

Regional Study for Japan's Official Development Assistance to Central and Eastern Europe

May 2003

Institute for International Cooperation
Japan International Cooperation Agency

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Foreword

The Japan International Cooperation Agency (JICA) has been pursuing a development approach that is designed to be better suited to the state of development in each developing country and to the consideration of related issues. The idea is that, while it is increasingly important to address global issues, including environmental degradation, population growth, and the food problem, such countries need development assistance that is fine-tuned to their respective characteristics as well as their stage of development. To explore the optimal approach for Japan's assistance to these countries, JICA has to date organized a total of 38 country-specific study committees on Japan's official development assistance (ODA). With the cooperation of experts, the study committees have compiled their findings into their respective reports.

Prolonged recession in Central and Eastern Europe following the collapse of the socialist regime prompted Japan to announce its commitment in 1989 to support the region in its efforts towards a market economy. Since then, Japan has stepped up such efforts, and Japan's aid now covers a total of 18 countries in the region.

There are growing concerns with the widening disparities among these countries in terms of both their transitional processes towards a market economy and their performances in socio-economic development. Some have made steady progress towards economic liberalization and won approval for EU membership. Some have yet to meet the criteria for EU accession. Others are in the post-conflict reconstruction phase. Such concerns have led to the establishment of this Study Committee. The committee has been designed to: (i) review the political, economic and social situation in these countries, which are in different stages of development; (ii) identify development issues in each stage; and (iii) explore the optimal aid approach for Japan and JICA for the future.

This Study Committee was made up of eight members, including academics, researchers and JICA staff. The committee met three times and had lively discussions. The findings of these activities were compiled into this report. The relevant parties also contributed their input while this report was in the drafting process.

We hope that this report will be put to good use in JICA as an important reference for planning and implementing aid programs for Central and Eastern Europe. We also hope that concerned organizations will make good use of this report.

Finally, we would like to take this opportunity to express my sincere gratitude to the members, the parties, and the organizations concerned for their tireless efforts and support in compiling this report.

May 2003

Keiichi Kato
Managing Director,
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CENTRAL AND EASTERN EUROPE



The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

Abbreviations

BHN	Basic Human Needs
CBR	Community Based Rehabilitation
CFSP	Common Foreign and Security Policy
CIDA	Canadian International Development Agency
COMECON	Communist Economic Conference
EAPC	Euro-Atlantic Partnership Council
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECSC	European Coal and Steel Community
EDF	European Development Fund
EEC	European Economic Community
EMU	European Monetary Union
EPC	European Political Cooperation
EU	European Union
EUROTOM	European Atomic Energy Community
HPC	Hungary Productivity Center
ICRC	International Committee of the Red Cross
IOM	International Organization for Migration
ISPA	Instrument for Structural Policies for Pre-Accession
LMICs	Lower Middle-Income Countries
NATO	North Atlantic Treaty Organization
NACC	North Atlantic Cooperation Council
ODA	Official Development Assistance
OHR	Office of the High Representative
OOF	Other Official Flow
OSCE	Organization for Security and Co-operation in Europe
Other LICs	Other Low-Income Countries
PfP	Partnership for Peace
PHARE	Poland and Hungary: Action for the Restructuring of the Economy
PHC	Primary Health Care
SAA	Stabilization and Association Agreement
SAP	Stabilization and Association Process
SAPARD	Special Pre-Accession Assistance for Agriculture and Rural Development
SEZ	Special Economic Zone
SFOR	Stabilization Force
SPSEE	Stability Pact for South Eastern Europe
UNIDO	United Nations Industrial Development Organization
UNMIK	United Nations Interim Administration Mission in Kosovo
UNTAES	United Nations Transitional Administration for Eastern Slavonia
USAID	The United States Agency for International Development
WEU	Western European Union
WFP	World Food Programme
WTO	World Trade Organization

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Abstract of the Report of the Regional Study for Japan's Official Development Assistance to Central and Eastern Europe¹

1. Background and purposes of this report

After World War II, the countries of Central and Eastern Europe maintained the centrally-planned economic system under the long-lasting socialist regime, but inefficient management resulted in an economic downturn. In 1980, many of these countries began to make gradual progress in reform. After the collapse of the socialist regime in 1989, they introduced the free market economic system in earnest.

Until 1993, many of the countries in the region that introduced the market economic system suffered a significant economic contraction due to the turmoil associated with the rapid changes in the economic system. However, subsequent progress towards macroeconomic stability and structural reform resulted in economic recovery in many countries. In fact, ten countries, including Poland and the Czech Republic, have been admitted to join the EU in May 2004. On the other hand, other countries in the region such as Romania and Bulgaria have met a little more than half of the 31 criteria for joining the EU or the so-called "acqui communautaire" (as of December 2002). In the former Yugoslavian countries, the conflicts resulting from intensifying ethnic tensions after 1989, coupled with subsequent NATO air strikes and economic sanctions, dealt a devastating blow to their economies. These countries are still facing a broad range of challenges in many sectors, including refugee assistance, the buildup of socio-economic infrastructure for rehabilitation and reconstruction, and Basic Human Needs (BHN).

Japan's aid to Central and Eastern Europe gained momentum when Japan, at the Arche Summit in 1989, expressed its intention to support the efforts towards a market economy in the region. Japan gradually expanded its aid to cover a total of 18 countries, including the former Yugoslavian countries. Among the sectors covered are the transition towards a market economy, reconstruction of the economic infrastructure, environmental conservation, as well as humanitarian assistance and BHN for countries that are in the reconstruction phase in the wake of ethnic conflicts.

The purposes of the committee are to: (i) review the political, economic and social situation in the Central and Eastern European countries, which are in different stages of development; (ii) identify development issues in each stage; and (iii) explore the optimal approach for medium-term development assistance to the region by Japan and JICA. The ultimate goal of the committee is to make effective and efficient use of Japan's limited aid resources.

2. Developments leading up to the preparation of this report

This Study Committee comprises eight members, including academics and also staff of JICA. Since

¹ This committee covers 18 countries in the region: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Estonia, Hungary, Latvia, Lithuania, Malta, Moldova, Poland, Romania, Slovakia, Slovenia, the Czech Republic, the former Yugoslav Republic of Macedonia, Ukraine, and Yugoslavia.

its establishment in October 2002, the committee has met three times. Discussions at these meetings have been based on the paper “Marketization in Central and Eastern European Countries: Evaluation of the Performance and Potential,” written by Masahiko Yoshii, Professor at the Graduate School of Economics, Kobe University, and also a visiting researcher at JICA. This paper analyzes the current state of affairs and identifies development issues in Central and Eastern European countries. The findings of these discussions, including presentations at the meetings, have been compiled into this report.

3. Contents of this report

This report consists of the following contents.

- ☞ Overview of Central and Eastern Europe (Chapter 1),
- ☞ Directions for the development of Central and Eastern European countries (Chapter 2),
- ☞ Role and significance of Japan’s ODA to Central and Eastern Europe (Chapter 3), and
- ☞ Optimal approach for Japan’s assistance to Central and Eastern Europe (Chapter 4).

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Chapter 1 Overview of Central and Eastern Europe

Wolfgang Petritsch, who supervised the democratization and reconstruction processes in Bosnia and Herzegovina as the international community's High Representative¹, said during his tenure—in April 2000—that “debalkanization” is the top priority for the Balkans as they have lagged three decades behind the advanced countries of Central Europe while the conflicts were prolonged.”²

Such frustrations are not without reasons. The former socialist bloc, once called Eastern Europe as a political division of the region during the Cold War, has been losing its integrity since the end of the Cold War and the subsequent regime change in 1989. Regional disparities have been growing between: (i) Central Europe, which has been steadily moving towards the European integration; and (ii) the Balkans, which encompasses the former Yugoslavia and the surrounding countries, and has experienced long-lasting, gruesome conflicts. In other words, the Balkans have been left behind the rest of the former East European bloc, which was called the Other Europe³ during the Cold War, and has continued to constitute “the other Europe.”

These regional disparities reflect significant differences in progress in socio-economic reform by the countries of Central and Eastern Europe, which pursued political pluralism after abandoning the centrally-planned economic system in 1989. Much progress has been made in the countries of Central Europe, which have stepped up the marketization and privatization processes. On the other hand, progress has been significantly slower in the Bulgaria and Romania, where the traditional communist camp maintained power for some time, and in the Western Balkans,⁴ which was mired in conflicts.

1-1 Advanced countries

1-1-1 Political and economic developments

After 1989, parliamentary democracy began to take root in Central European countries such as Poland, Czechoslovakia (as of 1989; the country was divided into the Czech Republic and Slovakia in January 1993), and Hungary. These countries generally maintained political stability despite successive changes of government between a center-right government and a left government. Meanwhile these countries discarded the socialistic, centrally-planned economic system and addressed economic reform.

¹ The chief executive tasked with overseeing the implementation of the civilian aspects of the Dayton Peace Agreement. The high representative is appointed by the Peace Implementation Council comprising 42 countries and 13 international institutions that support the Bosnia peace process. The UN Security Council approves the appointment.

² “Interview with the High Representative,” ONASA News Agency, 14 April 2000.

³ See, for example, Rupnik (1988).

⁴ During the negotiation process for the Stability Pact for Southeastern Europe, the European Commission began to group five countries, including Yugoslavia, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Croatia, and Albania, into “the Western Balkans.” Yugoslavia changed its name to Serbia and Montenegro in February 2003. See http://europa.eu.int/comm/external_relations/.

Poland began to implement a reform program in January 1990 under the leadership of Financial Minister Leszek Balcerowicz. The program was designed to galvanize the economy through Shock Therapy measures, including price liberalization, balancing the budget by reducing subsidies, currency stabilization, trade liberalization, and the privatization of state-owned enterprises. As a result, inflation, which reached some 60% in 1989, was brought under control. The confidence in the nation's currency was restored and the supply of goods was improved. Czechoslovakia also adopted a kind of Shock Therapy under the leadership of Prime Minister Vaclav Klaus, although the therapy was not as radical as in Poland. These therapies had many negative effects on the economy, such as plummeting production, soaring unemployment, decreasing real incomes, and a widening gap between the rich and the poor.

Hungary also experienced a setback while stepping up its reform efforts, although the country spearheaded economic reform in the former Eastern European bloc with the full-fledged introduction of market mechanisms in 1979 and subsequent policies aimed at diversifying the forms of ownership and liberalizing agriculture and commerce.

In these three countries, the GDP contracted by about 20% over the 1989 levels during the 1990-1992 period. Around 1992, however, the reform efforts began to pay off. The GDP started to pick up in Poland in 1992. The economy returned to a growth path in the Czech Republic and Slovenia in 1993 and in Hungary in 1994. Inflation fell, and progress was also made in macroeconomic stability and structural reforms.

These Central European countries began to lean towards the West, following the breakup of the Communist Economic Conference (COMECON) and the Warsaw Treaty Organization in June and July 1991, respectively. This pro-West tendency was strengthened when the surrounding areas were destabilized by a coup d'état in the Soviet Union and a series of conflicts in the former Yugoslavia.

1-1-2 Criteria for joining the European Union

The European Community (EC) was developed into the European Union (EU), based on the Maastricht Treaty, which was signed in February 1992. In June 1993, the European Council met in Copenhagen and defined the criteria for accession to the EU for Central European countries. The so-called Copenhagen Criteria require the candidate countries to: (i) have achieved stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for the right of minorities and protection of minorities (political criteria); and (ii) have a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the EU (economic criteria). The candidate countries are also required to have the capacity to assume their obligations as a member state, including those associated with the political goals and the Economic and Monetary Union. Specifically, they are required to accept the 31 chapters of the *acquis communautaire*—the aggregate of the rights and

duties based on the basic treaties of the EC.⁵

In March 1994, Hungary applied for EU membership. By June 1996, a total of ten countries had made such an application.

The EU, on the other hand, agreed on the Amsterdam Treaty in June 1996. In July 1997, the European Commission issued Agenda 2000: For a Stronger and Wider Union and its opinions assessing in detail to what extent each of the ten Central and Eastern European countries had met the Copenhagen Criteria.

The opinions held that the advanced countries of Central Europe, including Poland and Hungary:

- (i) Had democratic characteristics with stable institutions guaranteeing the rule of law, human rights, and respect for the right of minorities and protection of minorities;
- (ii) Were generally regarded as having a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the EU in the medium term; and
- (iii) Would be able to achieve full accession to the single market in the medium term if they continued their efforts towards the transposition of the requirements of the Acqui Communautaire, especially those on the single market, into domestic legislation, and stepped up measures to implement them.

In November 1997, the European Council met in Luxembourg and decided that it would enter into accession negotiations in March 1998 with Poland, the Czech Republic, Hungary, Estonia, Slovenia, and Cyprus. By February 2000, Malta, Romania, Bulgaria, Slovakia, Latvia, and Lithuania entered into such negotiations. These accession negotiations were conducted in the light of the 31 chapters mentioned above. At its summit meeting in December 2002, the EU officially decided that it will grant EU membership in May 2004 to ten countries—eight Central European countries (excluding Romania and Bulgaria), plus Cyprus and Malta, both of which applied for EU membership in July 1990, earlier than these Central European countries did.

1-1-3 Less advanced countries

Romania and Bulgaria, which were excluded from the group of countries that were expected to join the EU in 2004, have lagged behind in reforms aimed at marketization and democratization. The economy in these two countries remained sluggish even after Central European countries went into an economic recovery phase. Romania and Bulgaria posted negative growth during 1997-1999 and 1996-1997, respectively. The private sector has continued to account for less than 60% of GDP in both countries.

