



# Europe

## Pillars of Aid Priority Shift from Central to Southeast Europe —Promotion of Transition to a Market Economy—

Since commencing cooperation with Central and Eastern Europe in 1990, Japan has provided aid in the following priority fields.

- 1) Support for transition to a market economy (economic policy, productivity enhancement, business management, etc.)
- 2) Environmental problems (air pollution, water pollution, waste disposal, etc.)
- 3) Rehabilitation of deteriorated economic infrastructure\*

The Medium-term Policy on ODA that was announced in August 1999 made a reference to post-conflict reconstruction for the countries in conflict and their neighboring countries.

However, it has been more than 10 years since reforms in transition to a market economy in Central and Eastern Europe started, and large disparities among the countries of the region are emerging in terms of progress of economic development and reforms. Thus, it is

necessary to discuss shifting aid resources to Southeast Europe, which has greater development needs.

Since Bosnia and Herzegovina is in the transition period from the post-conflict reconstruction stage to the development stage, post-conflict reconstruction and support for transition to a market economy are complexly intertwined and various development issues are pressing. Similarly, although in a different magnitude for Bosnia and Herzegovina, we realize that it is necessary to provide assistance in neighboring countries like Albania, the former Yugoslav Republic of Macedonia, and Serbia and Montenegro in a combination of rehabilitation of deteriorated infrastructure and support for transition to a market economy.

Ukraine and Moldova, where the influence of the former Soviet Union still remains, are deemed the poorest countries in the region.

They need a type of development that provides due consideration of the support for BHN\*. Bulgaria and Rumania fall behind other new EU member countries in terms of transition to a market economy and economic development; therefore, it is necessary to focus on support for transition to a market economy and environmental issues.

At the European Council (EU Summit) held in Copenhagen in December 2002, accession to EU was granted to 10 countries (among which nine countries except Cyprus receive aid from JICA), including Hungary, Poland, and the Czech Republic. We believe those 10 countries have achieved a certain degree of transition to a market economy; thus, it is necessary to limit cooperation to complementary support projects and to areas where Japanese expertise is best utilized.

## Current State of Development

### Transition in Support for Central and Eastern Europe

After World War II, the countries of Central and Eastern Europe had centrally planned economic systems under communist regimes. In the 1980s, the inefficiency of economic management under such systems led to an economic collapse.

In 1989, Poland and Hungary led the way from communism by introducing market economies, followed by other countries in economic and social reform.

The developed nations positively evaluated these reform efforts in transition to market economies and decided to provide support within a framework of the Group 24 whose establishment was announced in July 1989 to conduct assistance for Central and Eastern Europe. The G24 group includes the 12 members of the European Community (EC), 24 countries such as Japan, the United States, Canada, Austria, and international organizations such as the International Monetary Fund (IMF), the World Bank, and the Organisation for Economic Co-operation and Development (OECD).

In line with G24 resolutions, since 1989 the Japanese government has been extending the range of its aid operations from Poland and Hungary to include the Czech Republic and Slovakia (two countries that formed Czechoslovakia when aid was commenced in 1991), Bulgaria, Romania, Albania, three Baltic countries (Estonia, Latvia, and Lithuania), Slovenia, the former Yugoslav Republic of Macedonia, Bosnia and Herzegovina, Croatia, and Serbia and Montenegro (Yugoslavia until February 2003). Support on an ODA basis was provided for the first time in 1997 to Moldova and Ukraine (Aid commenced for Malta in 1989).

### Aid Needs According to Stages of Economic Development

Now that 13 years have passed since the collapse of the



An expert and counterparts\* perform experimental measurements on the speed of underground earthquake waves in Romania (The Project on the Reduction of Seismic Risk for Buildings and Structure)

Soviet Union in 1989, large disparities have emerged among countries in the region in terms of transition to a market economy and results of economic and social reforms.

In Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, and Albania, needs for emergency rehabilitation of economic and social infrastructure, such as roads, hospitals, and schools, in post-conflict reconstruction are still great. Thus, JICA provides assistance mainly in these areas. These countries, which have high unemployment rates, are in need of job creation; therefore, it is necessary to support transition to a market economy in parallel.

The influence of the former Soviet Union remains in Ukraine and Moldova. In addition to slow progress of economic reforms, the deterioration of facilities and equipment has come to the surface because of the sluggish economy. They still have problems in fields of basic living such as health and medical care and stable supply of water.

Bulgaria and Romania, which did not accede to the European Union (EU) in 2004, need to work on reconstruction of economic and industrial structures, environmental problems, and infrastructure rehabilitation.

It has become increasingly important to correctly ascertain economic development levels and aid needs of each of the diversifying countries of Central and Eastern Europe. It is also essential to input limited aid resources effectively while paying attention to trends and results in support from EU and other aid agencies.

## Addressing Priority Issues in JICA Programs

### Cooperation Based on the Perception of Recipient Countries' Situations

Support for transition to a market economy is one of the priority issues for aid to Central and Eastern Europe. This covers a broad range of cooperation that includes providing

policy advice on industry, human development through training of the personnel required to operate the new economic systems, and industries and the transfer of technology and expertise.

In Hungary, JICA provided cooperation until 1999 that

involved quality control, factory improvement, and personnel and labor improvements at the Hungary Productivity Center. In fiscal 2000, the center began to offer third-country training\* on management consulting, which is scheduled to continue for five years, to disseminate results of Japan's technical cooperation to neighboring countries.

A feature of these countries that distinguishes them from developing countries in other regions is that they generally possess high technical levels and a plentiful supply of trained personnel. When providing cooperation to these countries, we need therefore to make sure that we achieve a proper balance between the advanced, but undemonstrated technical capabilities that people in the region possess and the technology that Japan is able to provide. Since the eventual goal of these countries is to join the EU, we need to ensure that

Japanese cooperation is fully in accord with the policies, rules and regulations, and legal institutions of the EU. Our task is to plan and implement Japanese cooperation while taking into account these features.

