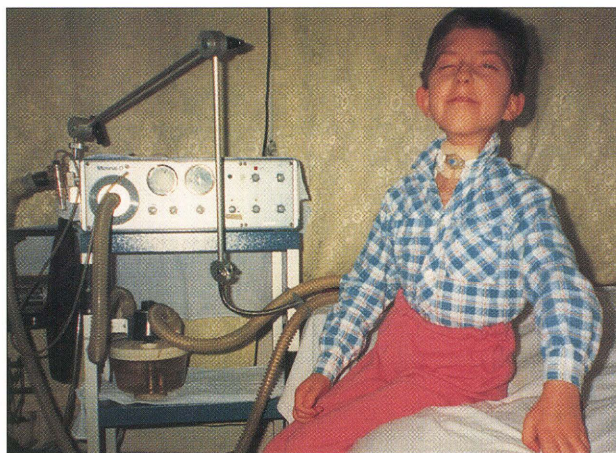


The newsletter of the European Union's Phare Programme

Lead story

Warsaw Hospice: helping children



The hospice cares for children with terminal diseases, tending to their emotional as well as physical needs.

Phare recently received that rarest of visitors; someone who comes to thank officials for their efforts, rather than to ask for money.

Dr Tomasz Dangel, the founder of the Warsaw Hospice for Children, was in town to thank Phare staff members for the money they have raised for his charity - money raised through fund-raising dinners, raffles and even a sponsored mini-marathon in which Monika Philp, Sabine Seaman and Hans Christian Stausbøll ran, sporting Phare colours.

The hospice, now a year and a half old, is bringing much-needed care to children with terminal diseases, helping ease their suffering by allowing them to stay at home in their final days and tending to their emotional as well as physical needs.

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Country focus: Bosnia and Herzegovina

Phare has set its sights on Bosnia and Herzegovina, and Phare funds have enabled the European Union to lead international reconstruction efforts there. An ECU 125 million Emergency Aid Programme, funded from the Phare budget, has given the European Commission's Sarajevo office a headstart in identifying and attending to the country's post-war needs.



(continued on page 8)

CEE: 1/39

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It is the brainchild of Dr Tomasz Dangel, a paediatric anaesthetist from Warsaw, who with his team of nurses and child psychologists is beginning to revolutionise Poland's paediatric medicine. Dr Dangel is now trying to persuade doctors and medical associations throughout the country to establish standards for palliative care.

From its base at the Institute of Mother and Child, where Dr. Dangel also established Poland's first centre for pain treatment and palliative care for children, the hospice team brings medicine and equipment to children's homes and teaches parents how to use them. Care is free of charge and available regardless of the disease. The hospice team has helped children with cancer, AIDS, cystic fibrosis and other illnesses.

Practicing a policy that is still unusual in Poland, hospice nurses tell dying children the truth about their diseases. The team's social workers and chaplain give the dying child, siblings and parents spiritual and emotional support in their moments of need.



The hospice allows the children to stay at home in their final days.

The hospice puts parents in touch with one another so they may comfort each other. The hospice team continues to work with the family even after the child has died.



The hospice team teaches parents how to use medications.

Since the hospice was founded in September 1994, it has helped 27 families. Twelve children have been allowed to die at home, but four have died in hospitals. The hospice team is trying to spread the practice of home care to the rest of the country. Starting with his own team, Dr Dangel ensures that nurses receive training in psychology and theology, and even helps them get driving licences.

Polish government funding and private contributions are vital for the hospice's own survival, but are still insufficient to cover all its needs. Phare's three runners pulled in \$3,790.80, which the hospice has used to buy much-needed machines. ■

To make a donation, please remit your funds to

PBKIXO/Warszawa
Nr 370031-537506-2700-3-11

or contact the hospice directly:

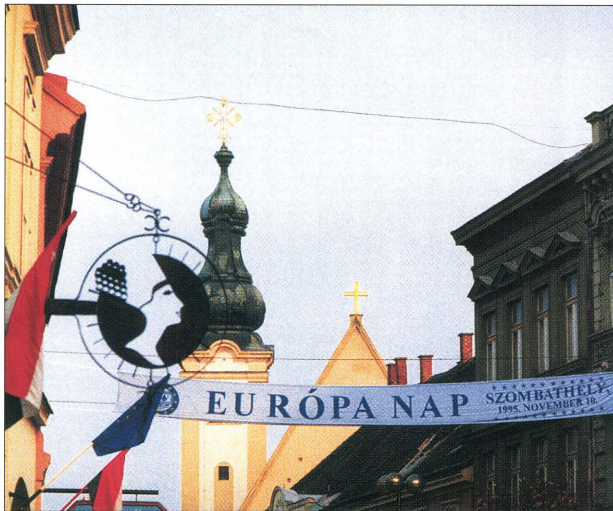
Warsaw Hospice for Children
Instytut Matkii Dziecka
Kasprzaka 17A
01-211 Warszawa, Poland
Tel: (48-22) 632 57 74
Fax: (48-22) 632 68 58

▣ Project news

Europe comes to Hungary

During the debates surrounding the Maastricht Treaty, the communication gap between the citizens of Europe and their leaders was revealed in its gaping reality. Since then, both the European institutions and Member State governments have been trying to respond to the public's concern,

and to ensure popular support for European construction. Accession day is still some time away for Hungary but, with Phare's support, the Government has already launched a widespread effort to keep citizens informed. Drawing on the Maastricht experience and on the lessons



The word on the street.

of the accession referenda held in Austria, Finland, Sweden and Norway, a team of experts coordinated by the Ministry of Foreign Affairs and financed by Phare has devised a full-scale communications strategy to prepare Hungarians for accession to the European Union. Its aims are both didactic - presenting the institutions and mechanisms of the Union - and interactive, launching a dialogue involving members of the public, the business world, NGOs and the government.

The strategy has to fulfil many requirements, like increasing the knowledge of the population while cooling down unrealistic expectations and explaining the link between the current deregulation phase with the coming phase of European regulation. The strategy thus has to ensure the parallel implementation of several programmes with a wide variety of communications tools in order to reach each target group.

