

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(92) 475 final

Brussels, 25 November 1992

Proposal for a
COUNCIL REGULATION (EEC, EURATOM)
concerning the provision of technical assistance to economic
reform and recovery in the independent States of the former
Union of Soviet Socialist Republics and Mongolia

(presented by the Commission)

EXPLANATORY MEMORANDUM

The granting of aid under Regulation (EEC, EURATOM) No 2157/91 of 15 July 1991, concerning the provision of technical assistance to economic reform and recovery in the Union of Soviet Socialist Republics will come to an end on 31 December 1992. Accordingly, and bearing in mind subsequent changes in the situation of the former Soviet Union and of certain neighbouring states, as well as the Community's experience in providing technical assistance under this regulation, it is necessary to propose a new regulation. This will provide the legal basis for the provision of technical assistance in the years to come. The Community's experience with technical assistance in 1991 and 1992 will be the subject of a forthcoming report to the Parliament, Council and Economic and Social Committee.

The proposed regulation is modelled closely on its predecessor, *mutatis mutandis*. In order to ensure the necessary continuity, changes have been kept to a minimum. However, certain necessary modifications have been introduced, the most significant of which are as follows:

1. The title and annex listing the beneficiaries are modified to reflect the inclusion of the twelve independent states of the former Soviet Union and Mongolia.
2. Mongolia is added to the list of beneficiaries as its situation and needs for assistance are comparable to those of a number of the independent states. This country was formerly dependent, politically and economically, upon the Soviet Union although not formally part of it. Mongolia has now established a democratic political system, held free and fair elections and begun the transition to a market economy. It has signed a trade and cooperation agreement with the Community, including a commitment to protect human rights. It has requested support for post-communist economic reconstruction, which goes beyond the scope of cooperation assistance presently available. The Commission considers it appropriate to respond positively to this request within the framework of the present regulation.
3. The priority sectors for technical assistance have been maintained, to provide the necessary continuity and to avoid a dispersion of effort. The description of these sectors is adapted slightly to correspond more exactly with needs.
4. Multiannual indicative programming is provided for as the Community will be offering sustained support to programmes and projects which span several years. Within this multiannual approach, the principle of annuality in budget allocations is respected. This implies the need for action programmes specifying the main projects on a yearly basis.

The indicative programmes and the action programmes will be adopted through the management committee procedure.

5. The regulation makes provision for assistance to be offered, under the Community's tendering procedures, by entities either in the Community, the beneficiary countries, the Phare recipient states or adjacent Mediterranean states. The inclusion of this "triangular" element is designed to encourage the provision of assistance by countries with specific relevant expertise, based on experience in transition to a market economy or on close links with the beneficiaries.
6. The regulation provides for assistance to be reviewed if the political situation in a beneficiary state impedes the effective implementation of the programme. This provision is based on recent experience and provides a necessary element of flexibility in difficult circumstances.
7. In order to prevent unforeseen circumstances from hampering the process of recovery in the beneficiary states, the proposed regulation provides that up to ten per cent of the total annual allocation should be available when necessary for responding to humanitarian needs, as with PHARE.
8. The proposed regulation provides for the preparation of an annual progress report.

In addition to these modifications, the Commission would draw attention to the importance of retaining the provision of the previous regulation for the award by restricted invitation to tender and by private treaty for operations up to ECU 300,000. Any heavier procedure would introduce excessive delays and impede the delivery of assistance.

The Commission would also draw attention to the importance of the provision, retained from the previous regulation, which calls for the effective co-ordination, by the Commission, together with the Member States, of the technical assistance efforts by the Community and Member States on the basis of information provided by the Member States.

On this basis, the Commission would invite the Council to adopt the attached proposal.

Proposal for a
COUNCIL REGULATION (EEC, EURATOM)

concerning the provision of technical assistance to economic reform and recovery
in the independent States of the former Union of Soviet Socialist Republics
and Mongolia

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

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

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 203 thereof,

Having regard to the proposal of the Commission,

Having regard to the opinion of the European Parliament,

Whereas pursuant to the European Council meetings in Dublin and in Rome the European Community introduced a technical assistance programme in favour of the economic reform and recovery in the former Union of Soviet Socialist Republics;

Whereas Council Regulation (EEC, EURATOM) No 2157/91 of 15 July 1991 concerning the provision of technical assistance to economic reform and recovery in the Union of Soviet Socialist Republics¹ lays down the conditions for the provisions of this technical assistance and foresaw such operation under the 1991 and 1992 budgetary periods; whereas since the said reform and recovery in the former Union of Soviet Socialist Republics is still underway, it is necessary to continue this effort;

Whereas it is necessary to take express account of the consequences of the dissolution of the Union of the Soviet Socialist Republics, of which Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kirghizstan, Moldavia, the Russian Federation, Tadjikistan, Turkmenistan, Ukraine and Uzbekistan, hereinafter called "the independent States" were part;

