing or interest-free medium-term loans.

The first step for companies - either in the EU or the Phare countries - is to identify a potential partner and draft a proposal detailing the purpose of the project and the business plan. JOPP funding can be applied to the creation of new joint ventures or the expansion of existing companies.

Of the 389 projects approved to date (total value: ECU 32.4 million), nearly 40 per cent are in the industrial products area. More than 20 per cent are for joint ventures in consumer goods companies; services account for some 16 per cent of projects and agro-food businesses for 12 per cent. The remaining projects are in information technology; medicine/health; and construction.

While projects are running in all Phare partner countries, the major portion of funding is allocated to joint ventures involving Poland, the Czech Republic, Hungary, Romania, Bulgaria and Albania.

The conditions established by JOPP ensure that the funding goes primarily to the creation of an east/west SME sector.

The implementation of all projects is done through a network of financial intermediaries which are associated with JOPP. Each intermediary is responsible for all contacts with the SMEs. It also analyses the applications from the SMEs, and forwards them to the relevant departments of the European Commission.

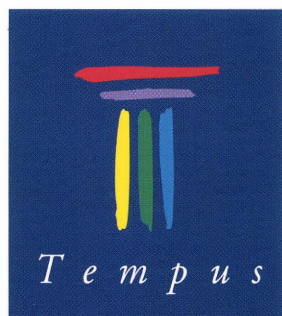
Companies interested in creating a joint venture are encouraged to contact one of the financial intermediaries.

A similar joint venture project programme is planned for Russia (under Tacis) but will not cover equity co-financing in joint ventures.

For a list of the financial intermediaries, or further information about the JOPP Programme, please contact: JOPP, European Commission DG XVIII A/4, Box 1907, Luxembourg. Fax + 352 4301-36599. ■

Tempus

Building trans-European educational links



The beginning of a new academic year is a good opportunity to see how the Tempus Programme contributes to the restructuring of higher education in the partner countries of central and eastern Europe, and the New Independent States.

In central and eastern Europe

Tempus, which was launched in 1990, aims at the development of the teaching capacities of individual teaching institutions in the partner country concerned. It tries to encourage growing interaction and balanced cooperation between these universities and partners in the European Community. Tempus specifically seeks to address issues of curriculum development, reform of higher education structures and their management, as well as the development of skills-related training to answer the needs of economic reform.

Joint European Projects (JEPs) are the main means by which consortia of institutions in the countries of central and eastern Europe and of the European Union are invited to cooperate in activities designed to achieve Tempus goals.

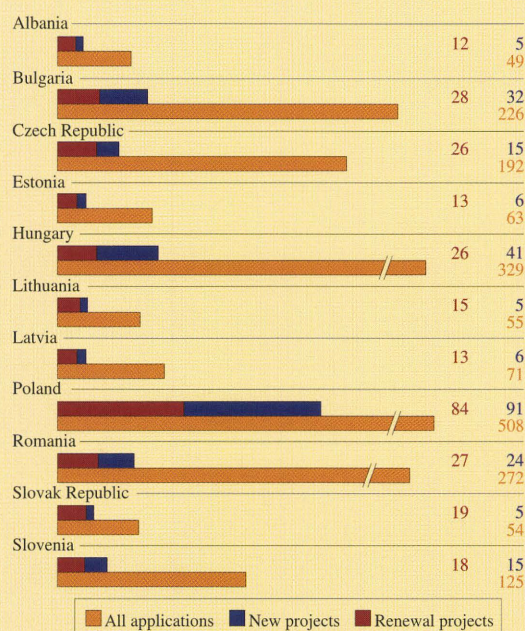
Selection for 1994-95

The first call for applications in the second phase of the programme (Tempus II 1994-98) marks a new development. Each partner country defines, after discussions with the European Commission, a list of priorities for the new projects to be accepted. These priorities may be linked to certain academic subjects (for instance, business management, environmental studies, European law, etc.). They may also concern structural changes (development of multidisciplinary studies, introduction of short cycle courses...).