Timely preparation, proper Phare assistance

The government's partly Phare-funded communication project will influence the attitude of society to the pre-accession strategy which in turn will have a strong impact on post-accession conditions. The overall strategy is divided into three separate but linked parts. During its first two years, 1995-1996, enough relevant information should be disseminated to lay down the basis for a second, persuasion-oriented period, starting around mid-1997. The last phase will aim at the mobilisation of citizen support with a 'Yes' campaign leading up to a referendum at the turn of the millennium.

So far detailed priorities have only been set for the first phase, which is a carefully targeted information campaign. This should initiate a thorough public debate on the consequences of Hungary's European integration by substantially increasing both the awareness and understanding of EU-related issues. If it succeeds, it will also facilitate the implementation of the country's integration policy, and will help prevent the erosion of public support.

The individual projects of the communication strategy fall under two major headings: some are relevant to all, while others are tailored specifically to the needs of particular groups. Their implementation began in the second half of 1995 and built on some successful earlier projects, of which the best known is perhaps a television series produced by Hungarian Television which began in 1994 with Phare's support and consists of a fortnightly 30 minute show screened on Channel 2. 'On the road - Europe Magazine' (Úton - Európa Magazin) deals with major events in the EU, as well as with the experiences of earlier accessions, emphasising the changes due to membership and demonstrating the similarities between Hungary and the given country before that country's accession to the EU.

It will be impossible to implement such an extensive communications strategy without substantial financial means. The Swedish government allocated SEK 181 million (ECU 18.5 million) to an information campaign preceding its referendum between 1992-1994, while the Austrian government spent about AUS 230 million (ECU 15.5 million). For the time being, the Hungarian strategy relies on multiple financial resources, including Phare's European General Technical Assistance Facility, the Hungarian Government and the private sector. The overall value of Phare support amounts to almost ECU 1 million for 1995-1996, while the government earmarked HUF 226 million (over ECU 1.2 million) in the 1996 budget. Hopefully, the proper cooperation of all these actors will ensure the financial realisation of this ambitious plan, which so far has not equal in any other central European country. ■



Phare funding has helped Hungarians devise a full-scale communications strategy to prepare their society for accession to the European Union.

Social protection in Bulgaria and Hungary



Social protection knits societies and is widely supported as one of the most significant achievements of the 20th century.

Social protection is both a human entitlement recognised under international law and an acknowledged social cementing mechanism designed to prevent the dramatic consequences of ill health, unemployment or old age. As such it has helped to knit societies together and is widely supported as one of the most significant achievements of the twentieth century. Such sophisticated mechanisms have their price, however, and as demographic trends worsen, and the need to sharpen the competitive edge increases, crucial questions are being asked in political and economic circles. How much of GNP will be earmarked for social matters? How will it be financed? Who will pay? How can cost-effectiveness be enhanced and fraud avoided? Which benefits will be conferred on whom, in what amounts and under what conditions?

The countries of central Europe developed their national social protection systems around the turn of the century. In the 1920s they were in the vanguard in creating pension schemes, employment injury and survivors' benefits, and unemployment benefits. The social insurance principle dominated in the region, providing benefits earned via employment to workers and their dependents.

Under the command economies imposed after World War II, the situation altered drastically. The workplace, through the state guarantee of full employment, became the provider of material and financial security for the workers and private citizens. Everyone of sufficient mental and physical capacity worked, and received a relatively small but secure

income. A public health care system, subsidised housing and other benefits met remaining needs. A state-financed social protection arrangement capped this concept of universal provision, by providing assistance to those unable to work due to old age, sickness or disability.

With the political and economic transformation of the 1990s, Phare countries have all had to confront the need for radical restructuring of social protection systems which face the twin challenges of adapting to the new emerging economic order and combating the immediate hardship caused by the transition process itself. They must also handle systemic imbalances caused by demographic trends and an inadequate contribution base. Pressure on increasingly tight public revenues and a general nostalgia for the former system's 'cradle to grave' principles mean that reform has been slow. Only Hungary has completed a substantial amount of fundamental reform, while most other countries have concentrated on stopgap measures, delaying for the time being long-term structural modifications. Bulgaria falls into this latter category.

Bulgaria

Bulgaria identified social protection reform plans in a White Paper approved in 1995. While most benefit areas of the social protection system need to be adjusted, the major challenge facing the authorities is the structural adjustment of the pension system. For example, at 55 for women and 60 for men, the retirement age in Bulgaria is very low by western standards. There are too many pensioners for the system to support, even though most only get a minimal pension which barely guarantees survival. The Bulgarian Government would like to equalise the retirement age at 60, adjust contribution levels and revise benefit computation formulae. The hope must be that, as economic transformation takes root, more scope will be provided for individual financing efforts.

It is clear that the imbalance between employers and employees in terms of social security contributions must be progressively eradicated (currently the lion's share is paid by the employer). Setting up efficient labour and social security inspectorates should raise the detection rate of undeclared earnings. This would raise the contribution base and ease the system's financial burdens. Furthermore, the hitherto favoured 'special categories' of individuals who have been allowed to retire early on an increased pension will need to be progressively curtailed.

Although social protection reform is at the top of the political agenda, continuing difficulties in carrying through reform initiatives can be expected. Stephen Langley at the European Commission points out that the battered state of Bulgaria's economy hardly provides a favourable



Reform of the pension funds is instrumental in improving economic performance.

environment for the taking of tough decisions. "A social protection scheme can only be viable if the economic system can sustain it and generate the financial resources necessary. Similar considerations apply to the introduction of private-insurance and employer-sponsored supplementary schemes," says Mr Langley.

A Social Insurance Institute (SII), responsible for the collection of contributions and the distribution of benefits was set up in late 1995. "The separation of the social security budget from other government expenditures was absolutely necessary to enhance the public visibility and understanding of social insurance issues and to improve capacity for collection, accounting and forecasting responsibilities," says Langley. For Bulgaria, this means that valuable resources will be used purely for social protection purposes and not to relieve deficits in other parts of the budget.

Hungary

Hungary has one of the most extensive welfare systems in the world. It is also one of the most expensive as a share of GDP. Reform, especially of the pension and health funds which account for nearly a third of all state spending, is seen as instrumental in improving the country's economic performance, reining in the national debt and ensuring long-term growth. Bitter political battles have been fought over the social security budget, leading to the overturning of some austerity measures by the Constitutional Court and presumably to the resignation of former finance minister,

Lajos Bokros. However, parliament has recently passed a social security bill adhering to the HUF 17.8 billion reduced deficit required to keep the general government deficit under 4 per cent of GNP.