⁵ The 31 chapters are: Free Movement of Goods; Free Movement of Persons; Freedom to Provide Services; Free Movement of Capital; Company Law; Competition Policy; Agriculture; Fisheries; Transport; Taxation; Economic and Monetary Union (EMU); Statistics; Social Policy/Employment; Energy; Industrial Policy; Small and Medium-Sized Undertakings; Science and Research; Education, Vocational Training, and Youth; Telecommunications and Information Technologies; Culture and Audio-Visual Policy; Regional Policy/Structural Instruments; Environment; Consumers and Health Protection; Cooperation in Justice and Home Affairs; Customs Union; External Relations; Common Foreign and Security Policy (CFSP); Financial Control; Financial and Budgetary Provisions; Institutions; and Other matters.

In Romania, a radical austerity program aimed at slashing external debt remained in place under the Ceausescu Administration. External debt reduced, and so did foreign investment—enormously. The lack of foreign investment in turn made oil production dwindle; Romania was the only oil-producing country in Eastern Europe. In an effort to cut external debt, Romania resorted to excessive exports of agricultural produce. As a result, even foodstuffs were not readily available within this agricultural country. Even after the Revolution in December 1989, the successive governments remained in the hands of the leftists (the former communists and others) and progress in reforms was significantly slowed. However, the leftists were defeated in the parliamentary and presidential elections in November 1996, and a center-right government was formed for the first time. The new government stepped up its efforts towards democracy and a market economy. The negative effects of radical economic reforms on the quality of people's lives, coupled with entrenched corruption, undermined public confidence in the center-right government. Consequently, a left government was launched in 2000. Meanwhile, nationalistic movements gained momentum. Although Romania has negotiated less than half of the 31 chapters of criteria for EU membership as of July 2002, the new government has been committed to liberal policies in the hope of joining the EU. For example, the government persuaded the parliament to adopt a package of bills designed to return real estate that had been nationalized under the communist regime to the original owners. It also encouraged the use of the languages of ethnic minorities in local administrative bodies.

Under COMECON system, Bulgaria made excessive investments in the heavy and chemical industry to overcome an economic structure that was largely dependent on agriculture. After the end of the Cold War, Bulgaria lost the Soviet market of chemical industry. Forced to purchase raw materials at international market prices, the Bulgarian industrial sector faced serious management crises. Bulgaria also accumulated external debt, and such debt constituted a constraint on reform efforts towards a market economy. The rapid economic downturn in 1996 due to slow progress in reforms prompted the establishment in 1997 of a coalition government led by the Union of Democratic Forces. Under the new government, radical economic reforms were implemented, causing temporary increase in the number of poor and unemployed people. Nonetheless, financial stabilization measures, including the establishment of the Bulgarian currency board and the subsequent introduction of the Currency Board Arrangement, paid off. Macroeconomic stability was achieved at long last.

1-1-4 Security framework

Western countries once pursued a loose security framework encompassing the whole of the former Soviet-Eastern European bloc, out of consideration for the Soviet Union (later renamed the Russian Federation). Such efforts were exemplified by the establishment of the North Atlantic Cooperation Council (NACC) and the Partnership for Peace (PfP). However, a significant delay in political and economic reforms in Russia highlighted the need to review such a framework and study the establishment of a stable security framework without Russia.

Under these circumstances, North Atlantic Treaty Organization (NATO) set out a policy of

reorganizing the military alliance into a security organization that can cope with regional conflicts. Russia supported this policy. At the foreign ministers' conference of the 16 NATO member countries plus Russia in June 1996, Russia in principle accepted NATO's plans for eastern expansion, setting the stage for the Central European countries' accession to NATO. In May 1997, Russia and NATO signed a basic document that requires the signatories to refrain from being hostile to the other party and prohibits NATO from deploying nuclear weapons in its new member countries. Hungary, Poland, and the Czech Republic were selected as candidates for NATO membership in July. These three Central European countries were officially admitted to NATO in March 1999, when the organization commemorated its 50th anniversary. At its summit conference in November 2002, NATO approved new membership for seven more countries, including Estonia, Latvia, Lithuania, Slovakia, Bulgaria, Romania, and Slovenia. Thus security concerns in the region are diminishing.

1-2 The Western Balkans

A decade after the regime change in 1989 in the region, or more precisely, between the late 1999 and 2000, three nationalists who played a major role in the conflicts in the Balkans successively disappeared from the political center stage. They were the Croatian Franjo Tudjman, Serbian Slobodan Milosevic, and Bosnian Alija Izetbegovic. These countries in the post-conflict areas, meanwhile, began to explore ways towards Europeanization within the framework of the Stability Pact for Southeastern Europe, ten years after the Central European countries did.

1-2-1 Aftermath of the conflicts

Yugoslavia once pursued a unique socialistic approach under the leadership of President Marshal Tito, as exemplified by his emphasis on workers' self-management in running businesses. In and after the 1970s, Yugoslavia promoted the heavy and chemical industry, but the economy rapidly deteriorated. Hyperinflation continued as the nation's fiscal and financial management remained lax. The aggravated North-South Problem within the nation prompted the disintegration of the Yugoslav Federation.

The declaration of independence by Slovenia and Croatia in June 1991 instigated a series of conflicts in the former Yugoslavia, covering from Croatia to Bosnia and Herzegovina, as well as Kosovo. Even after the end of the conflicts, ethnic tensions have not died down.

(1) Croatia

During the Croatian Civil War, some 200,000 ethnic Serbs fled to neighboring Serbia and the Republic of Srpska within Bosnia and Herzegovina. Relations with Western countries did not improve even after the end of the civil war, as President Franjo Tudjman, a nationalist, remained in office. In December 1999, however, President Tudjman died. In the national elections in January 2000, a left-leaning

alliance of opposition parties won a landslide victory backed by public calls for an end to the political and economic doldrums, and for friendly relations with Western countries and better standards of living. Also, in the presidential election later in the month, the candidate backed by four small parties won. The new government worked to join the EU and NATO. As part of such efforts, the government participated in the PfP in May 2000. The government also signed the Stabilization and Association Agreement with the EU in October 2001, and applied for EU membership in February 2003.

Croatia constituted an economically advanced area within the former Yugoslavia. After independence, the nation's economy deteriorated due to the conflict and regime change. After 1994, however, Croatia generally enjoyed macroeconomic stability. In November 2000, the country realized its long-held desire—accession to the World Trade Organization (WTO).

(2) Yugoslavia

Yugoslavia's economy effectively went bankrupt after Slobodan Milosevic rose to power in 1987. The Yugoslav Federation broke up and a series of conflicts broke out. After the breakup of the federation, only Serbia and Montenegro remained as the New Yugoslavia. The New Yugoslavia was all but ousted from the United Nations when it was denied the right to succeed the UN seat of the old Yugoslavia. Moreover, the new country was held accountable for the Yugoslav conflicts and the economic sanctions imposed on it by the international community remained in place for a long time. In Kosovo Autonomous Province, the fighting between Serbian security forces and Albanian forces escalated in February 1998. In March 1999, NATO forces intervened in the name of protecting the human rights of Albanians, and NATO air strikes on Yugoslavia lasted for 78 days. Some 800,000 ethnic Albanians fled to the former Yugoslav Republic of Macedonia (hereinafter referred to as "Macedonia") and Albania. As a result, these surrounding countries were once extremely destabilized.

Amid the worsening economy due to the isolationist policy, Milosevic was defeated in the federal presidential election in September 2000. The EU, which wanted to see a stable government in the New Yugoslavia, invited the newly-elected President Vojislav Kostunica to the EU summit meeting held in October in Biarritz, France. In November, the New Yugoslavia rejoined the UN and the Organization for Security and Co-operation in Europe (OSCE) for the first time in eight years. The country was also granted membership in the International Monetary Fund (IMF) and the European Bank for Reconstruction and Development (EBRD). At a donor conference for Yugoslavia in June 2001, the international community pledged 1,280 million US dollars in aid (for 2001) to support the reconstruction of the country.

Nonetheless, it will take a considerable amount of time until Yugoslavia achieves national stability and economic development. For example, the final decision on the status of Kosovo has yet to be reached. The prospect of Kosovo being reintegrated into Serbia and Montenegro constitutes a destabilizing factor.

(3) Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, and Albania

In Bosnia and Herzegovina, the Bosnian Conflict ended in November 1995, after claiming some 200,000 lives and producing about two million refugees/displaced persons. The intervention by the international community has since been in place to support the reconstruction and democratization of the country. To date, the international community has stationed multinational peacekeeping forces in the country and provided more than five billion dollars in economic aid. Nevertheless, little progress has been made in reforms partly due to the fact that the hostile feelings among different ethnic groups that were stirred up by ethnic cleansing will not dissipate easily. There is also a lack of progress in building a functioning nation and creating an environment conducive to economic reconstruction efforts, such as privatization and foreign investment promotion.

In Macedonia, ethnic Albanian armed groups stepped up their campaign in February 2001, calling for improvement in their status as an ethnic minority. The fighting between them and the Macedonian government forces intensified in the northwestern part of the countries and other areas. In July, the warring parties reached a ceasefire agreement on the intervention of NATO. In November, the parliament adopted a bill designed to revise the constitution so that the status of ethnic Albanians will be improved. In March 2002, the European Commission and the World Bank co-hosted a donor conference for Macedonia, where 36 countries and 18 international institutions pledged a total of 308 million euros in aid. Economic reconstruction, including post-conflict rehabilitation of infrastructure, remained a major issue for Macedonia.

Albania, which maintained a communist isolation policy under one-party rule by the Workers' Party during the Cold War, started in 1990 to implement a new policy of opening its doors to the world, introducing a multi-party system, and promoting democracy. In March 1992, a democratic government was formed. Following the Emergency Joint G24/Consultative Group Meeting for Albania in July, the economic situation gradually improved until 1997, when the breakdown of a multilevel marketing system sparked a national confusion. Ever since, Albania has been suffering from political instability. In July 1998, a legislator was shot to death in an assassination plot and this incident developed into a major public disturbance. NATO air strikes on Yugoslavia that started in March 1999 caused an influx of ethnic Albanian refugees from Kosovo.

1-2-2 Attempts at stabilizing Southeastern Europe

The EU in 1996 adopted the Regional Approach aimed at achieving stability in, and friendly relations with, the five countries mentioned above. In 1999, the EU developed the Stabilization and Association Process, presenting a roadmap to EU membership for the five countries. The process called on each country to submit a report on its progress on domestic reforms, rather than imposing the EU criteria on these countries across the board. The process stipulated that each of these countries, once its report is adopted, enter into negotiations for the Stabilization and Association Agreement, a new agreement

different from the Association Agreement reached with Central European countries.

In June 1999, immediately after an agreement was signed on the withdrawal of the Yugoslav troops from Kosovo, Germany hosted a conference on stability in Southeastern Europe in Cologne. A total of 26 countries, including the G8 (including Japan), the EU and the Balkans, together with 14 international organizations, participated and signed the Stability Pact for Southeastern Europe. This pact was designed to bring long-term stability to the Balkan Peninsula, which had historically been plagued by political unrest. To this end, the pact called for support for the processes of democratization and marketization. It also called for cooperation among nations in regional security.

1-3 CIS countries

Ukraine and Moldova, both of which became independent from the former Soviet Union, lag further behind the Balkans both politically and economically.

Ukraine declared independence in August 1991, serving as a catalyst for the disintegration of the Soviet Union. Immediately after independence, Ukraine pushed ahead with economic reforms while exploring ways to maintain good relations with the IMF and other international financial institutions. However, many challenges stood in the way of privatization and industrial structural reforms. In 1998, foreign currency reserves dropped to a critical level in connection with the repayment of huge external debt.

Moldova pursued democratization and marketization after it adopted a new constitution in July 1994. However, the economy deteriorated due both to a Trans-Dnestr conflict involving ethnic Russians and to a series of natural disasters. In 1996, the GDP dropped to three-fifths of the 1991 levels. Partly due to the impact of the Russian financial crisis of 1998, the economy contracted by 8.6% in 1998 and by 5.0% in 1999. Now unemployment, inflation, and arrears in payments have become the norm. Fiscal deficits have accumulated due to sluggish exports and mounting energy debt to Russia and other countries.

Chapter 2 Directions for the Development of Central and Eastern European Countries

2-1 Characteristics and indicators

A decade or more years after the reform, significant disparities exist among the Central and Eastern European countries in a number of aspects, as shown in Chapter 1. Among these aspects are: (i) progress towards a market economy; (ii) the extent to which democracy and the rule of laws have become entrenched in society; and (iii) the stability of institutions guaranteeing human rights, and respect for and protection of minorities. The achievement of each country in these aspects is clearly reflected in the progress in its negotiation process for EU accession, which requires compliance with a set of European standards. The achievements of a country that has not yet entered into accession negotiations can also be assessed by reviewing the country's indicators of economic conditions and the progress in liberalization prepared by EBRD and other institutions, as well as the political and social stability and the security framework of that particular country.

In the following, a number of indicators are reviewed to classify the countries in the region.

2-1-1 Economic indicators

Regarding per capita GDP,⁶ Slovenia tops the list with more than 9,000 dollars. In the range of 4,000-4,999 dollars are Croatia, the Czech Republic, Hungary and Poland. In the range of 3,000-3,999 dollars are Estonia, Lithuania, Latvia, and Slovakia. In the range of 1,000-1,999 dollars are Albania, Bulgaria, Macedonia, and Romania. In the range of less than 1,000 dollars are Bosnia and Herzegovina, Yugoslavia, Moldova, and Ukraine. In other words, the countries admitted to join the EU in 2004 plus Croatia have a per capita GDP of 3,000 dollars or more. The other countries, including Bulgaria, Romania, the Western Balkans, Ukraine, and Moldova, lag far behind.