Whereas in view of Mongolia's close traditional links with the former Union of Soviet Socialist Republics and of the fact that it is in the process of transition to a market economy and hence has

¹ OJ No L 201, 24.7.1991, p. 2.

need of technical assistance with economic reconstruction, comparable with the needs of the independent States, it is appropriate to extend the technical assistance to the State of Mongolia;

Whereas the priority sectors for technical assistance cover the fields of human resources development; support for enterprises, including financial services; food production, distribution and marketing; transport and energy ;

Whereas to ensure that unforeseen circumstances do not unduly hamper the process of recovery in the independent States and Mongolia, it is necessary to permit a certain amount of the financial allocation to be used for humanitarian aid;

Whereas the requirements of economic reform and restructuring now in progress, and the effective management of this programme require a multi-annual approach;

Whereas assistance for economic reform and recovery may require specific types of expertise particularly available in the PHARE beneficiary countries and in certain other States;

Whereas the continued provision of technical assistance will contribute to the attainment of the Community's objectives, and the Treaties have not provided, for the adoption of this Regulation, powers other than those of Article 235 of the EEC Treaty and Article 203 of the EAEC Treaty,

HAS ADOPTED THIS REGULATION:

Article 1

A programme to assist economic reform and recovery in the States listed in the Annex (hereinafter called the "beneficiary States") shall be implemented by the Community as from 1 January 1993 in accordance with the criteria laid down in this regulation. Assistance shall be concentrated on sectors and, where appropriate, on selected geographical areas where it can play a central role and serve as an example in support of the reform process.

The assistance will be reviewed if the political situation in a beneficiary State impedes the effective implementation of the programme.

Article 2

The budget authority shall determine the appropriations available for each financial year, taking into account the principles of sound financial management referred to in Article 2 of the Financial Regulation applicable to the general budget of the European Communities and with due regard for the financial perspectives.

Article 3

1. The programme referred to in Article 1 shall take the form of technical assistance for the economic reform under way in the beneficiary States. It shall also cover reasonable costs of supplies required in support of the implementation of the technical assistance.

The cost of the projects in local currency shall be covered by the Community only to the extent strictly necessary.

2. The assistance shall also cover costs related to the preparation, implementation, monitoring and evaluation of the execution of these operations.
3. Technical assistance shall give priority to the fields of human resources development; support for enterprises, including financial services; food production, distribution and marketing; energy and transport.
4. Operations to be financed under this Regulation shall be selected taking account, inter alia, of the recipients' preferences and on the basis of an assessment of their effectiveness in achieving the objectives aimed at by the Community assistance.
5. Technical cooperation shall be implemented on a decentralized basis. The final recipients of Community assistance shall be closely involved in the evaluation and execution of the projects.
6. At the request of a beneficiary State humanitarian aid and technical assistance for its implementation may be provided. In the first instance such aid shall not exceed 10% of the annual financial allocation to be made available under this

Regulation. Amendment to either the objectives of such aid or to the percentage mentioned above may be made in accordance with the procedure provided for in Article 7 (2) and (3).

Article 4

1. Community assistance shall take the form of grants which shall be released in tranches as projects materialise.
2. Financing decisions and any contracts resulting therefrom shall expressly provide, *inter alia*, for supervision by the Commission and the Court of Auditors to be carried out on the spot, if necessary.

Article 5

1. Indicative programmes covering a three-year period shall be established for each of the beneficiary States in accordance with the procedure provided for in Article 7 (2) and (3). They shall define the principal objectives and orientations of Community assistance in the priority areas referred to in Article 3. They shall be adopted every three years and may be amended in accordance with the same procedure during the period of their application.
2. Action programmes based on these indicative programmes shall be adopted in accordance with the procedure provided for in Article 7 (2) and (3). These action programmes shall include a list of the main projects to be financed within the priority areas referred to in Article 3.

Article 6

1. The Commission shall implement operations in accordance with the action programmes referred to in Article 5(2).
2. Supply contracts shall be awarded by means of open invitations to tender except in the cases provided for in Article 116 of the Financial Regulation applicable to the general budget of the European Communities.

Service contracts shall, as a general rule, be awarded by restricted invitations to tender and by private treaty for operations up to ECU 300 000.

Participation in invitations to tender and contracts shall be open on equal terms to all natural and legal persons in the Member States and in the beneficiary States.

Participation by natural and legal persons from the countries benefiting from PHARE as well as from adjacent Mediterranean countries may be authorised by the Commission on a case-by-case basis if the programmes or projects concerned require specific forms of assistance particularly available in economies in transition or in countries with traditional economic or geographical links.

3. Taxes, duties, charges and the purchase of immovable property shall not be funded by the Community.
4. In the case of co-financing, the participation of third countries in invitations to tender and contracts may be authorised by the Commission, but on a case-by-case basis.