Out of the 1,365 applications received by the 31 January 1994 deadline, more than 70 per cent matched the priority areas of the eligible countries concerned. The selection implies qualitative examination undertaken by academic experts in both European Union and central and eastern Europe countries. The existence of pre-existing links between the partners, the feasibility of the project's activities, the impact at different levels (department, institution, higher education system...) as well as the cost-effectiveness of the projects are all investigated at this point. Finally, 239 new projects were chosen and established in September 1994 for a maximum of three years. Simultaneously, 226 "older" projects were accepted for continuation. The overall Tempus-Phare budget for 1994-95 is

ECU 96.4 million. Each individual country's budget depends on its size and on the part of the Phare amount it decides to allocate to higher education. It varies from ECU 2 million for each Baltic state to ECU 35 million for Poland.

Tempus Phare 1994-1995 Joint European projects per eligible country



In the New Independent States

Tempus-Tacis began in 1993 and is now working in seven countries: the Russian Federation, Ukraine, Belarus, Kazakhstan, Kyrgyzstan and Uzbekistan. A budget of ECU 21.72 million is expected to support activities in 1994. It should cover the financing of 76 pre-JEPs (the compulsory preliminary period - 1 year to strengthen the links between partners), and 27 JEPs for three years.

The future of Tempus

The progress of the JEPs are carefully monitored by means of an internal procedure from the projects themselves, and through on-site visits to selected projects. An external evaluation of the results of the first phase of Tempus will take place in the following months. Dialogue with the national authorities will be reinforced, so that Tempus continues to adjust to the evolving needs of higher education and of economic reform. From January 1995, the task of giving the European Commission know-how for the daily management of the Programme will be transferred from the EC Tempus Office, based in Brussels, to the newly created European Training Foundation, located in Turin (Italy). ■

Can governments ease the pain of transition?

SIGMA Programme: rebuilding eastern Europe's public administrations

To work efficiently in their new market economies, the governments in the 11 Phare partner countries are working to build more effective and service-oriented national administrative structures. They need new systems of law and administration to support the development of economic activity and civil society.

Major pieces of legislation must be developed in the Phare partner countries at a rate that is inconceivable for policy-makers in the west.

But law is just the start. The new legislation must be implemented. With only a few years' experience in the new economic and political system, politicians have to rely on public administrations rooted in the past which both they and other citizens distrust. And today's administration in the east is often staffed by low-paid public servants with little training and low motivation for their new responsibilities.

The SIGMA Programme of Support for the Improvement of Governance and Management believes it can help. SIGMA is a joint initiative of the European Union's Phare Programme and the Organisation for Economic Cooperation and Development (OECD). Stated simply, the programme's objective is to assist governments in the 11 Phare partner countries build national administrations able to serve citizens and businesses and to advise policy-makers. And this means adopting standards of rule of law, ethics and impartiality which have little to do with the behaviour of the past.

SIGMA is a window through which reformers can see into the workings of western governments. It gives access to experience through the networks and knowledge of the OECD's Public Management Service.

Bob Bonwitt, SIGMA Programme Head, explains: "These countries have to design their own states. It is a quintessentially political - and that means sovereign - task. Governance systems have to fit in with culture, history, and politics; they must match the capacities of existing organisations and, of course, reform must be affordable".

"So SIGMA encourages governments to give administrative reform priority and to set up reform teams, and then tries to help. But SIGMA offers no models. The programme aims to expose reformers to the variety of systems in the 24 OECD countries to help them see how they really work, by putting practitioners in touch with their counterparts. In this way, SIGMA also hopes to bring central and eastern Europeans into the professional communities of the west", Bonwitt comments.

Some of these counterparts, civil servants from partner countries, work full-time for the programme advising in the five SIGMA areas of work.

These are:

- ▣ management of policy-making - for example: organisation and procedures supporting the Council of Ministers
- ▣ budgeting and financial management - for example: budget systems, audit
- ▣ management of public service - for example: civil service law, pay systems
- ▣ control over administration - for example: appeals mechanisms; and as a support to reformers
- ▣ management of change - for example: building home-grown consulting capacities.

The practical involvement of SIGMA extends from quick answers to urgent questions ("Help, the Minister wants this today!") to longer-term strategic relationships helping design and carrying through change.

