



# The European Union Phare Programme

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*The Phare Programme was established in 1989 on the basis of a decision by the Council of Ministers of the European Union (EU), the aim being to support the economic and political transformation of Poland, Hungary and, from 1990, the Czechoslovak Federal Republic. At the Copenhagen Summit of 1993, the Phare Programme was included among the means for expediting the accession preparations of EU candidate countries; it was further expanded in 1996 to encompass 13 countries of Central and Eastern Europe, and became the main form of financial and technical cooperation between the EU and candidate countries in the pre-accession period.*

The financial support provided to the accession process from the Phare Programme was aimed at institution building, for which the EU set a limit of 30% of the allocated funds, and at economic and social cohesion – covering mainly investments – for which it was possible to draw up to 70% of the funds provided that projects were co-financed at a minimum level of 25%.

The financial allocations were conditioned on the fulfilment of the Copenhagen criteria for the accession of associate countries to the EU. The criteria were set down in the accession documents – the Accession Partnership and the National Plan for the Adoption of the Acquis Communautaire. The fulfilment of the objectives was evaluated by the European Commission on a regular basis until Slovakia became a member of the EU.

A country receiving EU funds through the Phare Programme was also required to ensure a functioning infrastructure. In 1996 the Government Office of the Slovak Republic took over from the Ministry of Foreign Affairs of the Slovak Republic as the body responsible for the coordination of pre-accession assistance – under the leadership of the deputy prime minister for European integration, serving also as the national coordinator for foreign assistance. In 1998, as part of the gradual decentralization of the management of the Phare Programme, two bodies were established under the Ministry of Finance of the Slovak Republic (MF SR): the National Fund, which administered the funds provided for the whole country, and the Central Financial and Contracting Unit, which took over from the project units the organization of tenders and the execution of contracts for the appointed implementation units. In 2002, the MF SR became the payment authority for all EU funds provided to Slovakia. EU funds represent income of the state budget and are subject to budgetary discipline. All such payments are made through the State Treasury.

The changes included a shift in competences from the European Commission to its Delegation in Bratislava, which approved all the programmes. The activities of the EC Delegation were decentralized following Slovakia's accession to

the EU, and with the accreditation of selected implementation agencies, Slovakia took full responsibility for the prepared projects. In accordance with Council Regulation (EC) No 1266/1999, the EC Delegation now simply coordinates and monitors the financed programmes.

The basic allocations were made on the basis of financial memoranda signed by the Slovak Government and the EC. Since the Phare Fund represented public funds of the European Union, they had to be used transparently. The financing of projects was conducted in accordance with the principles of public procurement, and until last year it was governed by "The Practical Guide to Contracting under the Budget of the European Union". All projects are at present contracted solely under the Public Procurement Act.

Responsibility for the programming and management of projects at the sectoral level lies with the respective sector coordinators. Insofar as it concerns the Slovak banking sector, the Phare Programme has been carried out since 1993 by the project management unit established at the National Bank of Slovakia (NBS). The Phare Programme for the banking sector, including projects for the NBS, came under the category of institution building and it was aimed at preparing the entry of Slovakia into the single market of the European Union and the European System of Central Banks. Projects carried out in the banking sector followed priorities of the Accession Partnership and the National Plan for the Adoption of the Acquis Communautaire in the chapters of Freedom to Provide Services (3), Free Movement of Capital (4) and Economic and Monetary Union (11). Phare technical assistance most frequently took the form of know-how, specialist courses, seminars and fellowships, consultations, expert opinions and institutional cooperation.

Over thirteen years, the project management unit at the NBS prepared almost 60 projects under the Phare Programme, representing an allocation of more than EUR 17 million. Most of the funds were contracted to projects for commercial banks. As the implementation of the indivi-



dual programmes progressed, the EC gradually moved away from financing a large number of smaller projects addressing current needs – e.g. an analysis of the capital market, the introduction of new models for monetary analyses, the organization of specialist and language courses, quality improvement of existing payment and settlement systems, support for the development of mortgage banking and the use of bank cards, and the introduction of new accounting standards – towards financing a smaller number of larger projects addressing conceptual questions; these included the establishment of an association of banks, the introduction of a specialist training system in the form of distance learning in the finance and banking sector (for which the NBS Institute of Banking Education received accreditation), audits and follow-up restructuring programmes of the largest commercial banks for the purpose of their subsequent privatization, analysis of the banking sector's debts and a draft mechanism for settling non-performing loans, the development and improvement of supervision over banks and the capital market, and legal and technical support for the integration of both supervisory institutions.