To assess progress in the transition to a market economy,⁷ the privatization rate may be used. The privatization rate varied considerably from country to country in 1994, but the rate was in the range of 60-79% in 2001 for most countries. The rate was higher for the Czech Republic and Hungary, which posted a rate of 80% or more. The rate was lower for Moldova (50%), and Bosnia and Herzegovina, and Yugoslavia (in the range of 40-49% for both).

Now Foreign Direct Investment (FDI) is examined from two perspectives: flows and stock. In terms of per capita FDI inflows in 2001, the Czech Republic topped the list with 478 dollars, followed by Croatia and Estonia with 300 dollars or more; Slovakia, Hungary, Poland, Slovenia, and Macedonia with

⁶ Eurostat (2002) Warner, et al. (2002).

⁷ See, for example, EBRD Transition Indicators.

200 dollars or more; Lithuania with 100 dollars or more; and the other countries with less than 100 dollars. In terms of per capita FDI stock in the same year, the Czech Republic also topped the list with 2,604 dollars, followed by Hungary and Estonia with 2,000 dollars or more; Slovakia, Poland, Slovenia, and Croatia with 1,000 dollars or more; and the other countries with less than 1,000 dollars.

2-1-2 Politics and security

A look at progress in liberalization from the political aspect⁸ also shows disparities among countries in the region. The ratings for the three Central European countries (Poland, Hungary, and the Czech Republic) were upgraded from “Partly Free” to “Free” as early as 1990. Similar upgrading was seen in 1991 for the three baltic states⁹, which became independent from the Soviet Union in the same year. Romania, which lagged behind in liberalization, entered the “Free” category as late as 1996. The rating for Croatia, which had undergone a change of government after the death of President Tudjman in 1999, was finally upgraded to “Free” in 2000. On the other hand, the ratings for the Western Balkans, Ukraine, and Moldova remained “Partly Free” to date.

The future stability of each nation in the region may be affected by its membership in European and Atlantic organizations. The three Central European countries joined NATO in March 1999. An additional seven countries, including the three Baltic states, Slovakia, Bulgaria, Romania, and Slovenia were recently admitted to NATO, and they are expected to complete the ratification procedure by 2004. Among the countries in the unstable areas of Western Balkans and the former Soviet Union, Macedonia, Albania, Croatia, Ukraine, and Moldova have joined the PfP, but Yugoslavia and Bosnia and Herzegovina have not.

The countries set to join the EU in 2004 include the three Central European countries, the three Baltic states, Slovakia, Slovenia, Cyprus, and Malta. Romania and Bulgaria are in negotiations for EU accession in 2007. Among the Western Balkans, Croatia and Macedonia have each signed the Stabilization and Association Agreement with the EU.

2-1-3 Social aspects

The United Nations Development Programme (UNDP) ranks the countries in the world according to its Human Development Index (HDI),¹⁰ which focuses on human development aspects such as life expectancy at birth, the adult literacy rate, the period of school enrollment, per capita GDP, and purchasing power. According to the total ranking, Slovenia ranks 29th, the highest among the countries of Central and Eastern Europe. Other advanced countries in the region, including the three Central European countries of the Czech Republic, Poland and Hungary, the three Baltic states, Malta, and Croatia, are also rated as High Human Development countries. On the other hand, the Balkans, including Bulgaria,

⁸ Freedom House Scores (1972-2001).

⁹ The word “Baltic states” refers to Estonia, Latvia and Lithuania.

¹⁰ UNDP (2002).

Romania, Macedonia, and Albania remain Medium Human Development countries, along with Ukraine and Moldova. (Data for Yugoslavia, and Bosnia and Herzegovina are not included.) These countries lag behind Central European countries in terms of per capita GDP, life expectancy, the period of school enrollment, and other indexes.

2-2 Classification

From such aspects as marketization, political stability and social development mentioned above, Central and Eastern European countries can be classified as follows:

Group 1: Albania, Bosnia and Herzegovina, the former Yugoslave Republic of Macedonia, and Yugoslavia
(Post-conflict or conflict-affected countries)

Group 2: Moldova and Ukraine

(Countries constituting part of the former Soviet Union and the least advanced in terms of political and economic indicators)

Group 3: Bulgaria and Romania

(Countries one step behind in marketization and thus disqualified for simultaneous accession to the EU in 2004)

Group 4: The Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia

(Countries set to join the EU in 2004, plus Croatia, which maintains comparable economic growth)

2-3 Basic perspectives

2-3-1 A focus on non-EU accession countries

Under the centrally-planned economic system, the Central and Eastern European countries have developed from backward agricultural countries to modern industrial countries and attained certain levels of technological and educational standards. However, under the closed division-of-labor system within the centrally-planned economic bloc of COMECON, tertiary industry—especially financial and service sectors—in these countries has remained underdeveloped, and so have supporting industries capable of meeting diversified needs. Slow progress in the development of transport and communications infrastructure, coupled with a lack of industrial policy, has hindered economic development.

Following the regime change, countries set to join the EU in 2004, including the Central European

countries and the three Baltic states, have more or less succeeded in their transition to a market economy, as discussed above. However, some matters of concern have remained, such as economic growth heavily dependent on foreign investment. There are matters of concern in the agriculture sector as well. For example, Poland, with two million small and medium-scale farmers at home, is calling for an increase in farm subsidies from the EU.

Despite all these concerns, these countries are expected to achieve steady economic growth for some time to come. For one thing, the EU has pledged to provide 40.8 billion euros to the EU accession countries over the three years from 2004 in such areas as farm subsidies and regional development. EU accession means easier access to the EU market, for another. In addition, there are no major security concerns that will hinder development. For example, the three Central European countries have secured aid in such areas as military infrastructure and weapon purchase, ahead of their accession to NATO.

On the other hand, Bulgaria and Romania, which have been disqualified for EU accession in 2004, have problems in such sectors as economic structural reform, environmental protection, and socio-economic infrastructure. Out of the 31 negotiation chapters, Bulgaria and Romania have closed only 23 and 16, respectively as of December 2002.

The other countries in the region have a large number of development issues to be tackled. In the Western Balkans, i.e., Yugoslavia, Bosnia and Herzegovina, and Croatia, the economic infrastructure has been destroyed as a direct result of a series of conflicts. In Macedonia and Albania, the reform process has been stalled by refugee inflows, coupled with economic embargoes imposed on their major trade partners. The less developed countries of Ukraine and Moldova have similar problems.

2-3-2 Development aimed at regional stability

Development of the Western Balkans, Ukraine, and Moldova needs to take account of security and democratization.

The Stability Pact for Southeastern Europe, which involves the EU, G8 and OSCE, provides an important perspective for identifying development issues, as it is an attempt at promoting both peace and economic stability in the region by integrating the post-conflict areas into a European-Atlantic framework.

This strategy is the product of a wider interpretation of security (i.e., not limited to military security). In other words, the strategy tries to resolve conflict factors from a wider, more comprehensive perspective.

The idea is to provide a framework that allows Southeastern European countries to establish democratic systems and restore functioning institutions, so that economic development will be promoted and sustainable economic prosperity achieved in the region as a whole. This strategy therefore offers a practical perspective for identifying development issues for, among other countries, Ukraine, which has been a strategic key area since independence from the Soviet Union, and Moldova, which has been seriously affected by the conflict over the breakaway republic of Trans-Dnestr.

2-4 Major development issues and directions for the development of non-EU accession countries

The Yugoslav conflicts have inflicted considerable damage on the former Yugoslavian countries and Albania, both directly and indirectly. The physical infrastructure, which had already been degraded under the socialist regime, has been devastated. Transport networks have been disrupted, and farmland has been littered with landmines. Ethnic cleansing has produced a large number of refugees and displaced persons.

To make matters worse, economic development of these countries is hampered by the bloated administrative structure, coupled with a plethora of regulations and levies that hinder foreign direct investment and new businesses.

Attention should be paid to the fact that external debt has reached serious levels in these countries, as such debt is weighing heavily on development. In Yugoslavia, the cumulative total of external debt, including multilateral and bilateral debt, stood at 12.1 billion dollars as of 2001. In Bosnia and Herzegovina, out of the 2003 national budget of 530 million Convertible Marka (Konvertibilna Marka: KM), 325 million KM, or more than 60%, will be allocated to servicing the country's external debt.

2-4-1 Promotion of marketization

Invigorating the economy is at the top of the agenda for self-sustainable economic development in, and development assistance to, the region. Of particular importance are privatization, foreign investment promotion, and entrepreneur development aimed at creating jobs.

Improving the business environment and promoting investment requires tax reform, an improved regulatory climate, and simpler procedures for starting a new business.

2-4-2 Infrastructure development

Infrastructure development is a matter of urgency as a minimum requirement for economic reconstruction for a number of countries, including:

- €# Yugoslavia, where the NATO air strikes that started in March 1999 and lasted 11 weeks inflicted one 10 trillion yen (approximately 83 billion dollars) in damages according to some estimates;¹¹
- €# The former Yugoslav Republic of Macedonia, where a civil war involving ethnic Albanians continued until July 2001;
- €# Bosnia and Herzegovina, where the rehabilitation process is particularly slow except in urban areas after a civil war that lasted three years and a half; and
- €# Albania, where a state of emergency was declared throughout the country after the collapse of

¹¹ See, for example, Nishimura (2000).

pyramid investment schemes incited a popular armed uprising.

2-4-3 Improvement of governance

The establishment of a judicial system free from political pressure, together with the fostering of independent media, is the key issue to the establishment and development of democracy. Therefore, capacity building in these sectors is a matter of urgency.

Building a better functioning nation, including institutional capacity building, requires ministerial and civil service reforms. Efforts should also be made to ensure transparency of such reform processes through publicizing information. Also of importance are decentralization as a whole and devolution within ministries, together with capacity building for civil servants at local levels.

Improvement of governance also requires capacity building on the part of the private sector and civil society as well.

2-4-4 Environmental protection

There are a large number of environmental issues remaining to be addressed in every sector, including air, water, and soil pollution, waste management, and the conservation of ecosystems and biodiversity. Specific examples include depleted forest resources as a result of excessive logging during the conflicts in Yugoslavia, Bosnia and Herzegovina and Croatia, and depleted uranium pollution as a result of NATO bombings in Yugoslavia.

2-4-5 Health care and education

Under the old regime, the replacement of medical facilities and equipment was extremely slow in these countries due to insufficient government budgets. The civil wars exacerbated this problem both directly and indirectly. Medical facilities were destroyed and medical equipment is outdated. But they are not restored or replaced due to a lack of budget allocations for the operation and maintenance of such facilities and equipment.

Many problems remain unsolved in the education sector as well. The standards of educational facilities have been lowered as an aftereffect of the civil wars. Young people tend to migrate to developed countries in the West because they find difficulty in securing jobs at home. This situation calls for education reform, including the upgrading of educational facilities.

Chapter 3 Role and Significance of Japan's ODA to Central and Eastern Europe

3-1 Basic perceptions of development assistance

The Study Committee recognizes that the time has come for Japan to reconsider the current paradigm of development assistance to Central and Eastern Europe. For one thing, Japan's aid to the region, which has been launched within the international framework of the G24 (the group of 24 developed nations meeting to coordinate assistance to Central and Eastern Europe), was originally time-limited in nature - from the collapse of the communist regime in 1989 up to the completion of the transition to a market economy. Nonetheless, following the end of the conflicts in the former Yugoslavia, Japan's aid to the region has expanded to cover the rehabilitation and reconstruction phase. For another, there are now differences among the countries in the region in their progress towards a market economy. As far as the former Yugoslavian countries are concerned, they are moving from the rehabilitation phase (immediately after the end of the conflicts) to the development phase, although they have destabilizing factors at home. In the following, the Study Committee presents two arguments for the need to reconsider the aid paradigm for the region.

3-1-1 The end of the paradigm of transition support

The first argument concerns the Graduation from ODA. It is necessary to reassess the need to maintain the current aid paradigm of supporting the Central and Eastern European countries in their transition towards a market economy, based on whether or not they have been admitted to the EU. The Study Committee considers that it is time for Japan to put an end to the aid paradigm of transition support for the ten countries that were admitted to join the EU at the EU summit meeting in December 2002. These ten countries are considered by the EU to have met the Copenhagen Criteria, or the political and economic requirements for admission to the EU. These requirements include the existence of a functioning market economy and the capacity to cope with competitive pressure within the EU. The relevance of this argument is underpinned by the fact that the US Agency for International Development (USAID), the Canadian International Development Agency (CIDA), and their counterparts in major donor countries are implementing or planning the withdrawal of ODA from these countries. On the other hand, Japan should maintain its aid to Bulgaria and Romania for the time being under the current aid paradigm. It is supposed that these two countries do not have a functioning market economy or adequate capacity to cope with competitive pressures within the EU.

Japan should narrow its aid focus. For one thing, these 12 candidate countries have one factor in common: they are all making reform efforts, including legal system development in various fields, primarily with a view to joining the EU. For another, the amount of Japan's ODA to this region is limited,

accounting for no more than 2% of Japan's total ODA. Japan should therefore concentrate its aid resources on the sectors where it has a competitive advantage in expertise and experience, while avoiding overlap with aid from the EU and other donors.

3-1-2 A shift in focus to support for post-conflict areas

The second argument concerns a shift in aid focus from support for the transition towards a market economy to the prevention of conflict recurrence and support for reconstruction and development. In other words, the second argument concerns a paradigm shift towards support for post-conflict areas, which are in the transitional phase from reconstruction to development. For one thing, growing pressure on the ODA budget in Japan calls for the selection and concentration of the country's aid resources. For another, there are apparent disparities between the EU candidate countries, which are making progress towards a market economy, and the post-conflict areas, where many reconstruction and development needs remain unmet. Japan should therefore effect a shift in focus for the input of its aid resources from the former to the latter.