As each country must find its own way, SIGMA offers a wide range of means of support.

In Bulgaria, for example, the bulk of SIGMA's input was focused on legal reform - budget law, civil service law and the creation of a legal information system.

Romania tapped into SIGMA's pool of advice to redesign its central government structures and establish an administrative reform office. The government held a brainstorming session to examine its administrative reform options.

The Polish government worked with SIGMA to formulate strategies for upgrading its public administration reform capacities. A key element here was the introduction of a human resources management strategy in its ministries.

SIGMA involvement in the other Phare countries is just as varied. The common point for all administrations involved is that each country slots the SIGMA resources into its reform strategy as it sees fit.

SIGMA also helps countries benefit from Phare support. For example, in Hungary, SIGMA worked with the Ministry of Interior to design a civil service training strategy which was subsequently funded by Phare.

In its first phase (June 1992 to June 1994), SIGMA provided some ECU 3.8 million worth of advice to six countries, repre-

senting some 90 per cent of SIGMA's financing. Following a positive evaluation, SIGMA is now starting its second phase and expanding to all 11 Phare countries. Phare contributed ECU 8 million. Ten OECD countries and the OECD Secretariat itself also contribute funding and staff.

It is hoped that when SIGMA achieves its final goal, the countries in central and eastern Europe will have reformed their own public administration systems in the light of western experiences. They will then be able to cooperate fully

with other countries in Europe to address the great questions which democracies will face in the 21st century, among which will surely be the role of governance.

For information on SIGMA and to obtain the 1993 Activities Report, please contact the SIGMA Office in Paris :

tel (+33-1) 45 24 13 10

fax (+33-1) 45 24 13 00/05

**Mail OECD/SIGMA, rue André-Pascal 2
Paris 75016, France. ■**

▣ Programme update

Bringing democratic principles closer to home

Over 50 projects to be funded under the second Phare Democracy Programme

The final evaluation and selection of projects for the second phase of the Phare Democracy programme has been completed, making available some ECU 8 million for more than 50 projects which will run over the next 12 months.

The aim of each of the selected Democracy projects is to offer support to organisations in the Phare partner countries which strengthen democracy and promote the rule of law.

The Phare Democracy Programme is a European Parliament initiative which supports non-governmental organisations in their efforts to promote democratic principles.

Typical project examples are:

Reporters Sans Frontières: funding to help this organisation set up an early warning network across the Phare partner countries to monitor threats to the freedom of information.

European Young Bar Association: training for young lawyers and for the establishment of similar associations in the Phare partner countries.

Congrès Juif Européen, Paris: a training programme for leaders of Jewish communities aiming to combat xenophobia, racism and anti-semitism.

International Centre Against Censorship: a series of internships in London for journalists and NGO members from Albania, the Slovak Republic and the Czech Republic, and the placing of experts in partner organisations in these countries to help improve the knowledge of privacy laws, foreign ownership and access to official information.

Citizens Advice Service, Hungary: funding for the creation of an information system to help vulnerable groups in Hungarian society deal with 'officialdom'.

Handicap International, France: provision of support to non-governmental organisations acting to improve

psychiatric treatment for the mentally and physically handicapped in Romania and Moldova (through Tacis).

Human rights education in Albanian schools: The Netherlands Helsinki Comité will publish a manual on how to teach human rights, as well as helping elaborate a civic education curriculum.

Young Lithuanian offenders: a programme to work with the disabled and with young offenders.

Democratic training for young politicians: a study tour for young parliamentarians from six east European countries to the German elections; a four-week training programme in the UK, Germany and a visit to the EU institutions.

Anti-Racism in Hungary: help in drafting three laws against racism and incitement to racial hatred. The publication of a school manual against racial discrimination.

Economic Foundation NSZZ "Solidarnosc": To establish a negotiating structure among trade unions, employers' associations and governmental bodies in Poland.

Defending ethnic minorities in Hungary: support to help the Massag Foundation to provide legal aid to members of national and ethnic minorities suffering from discrimination, and improving the legal system for minorities in Hungary. A separate project will hold a history competition to promote greater objectivity in the teaching of Hungarian history.