In 1991, Hungary added an earnings-related tier financed by payroll taxes to its universal flat-rate pension. A voluntary scheme of mutual complementary insurance was established in 1994, and buttressed by tax incentives. Recent legislation increased the length of service required to receive a pension from ten years to twenty. And despite public dissatisfaction, the Government has approved a gradual increase to 62 of the general retirement age by 2007.

Hungary has also forged ahead with other essential reforms. For instance, the maximum period during which unemployment benefits can be received has been lowered several times since 1991. The minimum benefit has increased while the maximum has decreased. The Government has also restructured family and sickness benefits. The 1996 budget practically eliminates a HUF 20 billion deficit in health expenditure.

Hungary, more than any other Phare country, has taken difficult decisions to adapt its social protection system to its new circumstances. This will have to continue if Hungary is to provide adequate, fair and affordable social protection to all its citizens. The public will be the ultimate judge of what is acceptable. A November 1995 Gallup survey indicated that 73 per cent of the nation finds an increase in poverty unacceptable, even in the interest of economic growth. Politicians in Hungary will have to appease their weary electorate, either by demonstrating the positive results of reform or by backsliding. Elections are only two years away. ■



The helping hand of welfare.

Phare and social services

Phare is supporting social sector reforms at national level. Although constrained by inefficient local management, a lack of coordination and budgetary constraints, initial Phare efforts responded to serious problems and contributed to their amelioration, as the following examples illustrate.



Social integration begins in the classroom.

Occupational health and safety in Romania

Before 1990, "labour protection was not a priority in enterprises," says Miora Stoenescu, head of Phare's Health and Safety PMU in Bucharest. In 1989, over 13,000 work-related accidents occurred, 900 of them fatal. "We want to increase the role and responsibility of businesses so that they will pay more attention to working conditions." Phare and the Romanian authorities want to improve working conditions to decrease the rate of accidents and occupational diseases in Romania.

Phare helped develop a ten-year strategy to achieve this, which includes three ambitious work programmes. The resulting projects "are totally comprehensive," emphasises Almudena Castaner, Phare Task Manager at the European Commission. "The strategy has laid the foundation and established the mechanisms for Romania to greatly improve its safety record".

Several key tasks were accomplished. Romania enacted a new labour protection law, harmonised with EC directives and International Labour Organisation conventions. Regulations for a Romanian test and certification system have been elaborated and the necessary basic equipment and staff have been identified. In order to create an incentive to motivate companies to give priority to safety and health problems. Romania established an Association for Insurance and Prevention of Work Accidents and Occupational Diseases, bringing together employer's representatives, trade unionists and government officials.

Inspection methods and the collection of data also improved. The Ministry of Health signed cooperation agreements with the Occupational Safety Inspectorates in order

to facilitate inspection and the effectiveness of safety measures. "The situation has already improved a lot," according to Stoenescu. To quantify results a mission was undertaken to Denmark to help create a functioning information system and database. The Sibiu district is now the home of the recently established office for the collection and administration of health and safety information.

Mining is the sector in Romania where accidents are most frequent. Investigations revealed that dangerous gases that escape underground and sometimes cause fatal explosions constituted the biggest problem. Phare is helping to provide essential equipment to monitor and provide early warning of the release of these gases. Equally important, Phare has helped open a training centre in Petrosani for safety trainers as well as managers and inspectors. Managers, workers and government are now working together to develop a positive incentive system to reduce risks and secure sustainable employment.

Labour market development fund in Slovakia

Because of Slovakia's persistent high unemployment, Phare has - since 1991 - supported the institutional development of employment services. While Slovakia's economy is one of the fastest-growing in central Europe, the growth of employment in the private sector and emerging areas of the economy have left some groups particularly disadvantaged in the labour market - the young, the unskilled, the old, the disabled and the Roma. The Slovak government has



The Slovak Government has prioritised the development of measures to promote the employment of disabled workers.

prioritised the development of measures to help these people under the auspices of Phare's Labour Market Development Programme. The Pro-Active Labour Market Intervention Fund (PALMIF) was established to test innovative job creation measures.

In Pietsany, a small amount of Phare funding helped create jobs and alleviate some of the harsh social consequences of reform. Under the communist system, TELSA, an electronic components manufacturer, had been obliged to employ handicapped persons. With the advent of a market economy, TELSA's fortunes began to fade, accompanied by a reduction in the number of handicapped workers from 100 to 30. Out of the ruins of the company,

a former employee - himself handicapped - created Universal, a small workers' cooperative, which discontinued unprofitable production and diversified TELSA's activities to include related areas such as graphics and printing services.

With only ECU 50,000 of PALMIF support over a two-year period, Universal has created 86 new jobs, of which 26 are filled by handicapped people. More importantly, Universal is now profitable and subvention-free, keen on developing and expanding its operations. Employing redundant and disabled workers laid off by unprofitable enterprises, Universal is a small but creative example of how to tackle the thorny problem of unemployment in central Europe. ■

CONSENSUS: a multi-country approach to social protection

Throughout Europe, social protection schemes face two contradictory problems: the necessity to contain public expenditure and the need to reduce non-wage labour costs while meeting the expectations of the people. On top of this, the countries of central Europe are facing radical realignments of social and public policies. For many reasons, necessary reforms are stagnating or, worse, blocked. Yet social protection reform can play a crucial role in the success of government policies by helping to alter the current trend of increasing national budget deficits.

High-level advice and cooperative reform of the Phare countries' social protection systems can make an important contribution to macro-economic viability, social and political stability and to preparations for eventual accession to the European Union. To help meet these challenges, Phare's CONSENSUS Programme has developed a new approach, encompassing reforms in all areas of social insurance, including family allowances and universal benefits, social assistance, health benefits and the financing of social protection.

