

SIGMA IMPLEMENTATION REPORT 1995

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Paris 1996

40688

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THE SIGMA PROGRAMME

SIGMA -- Support for Improvement in Governance and Management in central and eastern European countries -- is a joint initiative of the OECD Centre for Co-operation with the Economies in Transition and EC/PHARE, mainly financed by EC/PHARE. The OECD and several OECD Member countries also provide resources. SIGMA assists public administration reform efforts in Central and Eastern Europe.

The OECD -- Organisation for Economic Co-operation and Development -- is an intergovernmental organisation of 25 democracies with advanced market economies. The Centre channels OECD advice and assistance over a wide range of economic issues to reforming countries in Central and Eastern Europe and the former Soviet Union. EC/PHARE provides grant financing to support its partner countries in Central and Eastern Europe to the stage where they are ready to assume the obligations of membership of the European Union.

Established in 1992, SIGMA operates within the OECD's Public Management Service (PUMA). PUMA provides information and expert analysis on public management to policy-makers in OECD Member countries, and facilitates contact and exchange of experience amongst public sector managers. Through PUMA, SIGMA offers eleven countries a wealth of technical knowledge accumulated over many years of study and action.

Participating governments and the SIGMA Secretariat collaborate in a flexible manner to establish work programmes designed to strengthen capacities for improving governance in line with each government's priorities and SIGMA's mission. The initiative relies on a network of experienced public administrators to provide counselling services and comparative analysis among different management systems. SIGMA also works closely with other international donors promoting administrative reform and democratic development.

Throughout its work, SIGMA places a high priority on facilitating co-operation among governments. This includes providing logistical support to the formation of networks of public administration practitioners in Central and Eastern Europe, and between these practitioners and their counterparts in OECD Member countries.

SIGMA's activities are divided into six areas: Reform of Public Institutions, Management of Policy-making, Expenditure Management, Management of the Public Service, Administrative Oversight, and Information Services.

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**REPORT ON THE IMPLEMENTATION OF
THE SIGMA PROGRAMME IN 1995**

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I. INTRODUCTION

It is a legacy of the Cold War to describe Central and Eastern Europe as a unified bloc. Initial foreign support dealt with the region's countries collectively. Yet as they have exploited their new-found liberties over the past six years, these countries have begun to grow even further apart and return to historical cultural and geo-political roots. Donors, and SIGMA, have become increasingly sensitive to this trend.

Differences notwithstanding, one notes certain commonalities, including a maturation of political systems. With the passing of transition's turbulent initial phase, natural political groupings seem to be taking shape in more settled conditions. Parties recognisable throughout Europe, such as Social Democrats, Liberals and Christian Democrats, can be found most everywhere.

During 1995, governments displayed relative stability, despite tensions and occasional splits among ruling coalition partners. Where elections were held, power passed smoothly from those turned out by voters to those newly entrusted with the reins of power. With further consolidation in transition, enhanced political stability could develop, permitting sustained attention to needed institutional change. However, new constitutional mechanisms will need to be vigilantly protected.

On the economic front, the achievements since the beginning of transition have been remarkable. Macroeconomic stabilisation, price and foreign trade liberalisation, and extensive privatisation have been achieved throughout Central and Eastern Europe. Growth of the SME sector has been striking. Output decline is over and with the right conditions, policies and assistance, countries can anticipate continued growth.

Nonetheless, economic and political reforms have slowed in certain quarters. This loss of momentum must be overcome for countries to fulfil their full potential and "catch up" with the rest of Europe. Key challenges which pose a threat to progress and social cohesion include growing income inequality and new concentrations of poverty. Demands on social services by those hardest hit by transition have put severe strains on unreformed budgetary systems, new social service administrations and public service ethics. The restructuring of these systems as well as state institutions is critical to managing the challenges effectively.

Administrative Reform

The growing importance of diversified private sectors, and the consequent need for new ways of social and economic regulating, are forcing governments to re-think structures and processes. This trend is reinforced by demands of the European integration process, which in 1995 soared to the forefront of policy agendas in all countries. The need to approximate legal systems to European norms, and to cultivate closer relations with regional and international organisations, has exposed weaknesses in policy formulation, co-ordination and implementation.

Every beneficiary country made some change to its public administration in 1995 -- adopting a public procurement act, implementing a civil service law, restructuring central policy-co-ordination bodies, etc. However, these steps often were piecemeal and governments continue to find it difficult to formulate comprehensive strategies for the modernisation of state institutions.