Causes Communes, Belgium: the creation of an agency for local democracy in the Maribor Region of Slovenia.

For further details of the democracy programme, please contact the European Human Rights Foundation

tel (+ 32 2) 634 94 24

fax (+ 32 2) 734 68 31

(continued on page 14)

'Micro' projects - bigger results

The 'micro projects' supported by the Phare Democracy Programme make available small amounts of funding that, over time, will create a fundamental change in the political and social ideologies across central and eastern Europe.

In the most recent round of evaluations, some 117 projects have been recommended for funding, in areas ranging from human rights and the translation of teaching materials on democratic principles, to supporting the transparency of local government activities, or the retraining of union shop stewards in the steel industry.

The 'micro projects' are a new category within the Democracy Programme, which allows direct funding for NGOs in the partner countries without a partner based in the European Union being required. This round of projects is running in the Baltic States, Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovenia and the Slovak Republic.

Some examples of projects are:

Baltic States - Training courses for shop stewards of the Metalworker's Union; training for labour union members in the importance of unions in a market economy; organising seminars on voluntary adult education and its role in building democratic principles; human rights information, including the translation of teaching manuals into Latvian.

Bulgaria - museum exhibits aimed at creating racial tolerance; activities to support the transparency of local

government; accelerating the adoption of new ecological legislation; creation of the 'economic reform guide' multi-media presentation.

Hungary - Legal assistance and interest representation for Gypsies; student's rights; creation of a women citizen's advisory bureau; building of contacts among Hungarian environmental groups; education on minority values in Hungarian schools; creation of an information network on the rights of conscientious objectors.

Romania - Creation of a mini-Parliament to inform students and young politicians of democratic processes; reinsertion programmes for minor delinquents; encouraging more open dialogue between the police and local communities; promoting better knowledge of women's rights in a post-totalitarian society; promotion of youth involvement in community decision-making; and promotion of inter-ethnic relations.

Slovenia - Improving the teaching of humanistic sciences in primary schools; creation of public round table discussions on discrimination; support of a students' radio programme; re-evaluate the existing Journalists' Union through a survey of journalists.

Slovak Republic - Psychological help for temporary refugees in a local detention centre; training courses for teachers of cultural education; support for a childrens' journal and a cultural/social monthly magazine. ■

News

Air pollution and children: causes and risks

Six-country air pollution study

Leading European researchers are set to cooperate with authorities from several Phare partner countries to investigate the relationship between air pollution and children's health across central and eastern Europe. The participating countries are Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovak Republic.

Project coordinators say that the Air Pollution and Health project will achieve three goals: it will provide clear evidence on the extent of the air pollution problems in these countries; upgrade the scientific capabilities in each participating country; and explore how the message of the dangers of air pollution can be better communicated to the public.

The project, which is funded by the Phare Programme (ECU 2.8 million), will be implemented through a series of

research studies in each of the participating countries. "State of the art" western environmental techniques will be applied to the collection and analysis of this information. This includes: epidemiological techniques, quality assurance and analytical quality control methods and the latest monitoring techniques. Training of personnel in the various Phare partner country institutes is also a part of this initiative. An international workshop will present the findings at the conclusion of the project.

The main sources of air pollution in central and eastern Europe are power station emissions and the use of sulphur-rich brown coal for local heating and industrial power generation.

The contract details are now being finalised, and work on this 30-month project will begin soon. ■

Environmental liability

Potential investors ask: who's responsible?

Suppose you are an investor who has a golden opportunity to buy a company in eastern Europe. The company's workforce is motivated, the product is unique, the factory can be upgraded to compete in the European market, and the asking price is more than affordable.

But there's one question mark. What is the company's environmental record and the real condition of the site? Is it contaminated? And if so, to what extent?

If you decide to seize this opportunity and buy the company before you have certifiable environmental data, this decision could cost you millions - or even billions - of ECU.

"Not so!" your lawyers might argue. "While European Union law says that the new owner is directly responsible for the environmental damage caused by a polluted industrial site from the day it is purchased, your site is in eastern Europe, outside the European Union - so European Union laws do not apply".