The ECU 10 million CONSENSUS Programme will help by analysing existing social protection systems, legislation and practice, and by providing advice and examples of best practice in the EU Member States. "It's different from other programmes," says Hélène Bourgade, administrator of CONSENSUS. "With 26 countries sitting at the same table, the exchange is not just west-east but also east-east. Phare countries can thus learn from the experiences of other Phare countries." The upcoming conference and workshop on supplemental pension arrangements in Prague is a good example of this common endeavour. Albania, the Czech and Slovak Republics and Slovenia asked to meet to work on this issue as a group. "The flexibility in allocating projects and on-going processing of funding proposals allow for a quick response for all quality projects," emphasises

Bourgade. Indeed, several other Phare countries are likely to attend the workshop as well. Although the selection of projects for the two-year programme is not yet complete, a look at some already approved will prove illustrative.

Country Policy Papers

These comprehensive inventories and assessments of the current social protection systems, trends and national policy will be extremely helpful in identifying and prioritising further steps to be taken by each Phare country. The sustainability of existing systems will be examined and areas identified where special efforts are needed to meet the objectives of the pre-accession strategy.

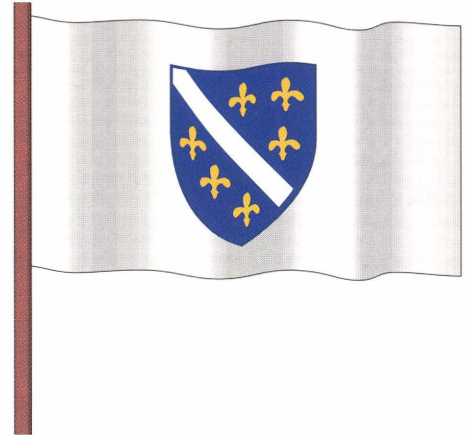
Hungarian Communications Strategy

The need to reform the system of medical subsidies and pension and family allowances, and to address the increasing problems of homelessness and social exclusion have been stimulated by increasing public discontent. By means of a public relations strategy, the programme will raise awareness and promote broad political and public support for reform of social protection.

Social Protection Handbook and Dictionary for Estonia and Latvia

There is at present a lack of adequate, culturally relevant literature on social protection in the Baltic States. CONSENSUS supports the writing of short handbooks and dictionaries, explaining the concepts used in European social security literature and the different EU Member States' approaches. Bourgade stresses the importance of this small project to the Latvians and Estonians. "It will enable them to create in their own languages their own understanding of what social protection means." ■

Bosnia and Herzegovina



The Commission's reconstruction efforts

The Commission staff in Sarajevo - a dozen people, including Phare representatives - has been hard at work since 19 January. Among them is Hans Christian Stausbøll, who helped set up the Sarajevo office and helped design the first phase of EU reconstruction efforts in Bosnia. "In the beginning, in January and February, things were pretty hard," says Stausbøll. "There was no reliable water or electricity, and the situation was tense. I-FOR (the NATO-led international peacekeeping force) troops were on the streets, and it definitely was not a holiday spot."

In the weeks following the signature of the Dayton accord, some 60,000 Serbs moved out of Sarajevo, creating a charged atmosphere that put everyone on edge. "There was a very tense security situation," remembers Stausbøll.

"We didn't have the feeling we were in danger, but, because of the landmines everywhere, you didn't know where you could go." Mine clearing has become a main preoccupation of the international teams involved in rebuilding the war-torn country. Estimating the number of mines to be up to six million, Stausbøll says, "We don't know how many there are. It could take up to 30 years to clear them all."

But reconstruction activities are underway, and Stausbøll and his colleagues are finding plenty of uses for the \$1.8 billion



The Sarajevo neighbourhood of Grbavica suffered much destruction during the Bosnian war.

raised by international donors at conferences in Brussels in April and in December last year. "Since estimates of the total need reach as high as \$25 billion, choosing where to start is a very painful process."

The Commission has already drafted preliminary plans for 1996-1999 spending. Some ECU 400 million are scheduled for reconstruction and ECU 200 million for restructuring programmes more typical of Phare, such as helping economic and democratic reforms as well as cross-border cooperation.

In April, EU governments admitted Bosnia into the Phare club, making it eligible for the restructuring assistance that will aim to transform Bosnia's economy.

For now, the Commission is concentrating on implementing its first emergency phase, which consists of an ECU 62.5 million (\$80 million) essential aid programme. Much of that money is being spent on importing equipment, such as buses for the Sarajevo public transportation system, or machinery for rebuilding water sanitation equipment.

"But," says Stausbøll, "it's not enough just to supply equipment." With every imported bus must come spare parts, oil, fuel, lubricants, even cash with which to pay the bus drivers' wages. "We thought the government had the capacity to finance these things, but it does not." The complete lack of a local economy has meant that gifts of electrical equipment, for instance, must be accompanied by the money for the labour cost of installing the equipment.

Stausbøll does have good news to report about EU efforts thus far. Some of the 20,000 houses needed are already being rehabilitated; public transport has been restored between the main cities, electricity has been restored to many urban neighbourhoods, and supplies of seeds, pesticides and equipment from the EU allowed Bosnia's farmers to plant crops in March.

Political differences between the populations being served in the reconstruction effort also create large hurdles to the rebuilding effort. The country's Serbs, Croats and Muslims put forward different priorities, so Commission officials have had to travel around Bosnia evaluating reconstruction needs themselves. Because Commission decisions are taken in the name of the Bosnian government, they must be officially approved. Through memoranda of understanding (MOUs), the Commission outlines its plans: MOUs for each of the nine sectors involved in Phare's essential aid programme are sent to the appropriate ministry, following typical Phare procedure. So far, the Bosnian government has accepted all the plans enumerated in Commission MOUs.

The Republika Srpska is receiving only a small amount of reconstruction aid because western sponsors of the Dayton peace accord agree that the Serb leadership has not complied with their peace treaty obligations. Bosnian Serbs are receiving humanitarian aid, however.

But in post-war Bosnia, rebuilding normal life may do as much for the peace effort as any political initiative. After nearly five months in Sarajevo, Commission workers are optimistic that the peace has taken hold, and that their efforts are not in vain. "Now the sun is shining and life is a little better in Sarajevo," Stausbøll says. "There are no major security problems." Restaurants are opening up again in the capital city, which may give the Commission staff there a few hours of relaxation, but, Stausbøll adds laconically, "The problem of what to do with our free time has not come up yet - we haven't any."



Packed and ready to go.

The Bosnia donors' conference

"It's been a good day for Bosnia. It's been a good day for peace." With those words, International High Representative Carl Bildt summed up a two-day international donors conference that raised \$1.23 billion for the reconstruction effort in Bosnia and Herzegovina.

