Chapter 6 • Europe

Pillars of Aid

Priority Shift from Central to Southeast Europe

—Support for Transition to a Market Economy and Consolidation of Peace in the Western Balkans—

Since commencing cooperation with Central and Eastern Europe following the collapse of the Soviet Union and the end of the Cold War in 1989, Japan has provided aid in the following priority fields.

1. Transition to a market economy (economic policy, productivity enhancement, business management, etc.)
2. Environmental conservation measures (air pollution, water pollution, waste disposal, etc.)
3. Restoration of deteriorated infrastructure*

In the Balkan region, the aftermath of conflicts in the former Yugoslavia exemplified by the Kosovo crisis generated two million refugees, destroyed social infrastructure, and damaged the economy.

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. These conflict-affected areas are currently shifting from the reconstruction phase to the development phase. Since there are still unstable factors such as ethnic issues, support is called for from the perspective of maintenance and consolidation of peace.

Reforms in transition to market economies in Central and Eastern Europe started more than 10 years ago, and large disparities among the countries of the region are emerging in terms of progress in economics and social reforms. Ten countries that received ODA acceded to the EU in May 2004, so the immediate tasks are to find ways towards graduating from aid and implement cooperation projects that respond to the priority issues of each area of Southeast Europe, which are burdened with development constraints.
Current State of Development

Transition in Support for Europe

Many countries in Western Europe enjoy progressive industrialization and economic development. Japan has a history of providing aid, though in a limited way, to Cyprus, Malta, Albania, and the former Yugoslav Federation.

In contrast, after World War II, the countries of Central and Eastern Europe adopted a socialist system of international division of labor led by the Soviet Union. 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 socialism by introducing market economies, followed by other countries in economic and social reform.

The developed countries 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 includes the 12 members of the European Community (EC), 24 countries such as Japan, the US, 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). Aid in the form of ODA commenced in 1997 to Ukraine and Moldova.

Ten countries—Poland, Hungary, Czech Republic, Slovakia, Slovenia, Estonia, Lithuania, Latvia, Cyprus, and Malta—subsequently made smooth progress in the economic and social fields and finally became member states of the EU in May 2004. Accordingly, they are now expected to make the transition from aid recipients to donors*.

Current State of Cooperation and Development

Among those countries that acceded to the EU in May 2004, Cyprus and Malta have strengthened major traditional industries, such as tourism and shipbuilding, and have also promoted new export-oriented industries, thus achieving stable economic growth. Targeting these industries, JICA has accepted a limited number of training participants. In three Baltic States, livestock farming and manufacturing industries had been promoted even before their independence from the Soviet Union, and economies centered on manufacturing have been favorably developed, despite temporary setbacks during the transition period to market economies. Although the record of cooperation in the three Baltic States is limited, development studies in the field of the environment were undertaken in Lithuania and Latvia, in addition to training projects.

JICA has implemented cooperation for Central Europe such as Poland and Hungary, and for Bulgaria and Romania, emphasizing support for transition to a market economy and environmental conservation through various projects including technical cooperation projects, dispatch of experts, development studies, and acceptance of training participants. Among these, Central European countries such as Poland, Hungary, Czech Republic, and Slovakia introduced foreign capital, became the manufacturing center of the EU, achieved rapid development, and finally gained accession to the EU in May 2004. For such Central European countries, JICA has provided technical cooperation, particularly for the promotion of small and medium-scale enterprises, productivity improvement, and promotion of trade investment in view of support for transition to a market economy. Bulgaria and Romania are currently in a transition period to a market economy. The speed of the development and growth are relatively slower than Central European countries, and they look to join the EU in 2007.

Former Yugoslavia was a multi-ethnic federal state comprising six republics and two autonomous provinces with a complex mixture of languages and religions. There was an outbreak of armed conflict between separatists and federalists among the ethnic groups of the republics. Slovenia, Croatia, and Macedonia declared their independence in 1991 and the people of Bosnia and Herzegovina voted for independence in 1992. The remaining republics of Serbia and Montenegro declared a new Federal Republic of Yugoslavia in 1992, and the former Yugoslavia was divided into five countries. Slovenia and Croatia have achieved stable development: Slovenia acceding to the EU in May 2004, and Croatia aiming to join in 2007. On the other hand, Bosnia and Herzegovina erupted in conflicts and consequential economic sanctions were imposed on the new Yugoslavia (and were lifted in December 1995). In 1998, armed conflicts took place in Kosovo, followed by NATO air strikes against the new Yugoslavia, which had refused to accept peace proposals. As a result, infrastructure was destroyed in the countries in conflict, Bosnia and Herzegovina and Serbia and Montenegro,
making it necessary to restore economic and social infrastructure there. A huge economic and social burden was inflicted on neighboring countries such as Macedonia and Albania due to an influx of refugees. In the former Yugoslavia period, JICA dispatched experts and accepted training participants in the fields of administration, transportation and traffic, and industry. Since the cessation of conflict in Yugoslavia, JICA has conducted cooperation for mainly conflict-affected countries for the purpose of peacebuilding and stabilizing the people’s livelihood.