Article 7

1. The Commission shall be assisted by a committee composed of the representatives of the Member States and chaired by the representative of the Commission, to be known as the "Management Committee for Assistance to the independent States and Mongolia".
2. The representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148 (2) of the EEC Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the Committee shall be weighted in the manner set out in that Article. The chairman shall not vote.
3. The Commission shall adopt measures, which shall apply immediately. However, if these measures are not in accordance with the opinion of the

Committee, they shall be communicated by the Commission to the Council forthwith. In that event, the Commission shall defer application of the measures which it has decided for a period of six weeks.

The Council, acting by a qualified majority, may take a different decision within the period laid down in the first subparagraph.

4. The Committee may examine any other question relating to the implementation of this Regulation which may be put to it by its Chairman, possibly at the request of the representative of a Member State and, in particular, any question relating to general implementation, the administration of the programme co-financing and the coordination referred to in Article 8.
5. The Commission shall inform the Committee at regular intervals concerning the implementation of the technical assistance programme.

Article 8

The Commission shall, together with the Member States, ensure the effective co-ordination of the technical assistance efforts undertaken in the beneficiary States by the Community and individual Member States on the basis of the information supplied by the Member States.

In addition coordination and cooperation with the International Financial Institutions shall be stimulated.

Article 9

At the end of each financial year the Commission shall draw up a progress report on the implementation of the technical assistance programme. This report shall be addressed to the European Parliament, the Council and the Economic and Social Committee.

Article 10

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

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

Done at Brussels,

**For the Council
The President**

ANNEX

BENEFICIARY STATES

Armenia

Azerbaijan

Belarus

Georgia

Kazakhstan

Kirghizstan

Moldavia

Russian Federation

Tadjikistan

Turkmenistan

Ukraine

Uzbekistan

Mongolia

FINANCIAL STATEMENT

SECTION 1: FINANCIAL IMPLICATIONS

1. Title of operation

Technical cooperation with the independent states of the former Soviet Union and Mongolia

2. Budget heading involved

B7-620 Technical cooperation with the independent states of the former Soviet Union.
Mongolia's inclusion in the list of recipient countries will require the title of the budget heading to be changed.

3. Legal basis

Council Regulation (EEC) No 2157/91 of 15 July 1993, which only covers 1991 and 1992.

The attached proposal for a Regulation (from 1993).

4. Description of operation

4.1 Specific objectives of operation

To assist the reform process, in particular by financing or helping to finance technical assistance operations aimed at supporting the transition towards a market economy, mainly in the field of human resources, business support including financial services, production, distribution and marketing of food products, energy and transport.

4.2 Duration

Unlimited

4.3 Target population

The population of the former Soviet Union and Mongolia.

5. Classification of expenditure or revenue

Non-compulsory

Differentiated

6. Type of expenditure or revenue

100% subsidy

7. Financial impact

7.1 Method of calculating total cost of operation (commitment appropriations)

1992	Budget	ECU 445 million
1993	PDB	ECU 520 million

7.2 Breakdown of operation.

Ten per cent could be used as part of humanitarian aid operations at the request of the recipient countries.

8. What anti-fraud measures are planned in the proposal for the operation?

Anti-fraud measures are carried out by the delegation staff, who check that the proper procedures are followed and work well at each stage of the development of the projects, and that the projects are carried out. Inspection and audit missions are also planned for the various countries. A management information system has been set up to monitor:

- the technical execution of the programmes;
- contracting procedures, and
- expenditure.

9. Elements of cost-effectiveness analysis

9.1. Objectives

The aim of the technical assistance programme for the former Soviet Union and Mongolia is:

- (a) to secure their transition to a market economy;
- (b) to modernize their economies.

It is not possible at this time to determine how long the programme will run given the scale of the problems confronting the countries concerned.

9.2. Grounds for the operation

The operation is part of the implementation of decisions taken by the European Council in Rome in December 1990.

The Community aid is intended, by transferring skills and knowledge, to achieve a multiplier effect in the five sectors concerned, helping to create the conditions for internally-generated economic development in the Soviet Union and Mongolia and an attractive environment for foreign investors.

The Community's contribution will be mainly to provide consultants (both individual experts and consultancies) and training programmes.

9.3. Monitoring and evaluation of the operation

Performance indicators

The success of the technical assistance operations will be measured by the ability of the former Soviet States to take over from European experts on programmes run with Community assistance. Every effort will be made to ensure that European experts are progressively replaced by local staff in the relevant sectors.

The European experts will be recruited under service contracts containing detailed terms of reference, specifying the objectives to be met and the time limit for the work, so as to permit their programme to be evaluated afterwards.

Details of evaluation

Commission staff will draft regular reports on the progress of the operations, the problems encountered and how they are to be tackled.

The experts responsible for the projects will also draft regular reports on the execution of their duties.

The Commission will regularly inform the Member States on the progress of the programme via a Management Committee for Assistance to the Independent States and Mongolia.

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DOCUMENTS

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