It should be noted that as the EU expands, a new line is being drawn between the first group of ten candidate countries which are admitted to join the EU on one hand, and the second group of candidate countries (Romania and Bulgaria), as well as those that cannot even join the second group (the former Yugoslavia,¹² Ukraine and Moldova), on the other. The Study Committee therefore considers it important to incorporate the idea of support for regional stability into the aid paradigm for the latter group.

3-2 Environment surrounding development assistance

3-2-1 Changes in international trends

Support for Central and Eastern Europe from the international community has followed the three phases of:

- (i) Support from the West for the East in its transition to a market economy, immediately after the Eastern European Revolution of 1989;
- (ii) US-led military and economic support during the period in which Yugoslavian conflicts were mired in a stalemate in the mid-1990s; and
- (iii) Recent EU-led support both for accession to the EU in hope of the eastern expansion of the union and for the stability of Southeastern Europe.

- (i) The dramatic regime change in the Central and Eastern countries from 1989 brought about a number

¹² The former Yugoslavian countries excluding Slovenia and Croatia.

of problems, as many of the new regimes adopted a radical reform process. Among such problems were the disrupted distribution system, plummeted values of their currencies, battered key industries, and rising unemployment. The West wasted no time in responding to these problems. At the Archa Summit in 1989, major Western countries agreed, within the framework of G24, to support the Central and Eastern European countries in their breakaway from the Soviet communist bloc as well as the liberalization and democratization process. Based on this agreement, support was extended to Hungary, Poland and other countries. The G24 is a group of 24 countries, including 12 EC member states, Japan, the United States, Canada and Australia, with the participation of international organizations such as the IMF, the World Bank, and the OECD. These countries belonged to the West, which was at odds with the East both economically and militarily. It was these Western countries that extended support to the Central and Eastern countries that were breaking away from the Soviet community bloc. The recipient countries of such support, on the other hand, attempted to approach Western Europe and the US on their own initiative. These recipients, particularly the Central European countries, such as Hungary and Poland, became dependent on Western Europe and the US both economically and militarily¹³ following the disintegration of COMECON and the Warsaw Treaty Organization.

- (ii) The former Yugoslavia, faced with complex ethnic problems, underwent a series of conflicts over the independence of its constituent republics. Such conflicts included the Slovene War of Independence (1991), the Croatian War of Independence (1991), the Croatian Civil War (1995), and the Bosnian Civil War (1992-1995). Interventions in these conflicts, particularly the Dayton Agreement of 1995 and the Kosovo Air Campaign of 1999, were led by the US or the NATO forces.
- (iii) EU member countries are increasingly committed to assistance to Central and Eastern Europe as a common issue for Europe. This initiative is exemplified by pre-accession support for the Central European countries set to join the EU, and support for the stability of Southeastern Europe.¹⁴

3-2-2 Changes in domestic trends

In relation to recent domestic trends concerning development assistance, four aspects deserve attention. The first aspect concerns a reduction in the ODA budget and responses to the decline. Japan became the top donor in the world in 1991, immediately after the country launched aid programs to Central and Eastern Europe. Following a major reduction in FY1996, however, the ODA budget has been slashed by more than 20% over the past five years. In the draft budget for FY2003, a 5.8% cut from the previous year is proposed. Under these circumstances, greater efficiency in the use of Japan's aid is needed more than ever. To this end, two actions should be taken. One is to ensure the consistency of

¹³ This economic dependence is exemplified by their increased access to the EU market, and their military dependence is exemplified by their accession to NATO.

¹⁴ For example, the EU played a leading role in adopting the Stability Pact for Southeastern Europe in June 1999.

ODA projects through better coordination between grant aid, technical cooperation and yen loans as well as closer cooperation with other international aid agencies. The other is to ensure better selection of ODA projects and concentration of aid resources on such projects.

The second aspect concerns an increased need for greater coordination with Other Official Flows (OOF)¹⁵ and closer cooperation with the private sector. ODA accounted for one-third of the total financial flows to developing countries in 1992, but the proportion dropped to one-fifth in 1999. Instead, Private Flows doubled during the same period. To ensure the effective implementation of ODA projects, it is necessary more than ever to take better account of, and ensure better coordination with, official export financing by the Japan Bank for International Cooperation (JBIC) and other forms of OOF, trade insurance coverage, private foreign direct investment, and bank loans. Recently, JICA has introduced the Scheme for Project Formation Studies Based on Suggestions from the Private and Non-Governmental Sectors. The idea is to take advantage of input from these sectors, including civil society, in identifying development needs and formulating aid projects. A number of NGOs and private businesses have already participated in this scheme.

The third aspect concerns the redefinition of the key elements of JICA programs associated with the transformation in October 2003 of JICA, which is responsible for Japan's technical assistance, into an Independent Administrative Institution. The Japan Overseas Cooperation Volunteer Program, the Senior Volunteer Program, and the grassroots cooperation program will be classified as part of a wider program "Promotion of Broad-Based Public Participation." Moreover, Economic and Social Reconstruction of Developing Regions will be included in the mission statement of the new JICA. Peace building will become a key element of JICA programs.

The fourth aspect is the remarkable growth of the NGO sector. The rise of volunteer activities in Japan in the wake of the Hanshin-Awaji Great Earthquake in 1995 has had spillover effects on Japanese volunteer activities abroad. There are an increasing number of NGOs well versed in the local situation in developing countries. Coordination with these NGOs is increasingly important to ensure that Japan's assistance is fine-tuned to the diversifying needs of these developing countries.

3-3 Role and significance of Japan's ODA

3-3-1 Coordination with the international community

The former socialist nations lagged far behind in terms of economic development as they were placed under the system of centrally-planned economies after the World War II. Conversion to the path of

¹⁵ Financial flows to developing countries are largely divided into Public Flows and Private Flows based on whether the fund provider is in the public or private sector. Of all kinds of Public Flows, those provided by the government or public institutions primarily for non-development purposes and those whose grant element is less than 25% are classified as OOF. Specifically, OOF includes export credit, direct investment financing, and the purchase of bonds issued by international institutions that are provided or made by public institutions.

democratization and liberalization after the regime change resulted in social confusion. The Western countries decided to work together to support the liberalization and democratization process in these former socialist nations. As part of such efforts, the West launched an aid initiative for Central and Eastern Europe within the G24 framework in 1989. Japan, as a Western nation, proactively supported this initiative.

In the former Yugoslavia, the economy, which had been in the doldrums even before the collapse of the old regime, deteriorated further, weighing heavily on people's lives. In addition, to gain independence from the former Yugoslavia, a series of civil wars among different ethnic groups broke out, producing large numbers of refugees and internally-displaced persons in Croatia, Bosnia and Herzegovina, and Yugoslavia (including Kosovo). Unlike other Central and Eastern European countries, these countries had to start from zero—securing human resources lost by civil wars, establishing a functioning government, and developing the socio-economic infrastructure—before moving onto economic reconstruction.

The international community must work together to support these countries in overcoming such multiple obstacles and realizing economic reconstruction. In fact, the international community is supervising the civilian and military sectors in Bosnia and Herzegovina through the Office of the High Representative (OHR) and the Stabilization Force (SFOR), respectively. Japan, as well as the international community as a whole, should continue to support these efforts to prevent the recurrence of conflicts in the region, given the historical context that ethnic tensions often developed into conflicts in the past and such tensions have not been eliminated.

3-3-2 Needs for development

In Central and Eastern Europe, there are more development needs in the former Yugoslavian countries, and Moldova and Ukraine, than in the so-called Advanced Transition Countries or countries set to join the EU in 2004. Meanwhile, the former Yugoslavian countries need post-conflict support. Moldova and Ukraine, which are two of the breakaway countries of the former Soviet Union, need BHN assistance rather than other types of aid, as these two countries can be classified as developing countries in terms of per capita GDP.

3-3-3 Expectations for Japan's expertise and experience

Japan's technology and expertise can be put to good use in addressing common issues for transition countries in the region. These countries, including those set to join the EU in 2004, have high expectations for Japan's aid in productivity improvement, energy saving and other sectors where Japan is competitive and experienced. Such aid should be more effective than in other sectors.

3-3-4 Fostering friendly relations

It is important that Japan foster friendly bilateral relations with Central and Eastern European countries. In fact, Japan is placed in an advantageous position to do so. For one thing, Japan's bilateral relations with these countries are quite natural as Japan has no stake in them politically or militarily. For another, they have considerable interest in Japanese culture and history. Cultural exchanges are active between Central and Eastern European countries and Japan. Japan's assistance can help preserve the favorable sentiment that people in this geographically distant region have towards Japan. The Japan Overseas Cooperation Volunteer Program may be effective in this regard. Such volunteer activities rooted in local communities can promote better understanding between Japan and the Central and Eastern European countries at the grassroots level.

Chapter 4 Proper Approach for Japan's Assistance to Central and Eastern Europe

4-1 Basic approaches for Japan's assistance

This chapter explores the optimal aid approach for each of the four groups defined in Section 2-2, Chapter 2. These groups are classified according to the progress in marketization, political stability, the level of social development, and other indicators for each country in Central and Eastern Europe. This classification is crucial as development needs are diversified across the region. As discussed in Chapter 2, per capita GDP for Slovenia is more than 9,000, while per capita GDPs for Bosnia and Herzegovina, Yugoslavia, Moldova, and Ukraine are less than 1,000 dollars.

4-1-1 Group 1: Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, and Yugoslavia

The countries in Group 1 are in transition from the phase of reconstruction following the civil wars and ethnic conflicts during the 1990s to the phase of economic development. These countries need an optimal mix of reconstruction and development support and transition support, and the need for such assistance is tremendous. Moreover, there is a long way to go before they can reach the level of Group 4. Japan, therefore, needs to effect a shift in the focus of its aid resources and implementation regime from Group 4 to Group 1.

As one of the top donors for countries in Group 1, Japan has so far provided large-scale reconstruction assistance through grant aid,¹⁶ including medical equipment. Now Japan should shift its aid resources to technical assistance aimed at ensuring the sustainability of the products of reconstruction aid already provided. Specifically such technical assistance should focus on institution building and human resources development. Loan aid should also be maintained in the sector of socio-economic infrastructure development, as there is still great demand for such infrastructure.

In addition, Japan should take good account of coordination, including role sharing, with the EU and international institutions, which have been providing sizable amounts of aid. In other words, Japan should avoid sectors where the EU and other donors are already providing aid. Among such sectors is governance improvement—including the development of administrative machinery and legal systems—as identified in Section 2-4: Major development issues and directions for the development of Non-EU accession countries in Central and Eastern Europe. Good governance is one of the EU standards, and Group 1 countries are eyeing EU accession. It is essential that Japan identify sectors where it has a comparative advantage and projects that are of high priority and are highly effective.

¹⁶ See Table 1-6: Grant aid to Central and Eastern Europe at the end of this chapter.

Constant caution should be exercised to ensure that aid projects are designed—in both content and scope—to promote reconciliation between different ethnic groups. Each of the Group 1 countries has complex domestic ethnic problems.

4-1-2 Group 2: Moldova and Ukraine

Moldova and Ukraine lag behind all other countries in the region—including Bosnia and Herzegovina and other former Yugoslavian countries—in terms of economic development. The per capita GNP of Moldova is about 400 US dollars and that of Ukraine is less than 800 US dollars. Moldova is classified into Other Low-Income Countries (Other LICs) in Part I of the DAC List of Aid Recipients. Ukraine is grouped into Part II: Countries and Territories in Transition. In terms of economic standard, however, Ukraine should be lumped with the Lower Middle-Income Countries (LMICs) in Part II, along with Bosnia and Herzegovina, and Albania.

Despite the considerable demand for development, Japan has only intermittently extended quite a limited amount of aid to these two countries since 1997. Nor has Japan done enough to establish an implementation regime or identify development needs.¹⁷

As far as Moldova and Ukraine are concerned, Japan should consider offering BHN-related assistance rather than Transition Support, which so far constituted Japan's aid policy for Central and Eastern Europe. Japan should also increase the amount of aid to these poorest countries in the region by reallocating a part of its aid resources from Group 4 to Group 2 as well as to Group 1. Specifically, Japan should take advantage of JICA's trainee acceptance program in the short term. In the medium term, Japan should shift its aid focus to other JICA technical cooperation programs such as the dispatch of long-term experts and development studies, or increase the amount of grant aid, depending on the progress in the establishment of an aid implementation regime for Group 2. Before implementing these programs, however, it is crucial to identify development needs. To lay the groundwork for doing so, Japan should take two major steps. One is to strengthen the local implementation regime by, for example, allocating aid personnel to the two countries. The other is to promote dialogue for mutual understanding and strengthen relationships with the governments of the recipient countries through such means as sending missions from Japan.

As far as Ukraine is concerned, any decision on diplomatic privileges and immunities for aid project is subject to approval by the parliament. This constitutes a major constraint in implementing aid programs/projects. The means of overcoming this constraint is the key to increasing aid to the country.

Moldova and Ukraine have a closer relationship with Russia than other Central and Eastern European countries. Japan should take good advantage of its aid experience in the Central Asian and Caucasian countries, which was part of the Soviet Union.

Poland has expressed its willingness to provide economic and technical assistance to neighboring

¹⁷ The Japanese Embassy in Ukraine is responsible for economic assistance to Moldova and Ukraine.

Ukraine.¹⁸ This offers an opportunity for Tripartite Cooperation, in which, technologies transferred from Japan to Poland will be retransferred to Ukraine.