The European Commission and the World Bank, hosting the conference in Brussels on 12-13 April, reached their funding target for this year's instalment of reconstruction efforts in the war-torn former Yugoslav republic. But even as they received congratulations, the success was overshadowed by a reminder that the job of bringing lasting peace to Bosnia will not be easy: the abstention from the conference of the Bosnian Serb representatives.

Describing the Bosnian Serb snub as a "salutary warning", Commissioner Hans Van den Broek complained that full respect for the provisions of the Dayton peace accord is still lacking and, without that, Bosnians will not garner the international support they so badly need. Of the \$5.1 billion estimated by the World Bank to be required to rebuild Bosnia over the next three to four years, roughly \$3.7 billion is to go to the Muslim-Croat Federation and \$1.4 billion to the Republika Srpska. Most donors suggested that as long as Serb leader Radovan Karadzic, indicted and sought by the war crimes tribunal in the Hague, is still in power, Serbs will not receive

▣ Country focus: Bosnia and Herzegovina

reconstruction funds. "Assistance remains conditional to full and strict compliance by the parties to the Dayton agreement," said Van den Broek.

Bosnian Prime Minister Hasan Muratovic said he would try to distribute resources fairly in both the Muslim-Croat federation and the Serb republic.

Declaring his gratitude for the funds, Muratovic made clear, however, that he wanted authority in disbursing them, and warned against "over-organisation" of foreign aid agencies. "There are too many agencies on the same project," he said. "The European Union and the World Bank offices should not manage the money, but should link up providers and recipients."

He said his government would work with the Bank and the Commission on coordinating projects, but it wanted full discretion over bilateral donations from various countries. "The government of Bosnia and Herzegovina has taken the necessary steps for implementation," he said. "Our organisation is working very well. The government is taking care of development projects."



Mother and child collect their aid-pack from the Red Cross in Zagreb.

Not all the new donations will be sent to Bosnia through the World Bank and the Commission. Most US and Japanese funds, for instance, will be disbursed bilaterally.

But the job will be far from easy, as Commission Director General Günter Burghardt pointed out. Bosnia's federal and local institutions are not fully functioning, ground co-ordination still needs improvement and sectoral programmes need completion, he said. He told donors to rely on the Commission and World Bank delegations on the spot.

Muratovic asked all donors to give him their political as well as their financial support, adding, "We are firmly determined to build a democratic country based on the principles of a market economy, private property and human rights."

The World Bank's director for central Europe, Christine Wallich, said that while 'in-kind' donations and project funds were welcome, what is really needed now is cash for such things as teachers' and doctors' salaries and basic government needs. While generous pledges for infrastructure programmes have amounted to half the funding committed so far, she said less than nine per cent had been dedicated to education, health, demobilisation support and employment creation.

The donors agreed that housing and job creation were the most urgent tasks, noting that 300,000 troops must be demobilised in coming months and will need employment.

Van den Broek announced that the EU would contribute another \$260 million for the rest of 1996, in addition to the \$113 million of Phare support already pledged at the first donors conference last December. That would bring Union support this year to \$373 million, all in grants. The new pledge contains funds for general reconstruction in Bosnia (ECU 85 million), continued support for Mostar (ECU 32 million), demining (ECU 10 million) and Phare programmes for economic transition in Bosnia (ECU 10 million).

EU humanitarian aid also continues in addition to the reconstruction pledge, although some of it will be used for housing. Van den Broek said the Union foresees giving \$1.3 billion from the Community budget alone to the reconstruction effort through 1999.

The EU's Member States have pledged more than \$ 300 million during the December and April meetings, bringing pledges from the EU and its Member States to \$707 million, about a third of the money pledged so far. Italy's large contribution was motivated by security concerns, its ambassador said. Germany said the shelter it has given some 320,000 Bosnian refugees there - which costs the German treasury some DM 3.4 billion annually - would constitute the bulk of its contribution.

Together, the 55 nations and 27 lending institutions attending the conference pledged \$1.23 billion. Most of the money was in grants, but World Bank officials said the loans had such favourable terms that they effectively amount to grants. Some contributions were specifically earmarked, such as Qatar's wish to restore the Sarajevo mosque and Islamic library.

Islamic nations have organised an Assistance Mobilisation Group to coordinate their financial and economic support, Malaysian Defence Minister Syed Hamid Albar told other donors, but he stressed that their involvement



Refugee children in Croatia observe the European Community.

should not be differentiated from international community aid, as the "Bosnian tragedy should not be construed as an issue between Muslims and non-Muslims."

“We have to build bridges”

Johannes Ter Haar, the European Commission's Special Envoy to Bosnia and Herzegovina, outlines Europe's priorities.

Over the last few weeks Hasan Muratovic might have recalled the words of the Ancient Mariner: "Water, water everywhere and ne'er a drop to drink." Awash in the multi-digit pledges of the world's bankers and the donor community, the new prime minister of Bosnia and Herzegovina has been heard to mutter more than once that not one dollar of reconstruction aid seems to have trickled into his war-torn economy's shattered infrastructure.

No one is more aware of this pressure to deliver than Johannes Ter Haar. "This is a period of intense difficulty," he says. "We have to build bridges, build co-existence, restore human confidence, but it all takes time."

The European Commission is, so far, the only major donor to have begun implementing reconstruction programmes in Bosnia and Herzegovina. Although its office has only been operational for a few months, its core team of experts is already putting in place infrastructure projects worth ECU 62.5 million. A second reconstruction tranche of ECU 62.5 million is expected to be sanctioned over the next three months, along with further assistance that could swell the overall near-term funding to nearly \$300 million, "I would like to see us

Lawrence Summers, US Deputy Treasury Secretary, concentrated on Bosnia's need to become a "unified economic entity", collecting tax and customs revenues, and implementing a budget law, in order to attract IMF loans and serious investment. He also stressed the need for speed in disbursing the new funds, saying their effects must be well rooted before the I-FOR peacekeeping troops leave at the end of this year. Of some \$678 million that governments pledged at last December's conference, only \$390 million has been released.