In regard to the integration of financial sector supervision, the aim of the project was to further improve the quality and effectiveness of the integrated supervision, to build up a system of risk-oriented supervision of the capital market and insurance industry, supervision of pension funds, financial conglomerates, electronic commerce, market functioning and cross-border services, and, with regard to the Basel 2 Capital Accord, supervision of credit institutions.

- Under the banking module, BBA held a series of special seminars on risks within the scope of Basel 2, consolidated supervision, and training in the SW CADcalc and CADmarkt used by the NBS, and it produced two compendium manuals for on-site supervision in accordance with the requirements of Basel 2.

Under the insurance industry module, BBA organized several seminars on off-site supervision in line with the Solvency II accord, produced a supervision framework plan as well as a SW format, and arranged specialized missions for the Bureau of Insurers, Insurance Guarantee Fund and for insurance mediation.

- Under the capital market module, BBA held several seminars and provided running consultations in regard to the current issues of supervision – e.g. brokerage firms, the UCITS Directive on collective investment in transferable securities, and the implementation of the Markets in Financial Instruments Directive (MiFID).
- Under the pension fund module, BBA arranged numerous consultations on current issues of supervision, held a series of educational seminars, and produced a draft amendment to the Pension Funds Act.

A total of 18 foreign experts were contracted for the project; they worked together for a total of 1,188 days and organized 36 seminars attended by 600 workers of the FMA and NBS. According to the final steering committee, the project's planned objectives were 100% fulfilled.

This project for the NBS was carried out by the company AXON PRO S.A., Bratislava, the winner of the respective tender. The project's objective was the supply of a SW application, developed in accordance with the functional specification and technical/operational requirements of the NBS, in order to meet the needs of the current supervision system for the capital market and to be used on a daily basis for the electronic collection, evaluation and archiving of data submitted by capital market entities subject to NBS supervision. The supply included SW installation and testing, delivery of the respective documents, and training the supervisor's staff in the use and maintenance of the application. The project was brought to a successful conclusion on 31 October 2006.

The Slovak banking sector was not identified as a recipient of technical assistance from structural funds. More detailed information on the programmes and projects of the European Union may be found online at: <http://www.vlada.gov.sk/>.

<b>Number and name of project:</b>	<b>2003/995-004-03-01-0001</b> <b>Support for risk-oriented supervision</b>
<b>Budget:</b>	€ 1 150 000
<b>Project launch:</b>	June 2005
<b>Planned end of project:</b>	October 2006
<b>End user:</b>	National Bank of Slovakia (originally also the Financial Market Authority)
<b>Partner institution/contractor:</b>	Belgian Bankers Academy (BBA)
<b>Form of implementation:</b>	technical assistance

In October 2006, the last two projects under the pre-accession memoranda for the 2003 Phare Programme were completed. They followed on from successfully accomplished projects that addressed current supervisory needs related to the implementation of EU directives on the capital market, insurance industry and pension funds, the transition to supervision on a consolidated basis, and on the new assessment of risks in banking activities in accordance with the Basel 2 Capital Adequacy Accord:

The project was the logical continuation of the preceding project "Strengthening Supervision of the Financial Sector", implemented between June 2004 and October 2005 by the consortium Wiener Burse A. G.er 2005

<b>Number and name of project:</b>	<b>2003-004-995.03.0101-0002</b> <b>SW development for capital market supervision</b>
<b>Budget:</b>	€ 100 000
<b>Project launch:</b>	December 2005
<b>Planned end of project:</b>	October 2006
<b>End user:</b>	National Bank of Slovakia
<b>Partner institution:</b>	AXON PRO S.R.O.
<b>Form of implementation:</b>	technical assistance