4-1-3 Group 3: Bulgaria and Romania

With a per capita GDP in the range of 1,600-1,700 dollars, Bulgaria and Romania are one step behind the countries set to join the EU in 2004 in terms of economic and social development. With a view to joining the EU in 2007, the two countries are concentrating their development resources on the 31 chapters covered by EU accession negotiations (*Acqui Communautaire*). The two countries have generally achieved macroeconomic stability and maintained a positive economic growth. However, more efforts need to be made before they “have a functioning market economy”—one of the Copenhagen criteria for EU accession. In addition, Bulgaria and Romania are the only countries among those in negotiations for EU accession that have not closed the chapter on the environment.

The ultimate goal for the two countries is EU accession. The countries are therefore striving for compliance with EU standards as a top priority issue, with a view to completing the accession negotiations. The EU Commission, and to a lesser extent European countries and the United States, are providing assistance to the Group 3 countries in almost every sector covered by accession negotiations. Bulgaria and Romania, however, have high expectations in regard to the expertise and experience of Japan, because of Japan's excellent technology and economic strength. Japan needs to continue its assistance to the two countries until they complete their transition to a market economy, as Japan is committed to both supporting marketization in the global economy and conserving the environment as a major global issue. To date, Japan has extended aid loans for development projects for environmental protection¹⁹ and economic infrastructure development.²⁰ There is much room for Japan to further provide aid loans for economic infrastructure development aimed at expediting the negotiation process towards EU accession.

However, attention should be paid to the fact that the Group 3 countries are transition countries expected to join the EU in the foreseeable future. The aid paradigm for Group 3 should therefore be time-limited Transition Support, following the example of Group 4, rather than Reconstruction and Development Support designed for Group 1 and 2. Although Japan should maintain the scale of aid to the Group 3 countries in the medium term, it should aim to produce adequate results within a limited period of time with a view towards the aid graduation.

Technical assistance should be focused on the sectors where Japan has a comparative advantage, in order to avoid duplication of aid with other donors. For one thing, Japan's aid resources are limited in amount. For another, other donors and international institutions have more expertise than Japan in some

¹⁸ Poland, which is aiming to join the EU in 2004, believes that an economically stable Ukraine will be an advantage for its economy and security, as Ukraine is flanked by Poland and Russia, which used to exert influence over Poland.

¹⁹ The Industrial Pollution Improvement Project in Plovdiv and the Industrial Pollution Improvement Project in Eliseina, both in Bulgaria.

²⁰ For example, the Port of Bourgas Expansion Project in Bulgaria, and the Railway Rehabilitation Project of the Bucharest-Constanta Line in Romania.

sectors. In fact, such sectors as the development of institutions, the legal framework, and standards are covered by the EU and other donors. Given this situation, Japan can contribute to the human resource development in their technical skill and their practice. As many Bulgarians and Romanians have received training in Japan and many Japanese experts have been sent to the two countries, the idea of taking more advantage of the products of such human resources development programs, including human networks, should be considered.

Japan Overseas Cooperation Volunteers program now under implementation for Bulgaria and Romania should be maintained in the future. This proposal is underpinned by the principles defined in the Law concerning the General Rules of Independent Administrative Institutions. The principles stress the need to “promote broad-based public participation” as a key area of activities for the new JICA to be launched in October 2003.

4-1-4 Group 4: The Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia

Judging by the Copenhagen Criteria, the countries in Group 4 are considered to have completed the transition to a market economy when they were allowed to join the EU.²¹ Meanwhile, growing pressure on the ODA budget in Japan is highlighting more than ever the need for more deliberate selection and concentration of the country’s aid resources, as mentioned in 3-2-2: Changes in Domestic Trends. It is about time that Japan put an end to the aid paradigm of Transition Support for the Group 4 countries.

CIDA has already defined the Czech Republic, Slovakia, Hungary, Poland, Slovenia, Estonia, Latvia, and Lithuania as Graduating Countries in Central and Eastern Europe. CIDA has already formulated specific operation plans with a view to completing its aid to these countries by March 2005. By setting a deadline for its aid, CIDA intends to avoid risks associated with an abrupt termination of aid. It also intends to ensure that the products of its aid provided so far are established in recipient countries, thus promoting their independence from its aid.

Japan should also set a period of providing assistance and then focus on the sectors where the country’s competitive expertise and experience can be put to good use and where recipient countries apply for aid from Japan. Based on this policy, Japan should focus its aid resources on such programs/projects as those designed to support the establishment of transferred technologies in Group 4 countries and those designed to help these recipient countries develop into donor countries.

As for Private Flows, it is important to ensure consistency and coordination with the OOF policy, since such flows account for a dominant share of the financial resources for these countries. This also applies to the sectors where the use of Private Flows is being promoted in Group 3.

Japan Overseas Cooperation Volunteers program now under implementation for Poland and Hungary,

²¹ Croatia is not among the countries set to join the EU in 2004. However, it is considered reasonable to include the country in Group 3, judging by its economic indicators and development agenda.

should be maintained for some time to come, as in the case of the Group 3 countries of Bulgaria and Romania. This program should be classified as part of the initiative of promoting friendly relations and exchanges at the grassroots levels, from the viewpoint of “promoting broad-based public participation” as stressed in the principles defined in the Law concerning the General Rules of Independent Administrative Institutions.

4-2 Priority sectors and development issues for Japan's assistance

4-2-1 Group 1: Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, and Yugoslavia

Common development issues for Group 1, which has experienced civil wars and ethnic conflicts, include: the development of the social infrastructure (medical and educational facilities), the repatriation and settlement of refugees, reconciliation between different ethnic groups, broad-based environmental problems involving international rivers, further marketization, and future EU accession. Job creation through the promotion of local industry is another important issue for Group 1, which suffers from high unemployment.

Apart from these common issues, there are development issues specific to each country as shown below:

(1) Bosnia and Herzegovina

Bosnia and Herzegovina is a target for reconstruction support as the country is still languishing in the aftermath of the civil wars between 1992 and 1995. Since 1996, Japan has extended, in the form of emergency assistance, loan aid for the Emergency Electric Power Improvement Project, and grant aid for the Project for the Rehabilitation of Main Transmission Lines and the Project for the Rehabilitation of the Public Transportation System. Although such assistance produced successful results, there is still great demand for rehabilitation support. As such, Japan should preferably continue with both loan and grant aid for economic infrastructure development, as well as grant aid for BHN.

Nevertheless, it is about time that attention was also paid to development support aimed at economic independence now that eight years has passed since the last conflict ended. In other words, the role of technical assistance for economic development is increasing in importance. Specifically, it is necessary to ensure that the large amount of equipment provided under Japan's grant aid scheme is put to good use over the long term for greater aid effectiveness. To this end, Japan should provide guidance on the maintenance of such equipment as follow-up assistance, through such means as the dispatch of experts. Priority sectors for development support for Bosnia and Herzegovina include marketization support (the promotion of small businesses, and others), health care (CBR, PHC), environmental protection, education, and socio-economic infrastructure development.

(2) The former Yugoslav Republic of Macedonia and Albania

Japan has so far extended grant aid in health care and other sectors and sent experts in such fields as refugee relief and environmental conservation to Macedonia and Albania, in the form of assistance to neighboring countries to the conflict. The two countries suffered social unrest, including an influx of refugees in the wake of the Bosnia and Herzegovina Conflict and the Kosovo Conflict.

Macedonia achieved steady economic growth since 1996 with per capita GDP recently topping 1,600 dollars. Nevertheless, the countries are faced with many difficult problems, including poverty (the poor accounting for 20% of the population), high unemployment, and inadequate health care and hygiene. The international community recognizes that the stability and prosperity of Macedonia is essential for the stability and prosperity of Southeastern Europe. It is therefore significant for Japan to continue its aid to the country. As a matter of fact, demand for aid is increasing as the country's economy has deteriorated since a domestic conflict broke out in spring 2001.

Priority sectors for Japan's aid to Macedonia include:

- €# Education, including the improvement of the poor educational facilities (the sector where the expectations of the Macedonian government are quite high for aid from Japan);
- €# Health care, where Japan has already contributed significantly to improved medical services through the provision of medical equipment to hospitals at the first to third levels;
- €# Safe and sufficient water supply and water quality control;
- €# Industrial promotion; and
- €# The environmental protection (especially air pollution control).

Albania, which is classified as one of the poorest countries in Europe, has a great potential need for development assistance. During the 1990s, Japan implemented three loan projects, including the Agriculture Sector Adjustment Loan, the Drin River Hydro Power Stations Rehabilitation Project, and the Power Transmission and Distribution Project.²² In recent years, however, Japan has only implemented one grant aid project²³ per year and received trainees from Albania. Japan should boost technical assistance and grant aid in such priority areas as: the promotion of small businesses, exports, and investment; agriculture; education; and sanitation and health care. Loan aid should be also increased in the sector of economic infrastructure development.

(3) Yugoslavia

Japan resumed its assistance to Yugoslavia in 2000 to support the reconstruction of the economy and socio-economic infrastructure which were battered due to long-lasting economic sanctions and NATO air strikes. So far, Japan's assistance has been centered on grant aid and the acceptance of trainees. It is

²² See Table 1-8; Yen Loans to Central and Eastern Europe at the end of this chapter.

²³ Primarily food aid. See Table 1-6: Grant Aid to Central and Eastern Europe at the end of this chapter.

inappropriate to underestimate the fact that Yugoslavia's economy was badly damaged during the 1990s. However, it is important that the country's technical levels are traditionally high. In particular, Serbia has a good chance of achieving self-sustainable growth once it emerges from the current economic doldrums. Long-term aid from Japan should therefore take the form of technical assistance that is focused on the sectors where Japan has a comparative advantage over other donors.

However, when the country officially changes from the Federal Republic of Yugoslavia to the State Union of Serbia and Montenegro, the need for support for marketization and post-conflict reconstruction in Montenegro as well as Serbia may increase.²⁴

Japan's aid to Kosovo has been extended by way of international institutions, since it is not recognized as a nation. For example, the JICA's technical training program has been implemented through the UN Interim Administration Mission in Kosovo (UNMIK). In the foreseeable future, Japan's aid to Kosovo should be implemented through multilateral organization.

4-2-2 Group 2: Moldova and Ukraine

As far as technical assistance is concerned, Japan has defined the priority sectors for Ukraine as marketization and the environment and those for Moldova as marketization, BHN, including health care, and agriculture. However, Japan has not extended sufficient assistance to cover all these sectors. In order to increase aid in these sectors to a certain level, policy dialog with the Group 2 countries should be promoted with a view to identifying development needs and formulating aid projects. It should be noted that duty exemption concerning aid projects for Ukraine is subject to parliamentary approval and this limits the implementation of development studies and the dispatch of long-term experts. Aid projects would need to be formulated even within such a limitation.

Japan has so far implemented two grant aid projects of providing medical equipment to Moldova, which belongs to the group of LDCs.²⁵ As this example shows, there is great demand for aid in health care. Japan should therefore give priority to health care in providing technical assistance as well to meet the needs of Moldova.

4-2-3 Group 3: Bulgaria and Romania

The focal sectors for Japan's aid to Bulgaria and Romania are marketization support, environmental protection, agriculture, and economic infrastructure development.

In the sector of marketization support, the EU and other donors are providing large amounts of aid in the development of a legal framework, institutions, and standards. Japan should therefore focus on aid projects at levels closer to practical field, such as projects designed to teach management expertise for

²⁴ Japan's assistance to Yugoslavia has tended to concentrate on Serbia since such aid has been extended via the central government of Yugoslavia and because the ratio of the population of Serbia to that of Montenegro is about 15 to 1.

²⁵ See Table 1-6: Grant Aid to Central and Eastern Europe at the end of this chapter.

small businesses, and those aimed at promoting community development. There is also room for Japan to implement aid projects on specific subjects, such as export promotion and foreign direct investment.

Between 1999 and 2002, Japan implemented the Program of Japanese Cooperation to Support the Formation of Key Government Policies on Industry in the Republic of Bulgaria.²⁶ Under the program, Japan sent a team of experts to the Bulgarian Ministry of Economy and provided support concerning the development and implementation of industrial policies. In the future, Japan should draw on the cooperative relationship it so far promoted with the Bulgarian Ministry of Economy, and offer direct support for small businesses and local industries—key actors in economic activities.

In Romania, ministries and agencies in charge of aid projects on marketization keep on changing, with new organizations established and the existing offices diversified. It is therefore important to carefully follow such changes and select the optimal counterpart organizations for each project.

In the sector of environmental protection, other donors are also providing aid in the development of a legal framework, institutions, and standards. As such, Japan should explore the opportunities for transferring: (i) environmental monitoring technologies, etc. that are needed in the field or for the enforcement and application of environmental laws; and (ii) pollution control technologies, etc. for specific purposes. Another viable option may be to raise the level of competency of personnel in charge of environmental conservation, through such means as environmental seminars designed to raise environmental awareness of the large number of parties concerned. As far as the sector of environmental protection is concerned, Japan has a certain experience of cooperation in providing aid to Romania, but it has a poor experience for Bulgaria. Japan should therefore boost environment-related aid to Bulgaria.

Apart from these two sectors, there is great demand for agricultural development. Agriculture is a key industry for both Romania and Bulgaria and it provides employment opportunities for the poor. This sector is therefore important in terms of regional development, poverty alleviation, and regional disparity reduction. In the two countries, the privatization of state farms has led to the emergence of a large number of small farmers. Unable to reap the benefits of collective management any more, these small farmers have difficulty in farm management. For this reason, organizing farmers aimed at agricultural development may be a viable option for Japan's aid in this sector. Assistance from non-EU donors, including Japan, in this sector is important, since the EU may be in a difficult position in extending agricultural aid for two major reasons. One reason is that EU does not have enough funds to do so since its agricultural subsidy programs are already under severe budgetary pressure within the EU. The other is that Romania and Bulgaria may become strong competitors in its internal agricultural market after they join the EU.