Summers urged donors to increase their presence on the ground in Sarajevo and to dedicate their funds to sectoral programmes chosen by the World Bank and the Bosnian government, and to the ten sectoral task forces under the Bank's auspices. "The next few months are critical," Summers said, to convince Bosnians that "they have more to gain from peace than from war."

Paraphrasing Winston Churchill, Summers said, "We are not at the end, not even at the beginning of the end, but perhaps with this donors conference we are nearing the end of the beginning of our efforts to help rebuild Bosnia." ■

frontload as much as possible of our entire financial package - the first year after Dayton will prove critical," says Mr Ter Haar, who has extensive experience of regenerating moribund economies, having headed Commission missions in Africa and the Caribbean. "We genuinely feel that one ECU spent now is worth two to three ECU spent downstream. That is not a cliché but a genuine observation. It is important that people start to see the 12 stars in different parts of the country - the donor community must be able to show the people of this physically and mentally scarred nation that relief is underway and that a return to greater normalcy and a better material future is more than a dream."

The pages of Sarajevo's main newspapers, *Oslobodjenje* and *Vecernje Novine*, frequently show government ministers venting their feelings of frustration at the donor community: "they offer us aid in expertise, nobody offers us money," complained agriculture minister Ahmed Smajic in *Oslobodjenje*. "The visitors intend to help us by taking money for themselves, giving us advice only."

Zlatko Hurtic is the newly-appointed donor co-ordinator for the Republic government, and can sympathise with

Country focus: Bosnia and Herzegovina

such sentiment. "We signed Dayton in the belief that the international community was going to reconstruct our country," he says. "Now we see nothing, I can tell you that the mood is changing very rapidly - the people and the government are beginning to get a negative impression."

Mr Ter Haar believes that the perfect antidote to the government's worries are those projects which create jobs and buy from local factories, regenerating household and corporate economies. "This country is financially depleted. Industrial production is at five per cent of pre-war levels. Unemployment is rife, tens of thousands of soldiers are being demobilised; we must try and break this vicious cycle of no jobs, no purchasing power and no productive activities." The international community, Mr Ter Haar believes, can give an immediate kick-start to the economy, to help Bosnia and Herzegovina help itself. One of the Commission's programmes, "Europe for Sarajevo," envisages a massive clean-up campaign within the city, costing around \$30 million. Several thousand of those now unemployed would work in the parks, cemeteries and sports fields. Thousands of trees are to be planted to replace those burned for firewood during the war; myriad shell and bullet holes filled in; tons of the rubbish that now clogs every corner cleared. "It's a shovel and wheelbarrow type of project," explains Mr Ter Haar. "People are paid four to five deutschemarks a day. Our funds will be used twice or three times: to fix up Sarajevo, to pay people a reasonable income and to generate some tax for the government from those incomes. You employ people like this for eight to ten months, and the local economy will feel a difference, small as it may be."

Logistical problems are not the only constraints upon the rapid delivery of assistance materials. Some donors are handicapped by so-called 'burden sharing', waiting for other donors to split the cost of projects. Important lending agencies like the World Bank - co-chairman, with the EC, of the international donor conference for Bosnia and Herzegovina - want to see institutional changes made in the fledgling government before loans

are committed. With both the Federal and Republic governments less than six months old, these changes are going to take time.

A thornier issue is whether to give reconstruction assistance to the Republika Srpska: the European Commission has decided that its programme covers all Bosnia and Herzegovina, as long as the Dayton principles are adhered to. On this complex 'conditionality' issue it takes advice from the High representative Carl Bildt. Mr Ter Haar proposes programmes to assist with the resettlement of refugees and displaced people within Bosnia and Herzegovina, helping to relieve pressure in towns like Mostar and Banja Luka. "That way we may go beyond humanitarian aid," he says. "Such programmes should help find houses - wherever possible their own - with the provision of basic social services such as schools and health centres. Electricity and water supplies must be rehabilitated. Only through such an integrated approach will refugees and displaced persons be induced to return."

Sarajevo and Bosnia and Herzegovina have suffered like no other European country in the past fifty years. The principle of ethnic cleansing meant that much of the country's real estate has been destroyed simply to prevent it being occupied ever again.

From \$1,900 in 1990, GDP per capita fell to \$500 in 1995 - representing the value of the per capita humanitarian hand-

out. It is no coincidence that a 15 year old from Sarajevo has entered the Guinness book of records for collecting over 2,000 different aid wrappings.

"It's a near-nightmarish situation. There are going to be obstacles, there are going to be mishaps," admits Mr Ter Haar. He believes, however, that Europe can provide the structural, civilian help that Bosnia and Herzegovina needs. "Look at western Europe," says Mr Ter Haar, who became, in April this year, Head of the EC Delegation in Prague. "It's not perfect, but compare that with Europe in 1945! I just hope the same is allowed to happen in Sarajevo and beyond it in Bosnia and Herzegovina. If time heals the scars, it, too, can once again be the unique place it is known to have been all through the centuries." ■



A whole new ball game

by Dr Rogan Taylor, Football Research Unit, University of Liverpool, UK.



More than just a game.

Just imagine getting out of bed one morning to discover that all the rules have changed; to discover, in fact, that there are no rules at all because the old ones no longer apply and the new ones haven't been written yet. That's what happened to many of the professional football clubs in eastern Europe after the collapse of the communist regimes, in 1989.

The favoured system of financing football under the communists was a form of state sponsorship, based on the Soviet model. Government departments, national institutions (like the army), state construction companies, even the secret police, all had 'their' football club, mostly amongst the leading clubs, of course. The lesser teams were supported by smaller organisations, trade unions and local authorities. In the final analysis, virtually the whole of football was financed, like everything else, by the state.