### ■ Post-conflict Stabilization and Reconstruction

Post-conflict reconstruction is also a major issue for future cooperation with Central and Eastern Europe, particularly the former Yugoslavia and its neighboring countries, which experienced ethnic conflicts.

Since the Dayton Accords of November 1995, Japan has been providing Bosnia and Herzegovina with active aid for the reconstruction process. JICA has been dispatching project formulation advisors\* and project formulation study teams to this country. JICA has also provided grant aid and technical

## Front Line

### ● Bulgaria Hosted by JICA Alumni Association

#### Observation Tour to Subway in Sophia City

Former Training Participants

#### Subway in expansion

The Federal Republic of Bulgaria, located in the middle of the Balkan Peninsula, is an Eastern European country with a population of about eight million and is in transition from socialism to a liberal economy, not only politically and economically but also socially. A subway system has been under construction for many years in the capital city of Sophia. It was a warm spring day on March 28, 2003, when an observation tour for the expansion work was carried out. This tour was hosted by a JICA Alumni Association, which was organized and managed by former JICA training participants. It was a very lively event attended by many guests and visitors, including Yasuyoshi Ichihashi, ambassador of Japan in Bulgaria; the management team of the public company, Metropolitan, which operates the subway system; relevant staff from the JICA office; and the alumni association, JICA experts, and JOCVs.

#### A station in harmony with ancient ruins

The subway plan of the city of Sophia is to build three subway lines covering 46 stations and 52km, which will cross through the center of the city. A portion of the first line opened in January 1998 connecting the Obelia district in the northwest part of Sophia and the Mladost district in the southwest part. This first line is scheduled to start expansion work with yen loans from the Japan Bank for International Cooperation\* and public bidding will be held some time in 2003 followed by the construction.

The site tour included visits to stations in service such as Serdika, Obalchenska, and Konstantin Velichkov, by means of actual trains, followed by visits to planned station sites such as Sophia University Station and National Stadium Station. Serdika Station lies at the heart of Sophia City and, at the same time, is located under the ruin of the ancient Roman Empire. Interestingly



Visit to a subway that is part of the expansion work

enough, you can see the harmony of modern interior and ancient ruins in this station. The insides of Obalchenska and Konstantin Velichkov Stations are accentuated by uniquely designed ceramic panels.

The subways in Sophia will be an important means of transport for the citizens, and will carry many passengers. JICA experts who support these urban transport policies will be dispatched in fiscal 2003, expanding the cooperative relationship.

(JICA/JOCV Bulgaria Office)

cooperation in electric power, transportation, and medical care, as these are likely to produce clear results in a relatively short time and contribute to post-conflict reconstruction as well as ethnic reconciliation.

Furthermore, since the establishment of a democratic government in October 2000, JICA has implemented cooperation in Serbia and Montenegro to reconstruct the economy and basic infrastructure that were ravaged through years of economic sanctions in coordination with the international community. Especially since the Federal Republic of Yugoslavia Donors' Conference in June 2001, cooperation in sectors including electric power, public transportation,



A building destroyed by NATO air strikes in Belgrade (former Yugoslavia) health and medical care, urban environment, agriculture, and social welfare has steadily made progress.

Japan's various assistance for Southeast Europe focuses not only on development aid mainly for transition to a market economy, but also on the ethnic balance, since Japan is able to take a neutral position in terms of ethnicity and religion. In this respect, our efforts enjoy credit from the recipient countries and other donors in the west.

## Front Line

### ● Southeast Europe Investment Promotion Seminar

#### Support for Transition to a Market Economy in Cooperation with UNIDO

JICA/UNIDO Joint Program

#### Stability in Southeast Europe

In July 1999, the Stability Pact for Southeast Europe was signed by more than 40 countries, including Japan, and international organizations in order to promote peace and achieve political and economic stability in Southeast Europe, which suffered from long-lasting conflicts. Under the initiative of the Organisation for Economic Co-operation and Development (OECD), an Investment Charter was adopted in February 2000 under the pact in order to reform the system toward market economies in the region and improve the investment environment. The Southeast Europe Round Table on Investment Promotion was held to discuss the means of attracting investment and developing the human resources in investment promotion ministries.

At the meeting, a proposal was made to hold an investment seminar in Japan. Following a discussion on the implementation of the seminar between the United Nations Industrial Development Organization (UNIDO) and JICA, the Seminar on Investment Promotion in Southeast Europe started in fiscal 2002

as a joint program of JICA and UNIDO.

#### Full training

The original proposal was to hold a two-to-three-day investment seminar targeting investment promotion officials from countries in the region. However, after deliberation on the advantage of JICA's training courses, the period was extended to two weeks. The training course features include a general orientation, in which participants become familiar with Japanese culture and history, investment seminars that invite Japanese corporations in Tokyo and Osaka, observation tours of various plants, and a visit to the liaison offices of foreign investment agencies residing in Tokyo. Training participants were quite satisfied with the course because they were able to learn methods to promote investment, since foreign direct investment is the most effective means of developing a market economy.

#### Coordination increases results

Investment promotion is a very



A training participant makes a presentation on attracting investment at the Seminar on Investment Promotion in Southeast Europe.

important issue for countries in Southeast Europe, which need to accelerate the speed of transition to a market economy. Collaboration with such organization as UNIDO, which possesses expertise in the area of investment, made the training program more productive. The training program also gained support from OECD, which leads the Investment Charter, in the form of dispatch of lecturers. We realize that more effective and efficient projects were made possible within a limited budget by coordinating with other aid organizations while considering the uniqueness of Japan's aid.

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