There is still great demand for socio-economic infrastructure development as well. Since Romania and Bulgaria are not among the countries that qualify for grant aid of Japan, the sustainable implementation of yen loan projects is a viable option in this sector. At the same time, to boost the efficiency of such projects being implemented by JBIC, Japan should explore ways to implement technical assistance projects in coordination with these yen loan projects.

²⁶ See Table 1-4: Dispatches of expert teams to Central and Eastern Europe.

4-2-4 Group 4: The Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia

Japan should in principle put an end to the aid paradigm of Transition Support for Group 4, as explained in Section 4-1 on the basic approaches for Japan's assistance. In the future, Japan should ensure that the outcomes of development assistance provided by Japan to date in such sectors as marketization, the environment, socio-economic infrastructure development, and agriculture are firmly established in Group 4 countries.

To this end, one option may be to take advantage of the technologies Japan has transferred to original recipient countries for a third-country training program in the region. Japan has so far transferred many technologies to the counterpart organizations in Poland and Hungary through such means as technical cooperation projects and the dispatch of Japanese experts. These technologies, including expertise, can be transferred to other countries, especially the Balkans. This option has a number of advantages. Firstly, it allows the original recipient countries (e.g., Poland and Hungary) to firmly establish transferred technologies at home by teaching these technologies and expertise to third countries. Secondly, it allows such countries to share their experience in gaining EU accession with their neighboring countries wishing to join the EU (especially the Balkans), along with technology transfers. Thirdly, due to its cost effectiveness, this option makes it possible to implement projects that will benefit both the original recipient countries and their neighboring countries even under a tight budget.

Another option is to transfer Japan's expertise as a donor to the Czech Republic, Slovakia, Poland, and Hungary. These four countries have already joined the OECD (without DAC membership) and launched their own economic cooperation programs. In fact, the Polish government has sounded out Japan about the possibility of sharing expertise for the establishment in Poland of an agency in charge of a scheme similar to the Japan Overseas Cooperation Volunteer Program.²⁷ The Slovakian government has officially requested Japan to hold seminars designed to share basic knowledge about economic cooperation. In the future, it is essential to identify the specific needs of these countries through dialog with them.

Taking advantage of OOF, including official export financing by JBIC, is a viable option to ensure that the products of transition support will be firmly established in the recipient countries.

Apart from the options mentioned above, Japan should take good account of requests, if any, from Central and Eastern European countries for assistance in such sectors where Japan enjoys a comparative advantage in expertise and experience.

4-3 Points to note on aid

Considering aid to Central and Eastern European countries, three points should be noted. The first point concerns compliance with EU standards. EU accession is the ultimate goal for countries in Groups 1

²⁷ The concept of establishing the Poland International Volunteer Agency.

and 2, not to mention those in Groups 3 and 4. These countries have already been making efforts to ensure that their legal frameworks and other standards are in conformity with EU standards. In addition, the EU has been supporting such efforts. As such, there is little Japan can do in this regard. Rather, Japan should focus on aid in the specific field. In the sector of environmental conservation, for example, Japan should leave institutional building, including the establishment of relevant standards, to the EU, and explore instead the opportunities for transferring environmental monitoring technologies that are needed in the field.

The second point is that the expertise and experience of European donors offer suggestions for Japan when it devises aid instruments. Japan's experience in providing aid to Central and Eastern Europe is limited, as shown by the amount of its aid to the region. Without sufficient knowledge about local characteristics, Japan may run the risk of imposing its own way on countries in the region. To avoid such risks, it is important to ensure, where appropriate, coordination with other donors so that the advantages of each donor will be exploited, while avoiding overlappings of aid with them. In fact, Japan has already taken this approach in the Master Plan on Hazardous Waste Management in Romania (development study), which has been underway since 2001. To ensure the efficiency and effectiveness of this project, Japan hired a British consultant experienced in environmental planning in Europe from the phase of preliminary study, and then accepted this consultant as a member of the full-scope study team. Such an approach may hold the key to producing maximum output with minimum input in the region.

The third point is the need to enhance JICA activities inadequate implementation regime in the region. JICA has an overseas JICA/JOCV office in Hungary and Poland of the Group 4 countries and Bulgaria and Romania of the Group 3 countries, as if to reflect the fact that Japan's assistance to each of the Central and Eastern European countries was launched as each country started its democratization and liberalization process. Of the Group 1 countries, Bosnia and Herzegovina, and Macedonia, are jointly covered by the JICA Austria Office and others. Yugoslavia and Albania are solely covered by the JICA Austria Office. The countries of Group 2 are covered by the JICA U.K. Office. There is no Front-Line office in Group 1 or 2.²⁸ To ensure the effectiveness and efficiency of aid to Group 1 and 2, Japan needs to reorganize its implementation regime in the region by shifting its implementation resources from Group 4 to Groups 1 and 2. In this way, Japan can better meet the local demand for aid. Nonetheless, it is unrealistic to open an office in each of the countries in Groups 1 and 2. A practical solution may be to enhance the JICA Austria Office so that it can serve as a region-wide office covering all the countries in Groups 1 and 2.

²⁸ JICA Austria Office currently assigns one "overseas program coordinator" in each of Bosnia and Herzegovina, Macedonia, Yugoslavia, and Albania on a one-year contract.

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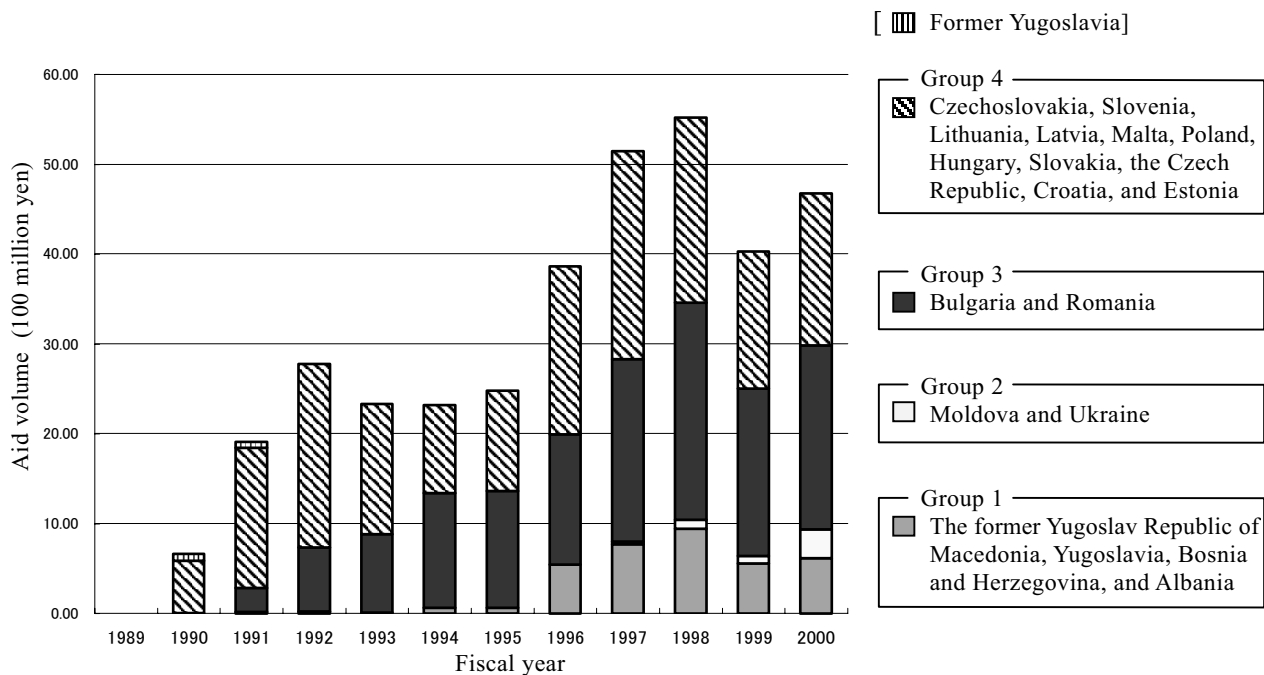
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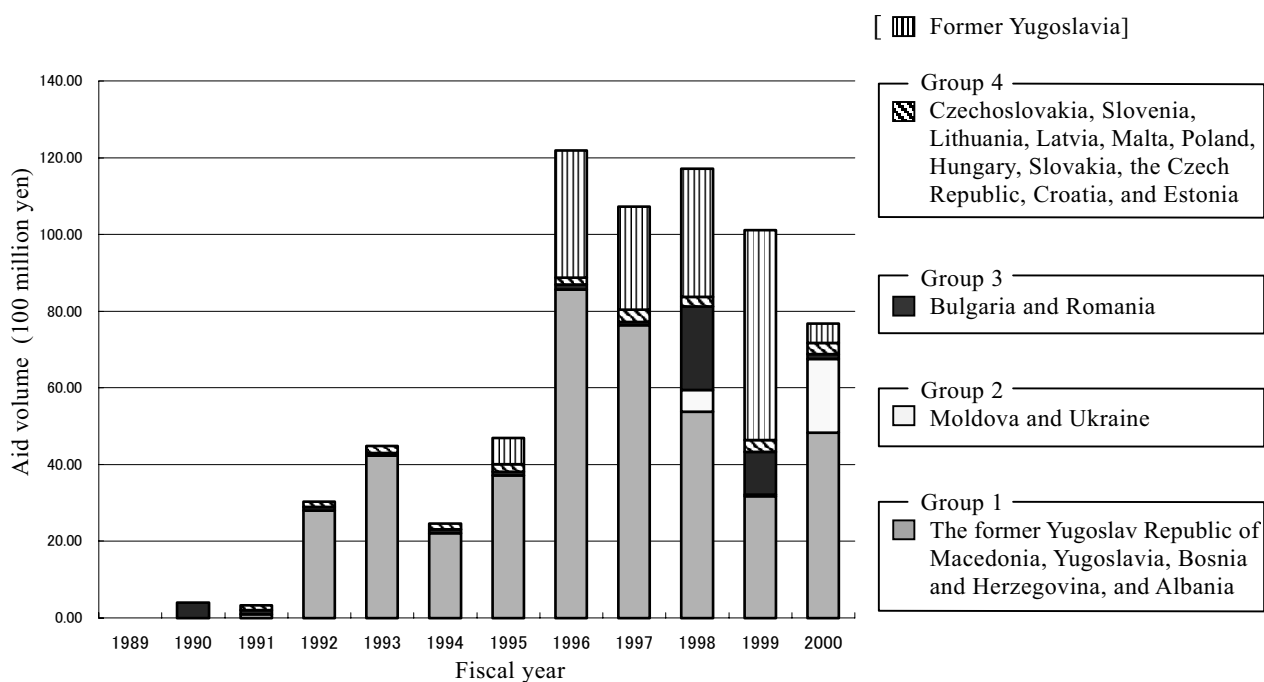
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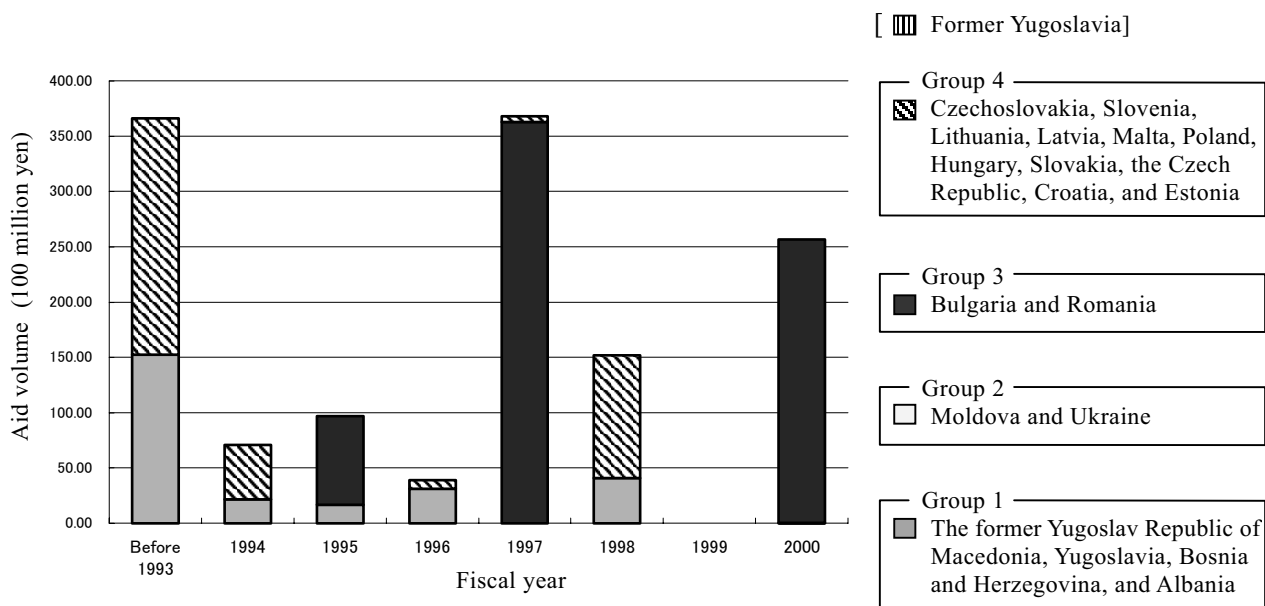
Source: Economic Cooperation Bureau, Ministry of Foreign Affairs, ed. (1990-2001)