Addressing Priority Issues in JICA Programs

Policies toward Member States of the EU and Countries Preparing for Accession to the EU

Ten countries to which Japan had provided assistance in the form of ODA cooperation joined the EU in May 2004. Cooperation for these countries will end, except for approved and signed projects (cooperation for Cyprus was completed in 1999). Among these countries, JICA has a considerable record of cooperation and accomplishments for Poland and Hungary in the field of support to transition to a market economy. During the remaining period of cooperation for both countries, JICA aims to utilize these accomplishments fully in order to support the transition of these countries into donors, through, for example, third-country training*, while implementing effective intra-regional cooperation.

So as to expedite economic and social reforms of countries that are slow to gain accession to the EU, JICA will provide cooperation that fosters industries which are more suitable for local conditions. There are some countries that have not taken sufficient measures to deal with the environment, and which do not meet EU environmental standards. Thus, continuous cooperation focusing on environmental issues is required.

Support for the Consolidation of Peace in the Western Balkans

Bosnia and Herzegovina and Serbia and Montenegro have made progress in the restoration of infrastructure. They are regaining social stability and are in transition from the recon-

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Front Line

Bosnia and Herzegovina Support Project for Landmine Victims

Japan-Austria Collaboration Project for Human Security

Social reintegration of landmine victims

In Bosnia and Herzegovina, an outbreak of hostilities occurred in Sarajevo in April 1992 and spread rapidly throughout the country. The conflict continued until the conclusion of the Dayton Peace Agreement in 1995. A large number of landmines were buried during this period, killing and injuring many people. The removal of landmines is currently being carried out. However, it is estimated that at least one million landmines and unexploded ordnance remain scattered through the region, and still generate casualties. Support activities are carried out to address the serious issue of social reintegration of these victims.

Approach in cooperation with Austria

Austria’s Foreign Minister Waldner proposed the promotion of Japan-Austria cooperation in the area of human security* during her visit to Japan in 2001. This project was formulated by the Austrian Embassy in Japan and the JICA Austria Office in response to her proposal, and commenced in November 2002. This project has attracted attention as the first attempt at a collaborative project for Bosnia and Herzegovina between Japan and Austria.

Receiving a commission from JICA, HOPE87, a local NGO that has been conducting relief activities for landmine victims, provides rehabilitation and vocational training for unemployed youth, including victims. JICA dispatches experts in the rehabilitation of persons with disabilities to transfer technologies in pain management to the staff engaged in rehabilitation in Bosnia.

Although support for reconstruction is in the final stage nine years after the cease-fire, aid for victims needs to be continued in the future.

(JICA Austria Office)
construction stage to the development stage. However, there are multi-ethnic countries with a complex mixture of languages and religions in the Western Balkans, including countries in conflict such as Bosnia and Herzegovina and Serbia and Montenegro, and neighboring countries such as Macedonia and Albania. Therefore, when tension increases among ethnic groups, there is a danger that a conflict could be triggered accidentally. In order to maintain and consolidate peace in the Western Balkans where this unstable structure exists, incessant efforts are necessary to prevent conflict and consolidate peace through attempts at ethnic reconciliation. JICA adopts a policy to implement cooperation contributing to the stability of the multi-ethnic society, while studying what efforts might be effective in the promotion of ethnic reconciliation.

Also, improvement of the people’s lives through economic development is essential for social stability. Every country in the Western Balkans is making progress in economic reform; however, unemployment is persistently high. This situation may lead to social dissatisfaction, which could result in tension between ethnic groups. It is important to support the development of the private sector, such as employment-creating small and medium-scale enterprises and tourism, as well as the further promotion of economic reform.

The government of Japan hosted the Ministerial Conference on Peace Consolidation and Economic Development of the Western Balkans with Ireland, which holds the Presidency of the EU Council. At this conference it was affirmed that peace consolidation and economic development are considered two sides of the same coin, meaning that both must be achieved in concert and that the international community needs to continue its support.

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**Bulgaria Managerial Skills Development Center**

**Upgrading the Economy toward Accession to the EU**

**Technical Cooperation Project**

Small and medium-scale enterprises as core businesses

Bulgarians talk fast, using tongue-twister words like ‘dobro utoor’ (good morning) and ‘dovor vecher’ (good evening). They have well-defined faces. A look of fearless determination suddenly changes into a broad smile as the person starts talking to you in a friendly manner when your eyes meet.