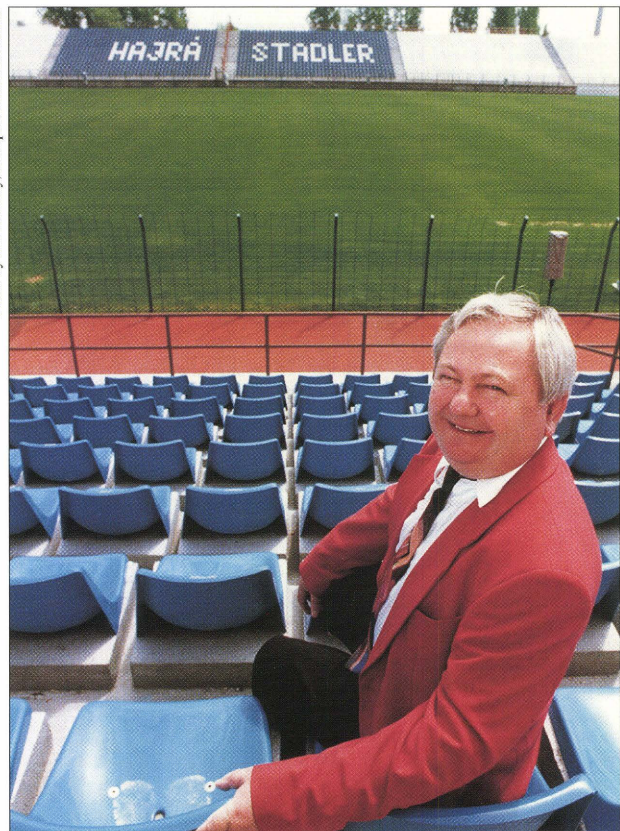
Since 1989, and the move to a market-led economy in eastern Europe, football - along with most other concerns - has had to face up to the task of surviving a difficult transition period. Who 'owned' the clubs? To whom did the training facilities belong? Who would be responsible for paying the players?

Commerce and 'the market' were completely unable to replace the old system of state support immediately, and football fans in eastern Europe could hardly be expected to make up the difference with their entrance fees. Fans were used to paying around ECU 0.25 a match and many were worse off than they had been before the fall of the old regimes. Where was the money to come from? How would the clubs survive?

Of course, some famous clubs didn't survive. Take Dukla Prague, for example. The once mighty football club that nestled under the wing of the Czechoslovak army (and conscripted almost any player it fancied) has disappeared into oblivion. Relegated from the First Division, they passed through the Second like a dose of salts, without playing a match, unable to provide the financial bond required to secure their place. Dukla ended up in the equivalent of the English Conference League and, in the stadium where 30,000 fans had once stood roaring their team on against the likes of Manchester United in European competitions, now a few hundred folks at most turn up, mainly pensioners, old soldiers and 'party members'. Recently, Dukla's pitch was badly damaged by attacks from wild boar ...

In Hungary, some football clubs associated with old, heavy-industry towns like Drog and Tatabanya have died on their feet, along with the smoke-stack plants that sustained them. Other clubs - some of them quite obscure - have risen to the top with the help of money from millionaires who want to get into the football business. Take, for example, a little club called Kiskoros, associated with a small town on the great plain of Hungary: it was bought by an entrepreneur called Jozeph Stadler who had made his money doing business in

Photo by Jim Lowney, Budapest Business Journal



No guessing who owns this stadium.

Special Report

Ukraine. He built a brand new stadium near a local village and, although the stadium holds 20,000, only a few thousand fans turn up even for a visit from Hungary's most popular club, Ferencvaros. Naturally, he called his new club 'Stadler FC'.

Ferencvaros floated shares on the market last autumn to help finance the football club. Others rely on deals with new sponsors, like MTK in Budapest: once the club of the feared secret police, the AVH, it is now sponsored by Fotex. How times have changed!

The rapid and sometimes chaotic commercialisation of the game has led to the bizarre sight of football teams with sponsors' names all over their kit. Kispest-Honved - the 'army' team - were once the greatest club side in the world, in the days when Puskas, Boszik, Czibor and Kocsis showed the English a new way to play the game. These days, the players have company names everywhere, even on the backsides of their shorts! Though the club still receives some financial support from the Hungarian army, they clearly need every forint they can get.

Some clubs - mostly the smaller ones - still receive support from local councils, without whom they would collapse. Often, the local authority still owns the stadium and is therefore responsible for its upkeep and running costs. Many clubs are in trouble for failing to pay the social security tax for those they employ, and have debts so onerous that the Hungarian government is considering waiving or rescheduling the payments. There is a Bill currently passing through Parliament attempting to sort out some of the ownership questions that still remain.

The Football Research Unit at the University of Liverpool has conducted some preliminary surveys into recent developments in the important field of 'leisure economy' in eastern Europe and is keen to develop this study, in partnership with Phare, into a comprehensive assessment of



The modern supporter dresses in style.

the new football economy as a significant aspect of the process of privatisation in eastern Europe.

There have been very few studies about the leisure and entertainment industry in central Europe. Football is an ideal exemplar in this field, and one which has considerable significance for the well-being of substantial numbers of people. The game matters to a wide cross-section of the population, and the strategies adopted by clubs to survive in the open market have a wider importance beyond the simple prospect of business survival. ■

News Update

The Baltic Sea states summit

Declaring the Baltic region as the new land of opportunity and cooperation, European Commission President Jacques Santer joined the heads of state of Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, Norway, Poland, Russia and Sweden for a Baltic Sea states summit last month (3-4 May) at Visby on the island of Gotland.

Officially launching the building of political, economic and social bridges between the EU and its northern neighbours, the leaders recognised in their joint declaration "the importance for European stability of ever closer links between the Baltic Sea region and the European Union". With that as

their premise, the governments welcomed the Commission's new Baltic Sea Region Initiative, presented by Santer. The strategy stresses, in Santer's words, "that trade and economic integration are only means towards a greater and more ambitious objective: security and peace on the continent of Europe". Inviting the Baltic Sea states to participate more fully in that goal, Santer also stressed the importance of economic development. While the Union's Europe Agreements with the Baltic states have provided legal bases for increased trade, he stressed that Baltic traders should not only trade with the Union, but with each other.

The assembled officials should have been inspired to do that by the summit site itself. The fortified medieval city of Visby was a member of the Hanseatic League. The German traders in Scandinavia and Britain pushed down to Gdansk, Smolensk and Novgorod, bringing whole cities into their association by the fourteenth century, and founding other cities such as Riga and Tallinn. They coined a common currency and established free movement of people, in addition to setting common rules for trade, navigation and the quality of traded goods.



Baltic summit leaders pose for the traditional group picture prior to their meeting in Visby, Sweden, May 3 1996, for the Baltic Sea States Summit.

The free movement of people, goods and services in the region is another goal of the Commission's Baltic initiative, and Santer said that Phare, which counts Estonia, Latvia, Lithuania and Poland as members, will continue to support that goal.