Figure 1-1 Trends in Technical Cooperation (1989-2000)



Source: Economic Cooperation Bureau, Ministry of Foreign Affairs, ed. (1990-2001)

Figure 1-2 Trends in Grant Aid (1989-2000)



Source: Economic Cooperation Bureau, Ministry of Foreign Affairs, ed. (1990-2001)

Figure 1-3 Trends in Loan Aid (1989-2000)

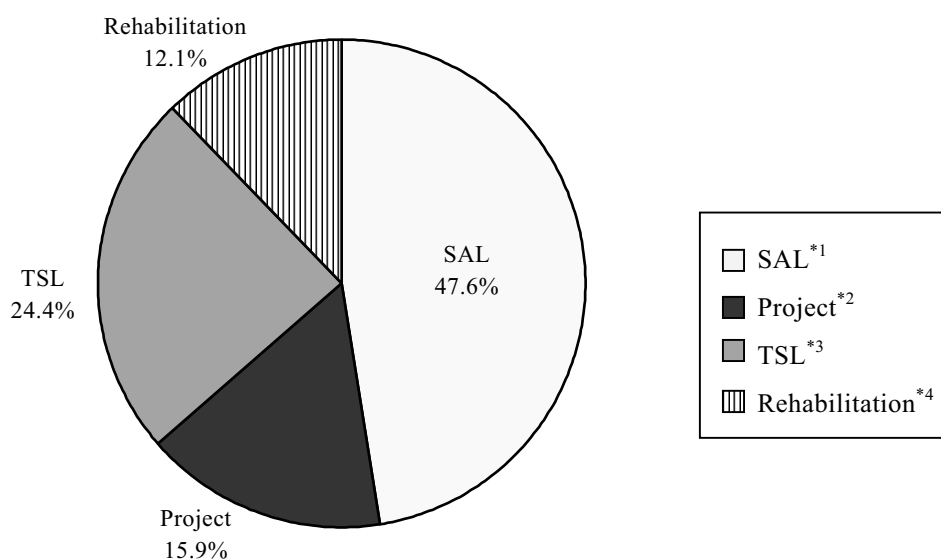


Figure 1-4 Breakdown of Direct Loan Financing for Central and Eastern Europe (Untied loans and untied guarantees as part of the JBIC's International Financial Operations)

(Note)

*1 Structural Adjustment Lending (SAL): World Bank lending introduced in 1980 with the aim of supporting programs, policies, and institutional reforms that are necessary to recover and maintain sustainable economic growth and stable balance of payments for developing countries with structural problems such as the deterioration of international balance of payments. Since it is difficult to set conditionalities under the bilateral aid scheme, this type of lending usually takes the form of co-financing with the World Bank.

*2 Project loans: Loans to finance projects to build and manage facilities such as ports, railways, power plants in a given region or area.

*3 Two-Step Loans (TSL): Under this scheme, loans are extended to financial institutions in a developing country directly or through its government in the first step. In the second step, these institutions finance businesses and individuals in that particular country using such loans.

*4 Rehabilitation loans: Loans to finance the procurement of equipment, materials, parts and services required to invigorate the existing equipment, facilities and infrastructure that are underused because they are time-worn or outdated.

Source: Compiled from reference materials for use within JBIC.

**Table 1-1 No. of Trainees Accepted from Central and Eastern European countries
(Newly-accepted trainees in each fiscal year)**

FY	Albania	Bulgaria	Croatia	Czecho-slovakia	Hungary	Poland	Romania	Slovakia	Slovenia	Yugoslavia	Malta	Macedonia	Bosnia and Herzegovina	Estonia	Latvia	Lithuania	Macedonia	Ukraine	Others	Europe in total
1989					50	50				9	3								9	121
1990	1				94	106				14	5								11	231
1991	4	39			107	104	28			13	8								75	378
1992	5	30		2	100	101	20	2			7								67	334
1993	2	45		35	79	78	40	31	8		4								3	325
1994	8	56		28	58	59	56	39	7		5	9							4	329
1995	11	56		19	43	51	61	36	10		7	10							3	307
1996	14	56		13	27	36	58	37	10		5	20	21	3	3	3			1	307
1997	15	58	10	13	25	39	50	33	9		9	22	33	5	6	5	5	3	1	341
1998	18	54	12	7	23	39	63	37	12		8	21	34	8	8	7	5	9	1	366
1999	16	53	12	11	34	34	47	27	8		3	16	33	7	12	15	10	11	2	351
2000	27	51	7	11	36	28	64	32	8		3	14	35	11	13	16	10	33	0	399
2001	11	48	11	11	28	29	38	23	4	16	3	15	39	9	9	21	6	29	0	350
2002	9	44	7	8	13	17	61	13	5	19	4	11	17	7	5	4	19	13	5	281
Total	141	590	59	158	717	771	586	310	81	71	74	138	212	50	56	71	55	98	182	4420

Note: The figures for FY2002 are the numbers of trainees accepted between April 2002 and January 2003.

Source: Compiled from JICA (2002b) by the authors.

**Table 1-2 No. of Experts dispatched to Central and Eastern European countries
(Newly-dispatched experts—including short-term and long-term dispatches—in each fiscal year)**

FY	Albania	Bulgaria	Croatia	Czecho-slovakia	Hungary	Poland	Romania	Slovakia	Slovenia	Yugoslavia	Malta	Macedonia	Bosnia and Herzegovina	Estonia	Latvia	Lithuania	Macedonia	Ukraine	Others	Europe in total
1989					1	1				3									14	19
1990						1				3									29	33
1991		6			1	4													15	26
1992		16		3	5	13	2												30	69
1993		14		3	3	21	1	2	1										5	50
1994		1			8	34	3	4									1		5	56
1995		10			12	21	6												14	63
1996	3	21		3	10	25	7	1											2	72
1997		15			4	21	14	1	2		1								4	62
1998		11		1	9	35	10	2	2		1	2			1	2			3	79
1999		18			7	29	9	1			1	9			4	4		1	4	87
2000		23		1	10	23	9	3	1		1	3	5			2	3		3	87
2001		13		1	10	12	8	5	1						1	1	2	4	2	60
2002		8	1	0	8	4	9	1					1			1			1	34
Total	3	156	1	12	88	244	78	20	7	6	4	14	6	0	6	10	6	5	131	797

Note: The figures for FY2002 are the numbers of experts dispatched between April 2002 and January 2003.

Source: Compiled from JICA (2002b) by the authors.

Table 1-3 Project-Type Technical Cooperation in Central and Eastern Europe (with a 5-year term)

	Country	Project name	Implementation period	Status	Sector
1	Hungary	Hungarian Productivity Development Project	January 2, 1995 - December 31, 1999	Completed	Transition support
2	Poland	Polish-Japanese Institute of Computer Techniques	March 8, 1996 - March 7, 2001	Completed	IT support
3	Bulgaria	Energy Efficiency Center Project	November 1, 1995 - October 31, 2000	Completed	Energy
4		Fermented Dairy Products Development Project	July 1, 1997 - June 30, 2002	Completed	Agriculture
5	Romania	Irrigation System Readjustment Project	March 1, 1996 - February 28, 2001	Completed	Agriculture
6		Project on the Reduction of Seismic Risk for Buildings and Structures	October 1, 2002 - September 30, 2007	Under implementation	Infrastructure
	Total	6			

Source: Compiled by the authors from reference materials for use within JICA.

Table 1-4 Dispatch of Expert Teams to Central and Eastern Europe (with a 3-year term)

	Country	Project name	Implementation period	Status	Sector
1	Poland	Japanese Cooperation to Support Formation of Key Government Policies on Industry	May 15, 1996 – May 14, 1999	Completed	Transition support
2	Bulgaria	Japanese Cooperation to Support Formation of Key Government Policies on Industry	September 30, 1999 – September 29, 2002	Completed	Transition support
3	Hungary	(Dispatch of Expert Team for) Human Resources Development for Environmental Engineers at College of Dunaujvaros	January 15, 2002 – January 14, 2005	Under implementation	Environmental protection
	Total	3			

Sector	No. of projects	Percentage
Transition support	3	34%
IT support	1	11%
Energy	1	11%
Agriculture	2	22%
Infrastructure	1	11%
Environmental protection	1	11%
Total	9	100%

Source: Compiled by the authors from reference materials for use within JICA.

Table 1-5 Development studies in Central and Eastern Europe (completed or under implementation)

	Country	Project name	Implementation period	Sector
1	Bulgaria	Rational Use of Energy	1991-1993	Energy
2		Solid Waste Management in Sofia	1992-1994	Environmental protection
3		Restructuring and Modernization of the Steel Industry	1993-1995	Mining and manufacturing
4		Replacing Thermal Power Plant Maritsa East No.1	1995-1996	Energy
5		Agricultural Reform	1996-1997	Agriculture
6		National Railway Management Improvement	1996-1997	Infrastructure and transport
7		Integrated Environmental Management for Maritza River Basin	1996-1998	Environmental protection
8		Master Plan Study on Integrated Water Resources Management	2000-pending	Environmental protection
9	Croatia	Study on Water Pollution Reduction at the River Sava Basin	2000-2002	Environmental protection
10	Hungary	Rational Use of Energy	1990-1991	Energy
11		Municipal Solid Waste Management in Budapest	1991-1993	Environmental protection
12		Integrated Air Pollution Control Plan for Sayo Valley	1992-1994	Environmental protection
13		Restructuring of the State Owned Automotive Parts Company	1995-1996	Privatization
14		Facility Improvement and Environmental Protection of Borsod Power Plant	1995-1997	Energy
15		Environmental Improvement Project for Lake Balaton	1997-1999	Environmental protection
16		Promotion of Small and Medium-sized Enterprises	2000-2001	Transition support
17	Poland	National Transport Plan	1990-1992	Infrastructure and transport
18		Fuel Gas Desulphurization for Kozienice Power Plant	1990-1991	Energy
19		Solid Waste Management for the City of Poznan	1991-1993	Environmental protection
20		Modernization and Environmental Pollution Control in Mazovian Oil Refinery	1993-1994	Energy
21		State-owned Enterprise Restructuring Plan	1996-1997	Privatization
22		Integrated Regional Development of Konin Province Energy Conservation	1996-1998	Regional development
23		Rational Use of Energy	1996-1999	Energy
24		Privatization of Polish State Railways	2002-	Privatization
25	Romania	Environmental Pollution Control and Energy Saving in Galati Steel	1993-1994	Energy
26		Irrigation Project in Ruginesti-Pufesti-Panciu District Vrancea	1993-1995	Agriculture
27		Solid Waste Management System for Bucharest Municipality	1994-1995	Environmental protection
28		Water Environmental Management in Prahova River Basin	1997-1998	Environmental protection
29		Comprehensive Urban Transportation of Bucharest and its Metropolitan Area	1998-2000	Infrastructure and transport
30		Waste Water Treatment along the Danube River Downstream Reach	1999-2000	Environmental protection
31		Forest Restoration in Romanian Plains	1997-2000	Environmental protection

32		Feasibility Study on the Development Project of the Port of Constanta in Romania	2000-2002	Infrastructure and transport
33		Master Plan on Hazardous Waste Management in Romania	2001-2003	Environmental protection
34	Former Czechoslovakia	Fuel Gas Desulfurization for Melnic Power Plant	1992	Environmental protection
35	Slovakia	Modernization of Heat Supply Systems (Preliminary Study)	1993-1994	Energy
36		Regional Environment Management Plan for the Hron River Basin	1999-2000	Environmental protection
37		Sustainable Development of Agriculture in Zahorska Lowland and Protection of Natural Resources	2000-2002	Agriculture
38	Albania	Sewerage System in Metropolitan Tirana	1996-1997	Infrastructure and transport
39	Macedonia	Air Pollution Monitoring System	1997-1999	Environmental protection
40		Master Plan Study on Integrated Water Resources Development and Management	1997-1999	Environmental protection
41	Bosnia and Herzegovina	Feasibility Study on Rehabilitation of a Pulp, Kraft Paper and Packaging Factory	1997-1998	Mining and manufacturing
42		Feasibility Study on the Waste Water Treatment Plant of Sarajevo City	1999-1999	Infrastructure and transport
43		Transport Master Plan	1999-2001	Infrastructure and transport
44		Establishing Digital Topographic Maps	2002-	Infrastructure and transport
45	Latvia	Study on Environmental Management Plan for Lubana Wetland Complex in the Republic of Latvia	1999-2000	Environmental protection
46	Lithuania	Sewerage Facility Improvement Plans in Birzai and Skuodas	1998-1998	Infrastructure and transport
47		Study on the Development of the Pulp and Paper Industry in the Republic of Lithuania	2000-2001	Mining and manufacturing
48		Port Development Project	2002-2004	Infrastructure and transport
49	Moldova	Study on the Water Supply System in Northern Region in the Republic of Moldova	2000-2002	Infrastructure and transport
50	Slovenia	Sanitation of the Drave River by Waste Water Conservation in Industry in the City of Maribor	1995-1996	Infrastructure and transport
	Ukraine	None		
	Czech Republic	None		
	Yugoslavia	None		
	Malta	None		
	Estonia	None		

Sector	No. of projects	Percentage
Environmental protection	18	36%
Agriculture	3	6%
Infrastructure and transport	12	24%
Transition support and privatization	4	8%
Regional development and mining & manufacturing	4	8%
Energy	9	18%
Total	50	100%

Source: Compiled by the authors from reference materials for use within JICA.