Since the collapse of the socialist regime in 1989, Bulgaria has been working to establish a market economy. However, the economy is in stagnation due to the sluggish pace of privatization of national corporations and the issue of non-performing loans inherited from the previous regime. The rate of economic growth finally made its first increase in 1998. Nevertheless, GDP is as low as approximately 16 billion US dollars, and per capita GDP is only 2,000 US dollars. The next national goal of Bulgaria is accession to the EU in 2007. To this end, a rapid improvement in the whole economy is required, and enhanced management of small and medium-scale enterprises, which account for 99% of all the corporations, is essential, along with the development of various legal systems.

Develop business leaders

Small and medium-scale enterprises cover a wide range of areas and a large number of business types, all existing in various business environments. Therefore, individual management instruction is not realistic. Instead, it is thought that practical training opportunities for managers of small and medium-scale enterprises are effective in upgrading management skills and international competitiveness. To this end, the development of the country’s business leaders is an urgent task, and a plan to implement a project was adopted to incorporate all human resource development curricula that introduce Japanese business know-how into the Institute for Postgraduate Studies at the University of National and World Economy-Sofia.

In March 2004, this project took off as the Managerial Skills Development Center, and is being carried out in cooperation with Ritsumeikan Asia Pacific University in response to the strong need voiced by related organizations such as the Bulgarian Ministry of Economy and the Agency for Small and Medium Enterprise Promotion. Two Japanese experts with abundant experience in the management of private corporations were dispatched to the graduate school in March 2004, and the three-year project began. JICA will make efforts so that, after the project ends, the University of National and World Economy-Sofia is able to establish an international network among countries including Japan in order to consolidate this unique management course and develop human resources that assume the management of the next generation in Bulgaria.

(JICA/JOCV Bulgaria Office)
Cooperation for Ukraine and Moldova (Newly Independent States: NIS countries)

JICA also provides support for Ukraine and Moldova, the region sandwiched between Europe and Russia. However, not much time has passed since the commencement of cooperation, and the cooperation record is still limited. These countries are the most impoverished countries in Europe, and the strong influence of the Soviet Union on the economy and society remains, placing a heavy drag on economic development. In addition, they are not full-fledged members of the World Trade Organization (WTO). With all these factors as a background, a wide range of issues must be addressed, including support for basic human needs (BHN)*, support for transition to a market economy, establishment of a national institution for integration into the international economy, and environmental conservation. JICA will establish aid-implementing systems and expand cooperation. Confronted with numerous issues, we must fully consider how to achieve results with limited cooperation, the ideal state of cooperation, and the selection of appropriate cooperation projects.

Front Line

Bosnia and Herzegovina

Ecotourism and Sustainable Regional Development

Approach toward Ethnic Integration

Development Study, Dispatch of Expert, Acceptance of Technical Training Participants

Utilization of abundant nature

The Dayton Peace Agreement of 1995 divides the strife-torn region of Bosnia and Herzegovina into two entities: the Republic of Srpska, comprising mostly Serbs, and the Federation of Bosnia and Herzegovina, comprising mostly Croats and Muslims (Bosniacs). Each entity has an administration under the central government, and is supported by the Office of the High Representative (OHR) to oversee implementation of civilian provisions.

Nine years after the cease-fire, the removal of landmines, a painful remnant of the civil war, continues and there are a number of problems that must be overcome such as the issue of repatriating refugees, unemployment, etc. As demonstrated by the Winter Olympics of 1985 in the capital of Sarajevo, it is a beautiful land surrounded by green mountains. It was a popular tourist area before the conflict. Using the abundant natural environment as a resource, a sustainable regional development project through ecotourism was launched in 2003 in order to improve the livelihood of the people of the region.

Implement pilot projects

In order to promote ethnic reconciliation, two areas that overlap over the border between the two entities were selected and three pilot projects were chosen for each area in the development study of this project. The agricultural experience lodge, promotion of tourism and sports along the Pliva River, sales base for local products (similar to the Road Station Project of Japan), and the development of a corridor around the historic heritage, etc., were decided on for these pilot projects through Project Cycle Management (PCM)* methods. A master plan will be formulated based on the results of these pilot projects. In addition, experts in tourism have been dispatched to support the development of ecotourism.

Training in Japan

In January 2004 seven training participants came to Japan to receive training for the purpose of deepening understanding of Japan’s tourism promotion and environmental conservation policies. Their training included lectures at the JICA Hachioji Center, lectures and practical training at KEEP Association (Kiyosato, Yamanashi prefecture) and visiting tours to Kyoto and Yakushima. At the final assessment meeting of the training course, a critical question was raised as to how young people could be motivated to be involved in ecotourism.

In the future, this training course will be conducted in effective coordination with development studies, and will be implemented by targeting local government officers and NGO staff.

(JICA Austria Office and Hachioji International Center)