The fact is that European Union legislation applies indirectly in many Phare partner countries. By signing the Europe Agreement or entering a formal application for European Union membership, the governments in central and eastern Europe have pledged to make all their legislation compatible with European Union directives over time.

In the environmental field, investors and potential investors in some Phare countries have voiced concern that there is a lack

of national standards governing environmental assessment and clean-up responsibility. Phare funding is now being applied to this and other environmental issues across Phare partner countries.

In Poland, for example, Phare is funding a study which aims to establish a national policy for the environmental liability of business and industry. When the study is completed, a workshop will be held to inform the Ministry of Environmental Protection and the Ministry of Privatisation of the findings, reports a representative of the Ministry of Environmental Protection, Natural Resources and Forestry in Warsaw.

One of the tasks of the Polish study is to examine how European Union environmental legislation can best be related to local legislation. When the study is completed, a group of short-listed companies will be asked to tender for environmental projects.

The European Commission and the European Bank for Reconstruction and Development have published a book entitled 'Investors' Environmental Guidelines'. This publication covers the technical, administrative and legal aspects of the environment for investors in central and eastern Europe.

For further information, contact the documentalist at the EBRD, fax (+44-71) 338 75 44. ■

Czech Republic

Managing forest resources

Balancing industry, ecology and heritage

How should Czech forests be managed 20 years from now? What is the right balance between the exploitation of these timber resources and the preservation of the country's vast wilderness for tourism and enjoyment by future generations?

These questions are being addressed today by a British/Czech consortium which is advising the Czech government on the best ways to privatise the 1.8 million hectares of forest in the Czech Republic.

In a project funded by the Phare Programme (ECU 250,000) experts are assessing the ecological, economic and practical issues surrounding the privatisation of this sector. Their recommendations will be reported to the Ministry of Agriculture this month for government review.

The government's priority is to strike the right balance between profitable timber exploitation and ecological harmony.



Natural balance: Czech officials' challenge is to harness resources while preserving wilderness.

The entire Czech nation is watching closely. Visiting these lush forests for a weekend, a holiday retreat or for gathering the many varieties of wild mushrooms that grow in them, are a national pastime. ■

Romania

Bringing back a smile

Funding for children's programme

The European Commission recently signed five contracts for a value of ECU 9.7 million to help the Romanian Government take over increased responsibility for the protection of children and also improve its strategy in this field. The programme, funded under the Phare budget, includes support to set up and implement a national childcare policy. One of its key objectives is to progressively reduce the role of the placement institutions.

The European Commission's involvement with the children of Romania goes back to 1990, almost to the day of the fall of Ceauşescu, when the appalling conditions for children in a number of Romanian childcare institutions became known. Acting on a European Parliament initiative, the Commission took immediate steps to help. Since then the Commission has allocated a total of ECU 60 million for emergency and rehabilitation projects to improve the living and educational standards of Romania's abandoned and institutionalised children. This work was done mainly by European non-governmental organisations.

As the emergency situation has been largely overcome, this new programme builds on the earlier work, and aims to consolidate the results achieved so far.

Assistance will be provided to the Romanian National Committee for the Protection of Childhood, by several specialised consortia from various EU Member States. The aim of this programme is to create a comprehensive political, legal, and administrative framework for the protection of children. The Committee will also receive support to draft a master plan to train those categories of personnel involved in child care. In addition, viable alternatives to the placement of children in institutions will be investigated, and a policy of support to parents facing difficult circumstances will also be formulated and encouraged. ■



Photo : "Handicap International"

The human face of Phare: funding is dispelling the nightmare of Romanian child care institutions.

Forthcoming events

Date	Organiser	Place	Subject
19th-20th December	Deutscher Industrie- und Handelstag	Brussels	Phare and Tacis
26th-27th January	Interforum	Brussels	Opportunities through technical assistance and economic aid in Russia, the NIS, Eastern Europe

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European Commission Phare Information Office Directorate General for External Economic Relations, DG I

Mailing Address AN 88 1/26 Rue de la Loi / Wetstraat 200 B-1049 Brussels

Tel (+32-2) 299 14 00 / 299 13 56 / 299 16 00 **Fax** (+32-2) 299 17 77