Table 1-6 Grant Aid to Central and Eastern Europe (Grant Aid implemented by JICA)

	Country	Project name	Implementation year	Sector
1	Bulgaria	Project for Construction of the Purification Plant Facilities in Sofia City (1,170 million yen)	1998	Environmental protection
2	Albania	Grant Aid for Increased Food Production (500 million yen)	1999	Agriculture
3		Grant Aid for Increased Food Production (460 million yen)	2000	Agriculture
4		Project for Improvement of Medical Equipment for the Pediatric Hospital Mother Teresa of University Center of Tirana (392 million yen)	2000	Health care
5	Bosnia and Herzegovina	Project for Rehabilitation of Public Transportation in Sarajevo City (934 million yen)	1996	Infrastructure and transport
6		Project for Rehabilitation of Main Transmission Lines (3,095 million yen)	1996	Infrastructure and transport
7		Grant Aid for Increased Food Production (500 million yen)	1996	Agriculture
8		Project for Rehabilitation of Public Transportation in Sarajevo City—Phase II (464 million yen)	1997	Infrastructure and transport
9		Project for Improvement of Medical Equipment for Primary Health care Institutions (1,409 million yen)	1997	Health care
10		Project for Improvement of Medical Equipment in the Hospital in Bosnia and Herzegovina (1,791 million)	1997	Health care
11		Grant Aid for Increased Food Production (500 million yen)	1997	Agriculture
12		Project for Rehabilitation of the Public Transportation System in Banja Luka (698 million yen)	1998	Infrastructure and transport
13		Project for Equipment Supply for Road Construction (1,602 million yen)	1998	Infrastructure and transport
14		Project for Improvement of Medical Equipment in Primary Health care Institutions—Phase II (1,341 million yen)	1998	Health care
15		Grant Aid for Increased Food Production (500 million)	1998	Agriculture
16		Project for Provision of Equipment for Demining Activities (372 million yen)	2000	Others
17		Grant Aid for Increased Food Production (500 million)	2000	Agriculture
18		Project for Rehabilitation of Public Transportation System in Mostar (769 million yen)	2000	Infrastructure and transport
19		Project for Construction of Basic Schools (992 million yen)	2001	Education
20		Project for Community Based Rehabilitation Centers (593 million yen)	2002	Health care
21		Project for Construction of Basic Schools (1,089 million yen)	2002	Education
22	Macedonia	Project for Upgrading of Medical Equipment (550 million yen)	1995	Health care
23		Project or Equipment Supply for Skopje City Hospital Surgical Clinic (593 million yen)	1996	Health care
24		Project for Equipment Supply for the General Hospital of the Medical Center of Stip (805 million yen)	1997	Health care
25		Grant Aid for Increased Food Production (300 million)	1997	Agriculture
26		Project for Equipment Supply for the General Hospital of the Medical Center of Bitola (774 million yen)	1998	Health care
27		Grant Aid for Increased Food Production (250 million)	1998	Agriculture

28		Grant Aid for Increased Food Production (450 million)	1999	Agriculture
29		Grant Aid for Increased Food Production (270 million)	2000	Agriculture
30		Project for Improvement of Road Maintenance Equipment (807 million yen)	2000	Infrastructure and transport
31		Project for Improvement of Medical Equipment for Primary Health care Services (902 million yen)	2000	Health care
32		Grant Aid for Increased Food Production (270 million)	2001	Agriculture
33	Moldova	Project for Improvement of Medical Equipment for Mother and Child Republican Hospitals (505 million yen)	1998	Health care
34		Grant Aid for Increased Food Production (380 million yen)	2000	Agriculture
35		Project for Improvement of Maternal and Child Health care System in the Second Level Hospitals (715 million yen)	2000	Health care
36		Grant Aid for Increased Food Production (300 million yen)	2001	Agriculture
37		Grant Aid for Increased Food Production (300 million yen)	2002	Agriculture
38	Romania	Project for Improvement of Medical Equipment for the Floresca Emergency Hospital and the Grigore Alexandrescu Hospital (939 million yen)	1998	Health care
39	Ukraine	Grand Aid for Increased Food Production (300 million yen)	1996	Agriculture
40		Project for Improvement of Medical Equipment in the Ukrainian Specialized Children Hospital OKHMATDYT (729 million yen)	2000	Health care
41	Yugoslavia	Project for Rehabilitation of Public Transportation Capacity in Belgrade City (1,850 million yen)	2001	Infrastructure and transport
42		Project for Rehabilitation of the Bajna Basta Pumped Storage Hydroelectric Power Plant (698 million yen)	2002	Energy
	Malta	None		
	Estonia	None		
	Latvia	None		
	Lithuania	None		
	Hungary	None		
	Poland	None		
	Czech Republic	None		
	Slovakia	None		
	Slovenia	None		
	Croatia	None		

Note: Projects related to study and implementation promotion by JICA include: General Project Grant Aid, Grant Aid for Fisheries, Food Aid (KR), Grant Aid for Increased Food Production (2KR), and Grant Aid for Cultural Heritage as part of Grant Aid for Cultural Activities. Other types of aid—Grant Aid for Debt Relief, Non-Project Grant Aid, Grant Aid for Overseas Students, Grant Assistance for Grass-roots Projects, and Emergency Grant Aid—are excluded from this table.

Sector	No. of projects	Percentage
Education	2	4%
Agriculture (increased food production)	17	39%
Infrastructure and transport	8	18%
Health care	14	32%
Others	3	7%
Total	44	100%

Source: Compiled by the authors from reference materials for use within JICA.

Table 1-7 ODA Loans (Yen Loans) Extended to Central and Eastern Europe

(1) By country

Country	No. of loans	Amount approved (million yen)	Outstanding (million yen)
Albania	3	6,971	3,351
Bosnia and Herzegovina	1	4,110	82
Bulgaria	5	40,074	9,764
Hungary	1	4,914	0
Poland	1	21,392	14,454
Romania	3	47,624	2,104
Slovakia	1	11,094	84
Central and Eastern Europe total	15	136,179	29,839

Source: Compiled from reference materials for use within JBIC.

(2) By sector

Sector	No. of loans	Amount approved (million yen)
Transportation	6	85,924
Commodity loans	2	23,558
Social services	2	9,746
Electric power and gas	3	8,915
Mining and manufacturing	2	8,036
Central and Eastern Europe total	15	136,179

Source: Compiled from reference materials for use within JBIC.

Table 1-8 Yen Loans to Central and Eastern Europe (up to FY2001)

Country	Project name	Sector	Subsector	Project type	Date of approval (year/month/day)	Amount of approval (mil. yen)	Main portion (portion covered by reduced interest rate)				Consulting portion				Executing agency
							Interest rate (%)	Repayment period (years)	Grace period (years)	Tying status	Interest rate (%)	Repayment period	Grace period	Tying status	
Albania	Agriculture Sector Adjustment Loan	Commodity loans	Commodity loans		1994/5/11	2,166	1	30	10	General untied					Albanian Ministry of Finance
Albania	Drin River Hydropower Stations Rehabilitation Project	Electric power and gas	Power plants		1995/11/28	1,681	2.6	30	10	General untied					Albanian Power Corporation
Albania	Power Transmission and Distribution Project	Electric power and gas	Transmission lines and distribution systems		1996/12/19	3,124	2.3	30	10	General untied					Albanian Power Corporation
Bosnia and Herzegovina	Emergency Electric Power Improvement Project	Electric power and gas	Power plants	Environmental	1998/12/17	4,110	0.75	40	10	General untied	0.75	40	10	Bilateral tied	Public Electric Power Company of Bosnia and Herzegovina, Brown Coal Mine Kakanj, etc.
Bulgaria	Sophia Hotel Project	Social services	Tourism		1975/11/21	4,832	4.75	14	6	General untied	4.75	14	6	General untied	Committee of Reconstruction and Tourism of the Government of the People's Public of Bulgaria
Bulgaria	Industrial Pollution Improvement Project in Eliseina	Mining and manufacturing	Mining	Environmental	1995/11/27	2,081	2.7	30	10	General untied	2.3	30	10	General untied	Eliseina Ltd.
Bulgaria	Industrial Pollution Improvement Project in Plovdiv	Mining and manufacturing	Mining	Environmental	1995/11/27	5,955	2.7	30	10	General untied	2.3	30	10	General untied	KCM-S.A.
Bulgaria	Port of Bourgas Expansion Project	Transportation	Ports		1998/6/29	14,312	2.7	30	10	General untied	0.75	40	10	General untied	Port of Bourgas J.S.C.
Bulgaria	Sophia Metro Extension Project	Transportation	Railways		2002/2/6	12,894	2.2	30	10	General untied	1.8	30	10	General untied	The Municipality of Sofia
Hungary	Municipality Utilities Project of the Varpalota Region	Social services	Water supply, sewerage and sanitation		1994/11/25	4,914	5	25	7	General untied	5	25	7	General untied	The Ministry for Environment and Regional Policy
Poland	Commodity loan	Commodity loans	Commodity loans		1990/1/16	21,392	2.9	25	7	General untied					The Government of the Republic of Poland
Romania	Port of Constanza-South Development Project	Transportation	Ports		1998/2/27	12,800	2.7	30	10	General untied	2.3	30	10	General untied	Constanza Port Administration
Romania	Road Improvement Project	Transportation	Roads		1998/2/27	9,189	2.7	30	10	General untied	2.3	30	10	General untied	National Administration of Roads
Romania	Railway Rehabilitation Project of Bucharest-Constanta Line	Transportation	Railways		2001/3/30	25,635	2.2	30	10	General untied	0.75	40	10	General untied	National Railway Company CFR-S.A.
Slovakia	Motorway Construction Project	Transportation	Roads		1999/2/15	11,094	2.2	25	7	General untied	0.75	40	10	General untied	Slovak Road Administration
Total of the amounts of approval (million yen)						136,179									

Source: Compiled from reference materials for use within JBIC.

Table 1-9 List of Untied Direct Loans and Guarantees Extended to Central and Eastern Europe

No.	Country	Year/month	Borrower	Tying status	Objective	Million yen	Remarks
0	Czechoslovakia	1991/12	Government	Untied	Funds for imports for the World Bank's Structural Adjustment Program	30,000	Co-financing with the World Bank
1	Czech Republic	1993/2	National Bank	Untied	Two-Step Loan for local industry promotion	8,710	Co-financing with the World Bank
		1995/10	Czech National Railways	Untied	Project (for modernization and speedup for existing railways)	12,030	
					Subtotal	20,740	
2	Slovakia	1994/2	National Bank	Untied	Two-Step Loan for local industry promotion	4,290	
		1995/3	Government	Untied	Funds for imports for the Structural Adjustment Program	7,500	Co-financing with the World Bank
		1996/4	National Bank	Untied	Two-Step Loan for well-established local SMEs	10,000	
		1997/9	National Bank	Untied	Two-Step Loan for well-established local SMEs	20,000	
					Subtotal	41,790	
3	Hungary	1989/5	National Bank	Untied	Funds for imports for the Structural Adjustment Program	8,000	Co-financing with the World Bank
		1990/8	National Bank	Untied	Funds for imports for the Structural Adjustment Program	31,000	Co-financing with the World Bank
		1991/8	National Bank	Untied	Funds for imports for the Structural Adjustment Program	21,000	Co-financing with the World Bank
		1992/12	National Bank	Untied	Two-Step Loan for well-established local SMEs	13,000	
		1994/2	Telecommunications company	Untied	Project (for telecommunication network development in regional cities)	6,288	Co-financing with the EBRD
		1994/8	National Bank	Untied	Project for environmental improvement at 8 plants	10,000	
		1995/5	National Bank	Untied	Two-Step Loan for well-established local SMEs	13,000	
		1996/9	Export-Import Bank	Untied	Two-Step Loan for well-established local SMEs	5,000	
			Subtotal	107,288			
4	Bulgaria	1993/7	Government	Untied	Funds for imports for the Structural Adjustment Program	13,900	Co-financing with the World Bank
		1998/12	Government	Untied	Funds for imports for the Structural Adjustment Program	7,200	Co-financing with the World Bank
		2000/4	Government	Untied	Funds for imports for the Structural Adjustment Program	5,500	Co-financing with the World Bank
					Subtotal	26,600	

5	Romania	1992/12	Government	Untied	Funds for imports for the Structural Adjustment Program	15,500	Co-financing with the World Bank
		1997/7	Government	Untied	Funds for imports for the Structural Adjustment Program	4,575	Co-financing with the World Bank
		2001/3	Government	Untied	Project (for railroad infrastructure)	12,325	Guarantee
					Subtotal	32,400	
6	Estonia	1993/4	Government	Untied	Funds for importing goods necessary for rehabilitation in major sectors such as energy, agriculture, transport and health	2,980	Co-financing with the World Bank
7	Latvia	1993/11	Government	Untied	Funds for importing goods necessary for rehabilitation in major sectors such as energy, agriculture, transport and health	3,599	Co-financing with the World Bank
		1995/7	Government	Untied	Projects (economic infrastructure development project and industry project)	3,184	Co-financing with the EBRD
					Subtotal	6,783	
8	Lithuania	1993/6	Government	United	Funds for importing goods necessary for rehabilitation in major sectors such as energy, agriculture, transport and health	6,660	Co-financing with the World Bank
		1995/7	Government	United	Projects (economic infrastructure development project and industry project)	4,245	Co-financing with the EBRD
					Subtotal	10,905	
9	Moldova	1994/9	Government	United	Funds for importing spare parts, materials, etc. in the specified sectors including energy, health, agriculture and industry (rehabilitation loan)	5,308	Co-financing with the World Bank
10	Ukraine	1995/12	Government	United	Funds for Ukraine imports (rehabilitation loan)	18,000	Co-financing with the World Bank
					Subtotal	18,000	
					Total	302,794	

Source: Compiled from reference materials for use within JBIC.