Some 60 million people live in the Baltic region, where four EU Member States - Denmark, Germany, Finland, Sweden - join four candidate members - Estonia, Latvia, Lithuania and Poland - and Russia, with whom the Union has struck far-reaching political and commercial cooperation accords. But far from being homogeneous, the Baltic states are fiercely different, in language, religion and culture. While Lithuania's Catholic population has links to Poland and a large Polish minority, Latvia has a large Russian minority and the accompanying Orthodox faith. Estonia has closer ties to Finland and a largely Lutheran populace, but also an important Russian-speaking minority. Minority rights featured high in the summit declaration, with leaders making promises that were as significant for the Russian minorities in the Baltic states as they were for the Baltic populations themselves.

The pledge to respect people's rights was also a response to Santer, who told leaders that the Commission attached great importance to projects bolstering civil society and human rights and protecting national minorities' rights. The Commission, he said, would support such projects through its Phare and Tacis Democracy programmes.

Already Phare members, Estonia, Latvia, Lithuania and Poland seek full Union membership, and the EU leaders at the summit agreed to support those aims. They know, however, that it is important for maintaining stability in the

Baltic Sea region, and at the summit they advocated speedy ratification of the EU's Partnership and Cooperation Agreement with Russia.

Moscow, an equal partner with the EU in the Council of the Baltic Sea States, should be closely involved in the development of the Baltic Sea region. The initiatives agreed at Visby were designed to ease that process through human relations programmes like town-twinning and student exchanges. Russian Prime Minister Victor Chernomyrdin, who attended the Visby summit, is interested in the project, which could make it easier for Russians to participate in regional investment.

The EU's Nordic members argue that integrating the Baltic states in the European Union is a key to security throughout the continent. To aid Baltic aspirations for membership, interparliamentary cooperation between the coastal states on the Baltic Sea is being promoted as a way to solidify democratic and parliamentary traditions in the three new nations.

After 50 years of Soviet rule, the Baltics have also had to work hard to transform their command economies to market economies. Estonia surprised observers last year with a 5 per cent growth rate and unemployment at a low 3 per cent. Through the Phare Programme, the Commission has supported privatisation of state industry and the development of small and medium-sized enterprises. The reward for such painful economic transitions: joining the single market and eventually the European Union.

Phare and Tacis grants to the Baltic region from 1990 to 1994 totaled ECU 500 million. For the second half of the decade, those grants will total ECU 950 million, in addition to large loans from the Union.

In the meantime, the Commission has pledged to support the establishment of the Baltic Free Trade Area, including its customs union scheduled for 1998, as well as a Central Europe Free Trade Agreement between the Baltics and Poland.

Three northern routes are already part of ambitious Union plans to criss-cross the continent with transport networks - a Helsinki-Warsaw route, a Riga-Gdansk-Bremen route and a Helsinki-Moscow corridor. The Commission also wants to promote shipping on the Baltic.

Energy networks are also in view - a Russia-Belarus-Poland-Germany gas pipeline and a crude-oil pipeline from Russia to Finland. By signing European energy charters, the Baltic states are eligible for energy investments. And the EU wants to help Russia and Lithuania improve nuclear safety. On the environmental front, the Commission and international banks have pledged to aid the coastal states with water conservation and curbing hazardous waste transport. The EU will also push the new countries to enact and enforce environmental legislation. ■

News round-up

- The Phare family has grown. The Former Yugoslav Republic of Macedonia (FYROM) and Bosnia and Herzegovina became fully-fledged partner countries in March and April respectively. This brings the number of Phare countries to thirteen, with Croatia's membership still suspended. Support to FYROM will this year focus on private sector development, agriculture and human resources. In Bosnia and Herzegovina, the long-term objective of Phare funding is to promote reconciliation among the country's divided ethnic communities.
- Albania held general elections on 26 May. The ruling Democratic party, led by the country's President, Sali Berisha, claimed to have won 68% of the vote. However, observers from the European Union and the OSCE were not satisfied with the running of the elections and called for a partial re-run. After the elections, opposition parties staged hunger strikes in protest, alleging that ballot-rigging and violent intimidation of voters had taken place. The OSCE is to provide the European Commission with a report on the extent of vote-rigging.
- Bulgaria is beginning a series of painful economic reforms as the national currency continues to weaken and state companies run up heavy financial losses. Sharp increases in interest rates are the latest symptom of a crisis at the heart of the economy. In May, the Bulgarian Government entered into negotiations with the International Monetary Fund (IMF) and the World Bank. Reform measures are necessary to save under-capitalised banks, to restructure state enterprises and accelerate the privatisation process.
- The Czech Republic's first parliamentary elections since the country gained independence, held on 1-2 June, produced a largely unexpected result. Most commentators confidently expected that the ruling prime minister, Vaclav Klaus, and his centre-right coalition government would retain their majority. In fact, the coalition fell just short, winning 99 of the 200 seats. While Mr Klaus' Civic Democratic Party won the highest single percentage of votes, the Social Democratic Party almost doubled its seats in the parliament. On 6 June, leaders of the coalition parties and the Social Democrats - who cannot now be ignored - met to discuss a timetable for forming a new government.
- The EU-Romania Joint Parliamentary Committee concluded its third meeting on 31 May in Bucharest. The Committee, which is one of the instruments of political dialogue foreseen in Romania's Europe Agreement, discussed the development of civil society, including the status of women, and underlined that the rule of law was one of the basic criteria for EU membership. It was also agreed that the Union should treat Romania equally with all other candidate countries seeking membership.
- Speaking at the EU-Slovakia Joint Parliamentary Committee at the beginning of June, Commissioner Hans van den Broek underlined that candidates for EU membership should not assume that accession would proceed regardless of shortcomings in their preparations. The Commissioner added that partial membership "was not an option". With regard to Slovakia, he was "concerned about the need to protect the rights of minorities," and said that economic reform needed to be "pursued in a fair, open and transparent way."
- Slovenia became the 10th central European country to be an associate member of the European Union when it signed a Europe Agreement on 10 June. Slovenian Prime Minister Janez Drnovsek took the opportunity to hand in Slovenia's formal application for EU membership. A collective sigh of relief was heard when Britain decided not to veto the Europe Agreement. ■



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