In particular, the gap between the needs and capacities of central management systems, such as budgeting and personnel systems, is growing wider. Even where individual reforms have taken place, critical elements for success -- implementation capacities, project management skills, political determination and resources -- have been missing.

As public administrations take on their new roles in the economy and society, promoting public service ethical behaviour has become a dominating concern. However, civil service reform and administrative oversight mechanisms raise sensitive political and constitutional issues. At times, governments and the governed have not been prepared to face the challenges implied by introducing and enforcing strict new standards.

Creation of administrative environments which are economically efficient, adequate to manage European integration, and meet high demand for social services, put pressure on governments to improve the way resources are used. This implies the need to dedicate more effort in developing a professional civil service, and extending the administration's institutional capacity to allocate funds, improve service quality, implement control systems and, in general, manage policy-making.

The next years will highlight more than ever the imperative of reforming the public administration -- and the great costs of shying away from the task.

SIGMA Under Evaluation

At the outset of the second phase of SIGMA, an independent evaluator was selected by competitive tender -- the Warsaw-based Policy Education Centre for Assistance to Transition (PECAT). The contract specified production of two interim reports and a final evaluation at the end of the Convention under which the Programme operates. The Liaison Group, SIGMA's steering committee, considered the *First Interim Report*, based on performance to August 1995, at its seventh meeting in October 1995.

The Liaison Group recognised the report as professional and of high quality. Participants endorsed the positive elements of the evaluation, and reiterated their favourable assessment of SIGMA -- especially its responsiveness and quality of technical assistance. The *Second Interim Report*, scheduled for delivery in early 1996, will assess the Programme's performance through the end of 1995. Section IV of the *Implementation Report* examines the evaluation process and the *First Interim Report* in greater detail.

II. PROGRESS BY ACTIVITY (MULTI-COUNTRY ACTIVITIES)

ACTIVITY 1: REFORM OF PUBLIC INSTITUTIONS

In the region as a whole there is an expectation of greater political stability providing the preconditions for long-term institutional policies. During 1995, while just three governments proposed broad-based reform strategies, there was growing appreciation of the importance of public administration reform in all countries. The priority of integrating into regional and international organisations, combined with the impact of globalisation on policy-making, exerted pressure to undertake reforms. Policy-makers have begun to see such pressures as a potential lever to engender institutional change.

The importance of integration into "Western" structures on policy agendas is underlined by the fact that by December, eight countries had applied for membership in the European Union. Virtually all took steps to improve co-ordination and management of policies connected with European integration. One country, the Czech Republic, became the first formerly Communist country to join the OECD in the final weeks of the year. At that time, it was also expected that Hungary and Poland would join in the coming months.

No fewer than four countries were in the process of preparing new constitutions or debating changes to existing ones, and five now have passed Civil Service Acts. The majority of countries sought SIGMA assistance in drafting or implementing Public Procurement Acts, and all devoted at least some resources to studying ways to strengthen auditing and management control systems. All countries examined the need to train civil servants, and a few pursued concrete initiatives in this area. For example, a couple laid the ground work for creating a Top Management Service. In addition, some countries worked on laws clarifying relations between the central government and sub-national governments.

At year's end, however, it was clear that governments have a long way to go in adapting organisations and human resources, simplifying procedures, increasing information transparency and opening up the regulatory process to greater public participation.

Liaison Group Deliberations

At its seventh meeting, held 22-23 October in Paris, the Liaison Group examined areas of governance that need to be addressed to satisfy the demands of European integration, including requirements related to the implementation of the EU White Paper. Participants emphasised the pressing need to upgrade regulatory processes and the skills of public servants. In addition, they also highlighted the reform of expenditure management systems and the enhancement of "service quality" and ethics, especially as applied to enforcement functions of the state, as areas warranting attention.

The Liaison Group also discussed the future of SIGMA beyond May 1996. Participants recorded strong interest of beneficiary countries and donors in continuing the Programme, and agreed to work together to explore possibilities to satisfy that interest.

Among the other major subjects addressed at the meeting was the evaluation of SIGMA. This is addressed in Part IV of the Implementation Report.

ACTIVITY 2: MANAGEMENT OF POLICY-MAKING

All beneficiary countries have now developed formal frameworks, both structural and procedural, to manage the central policy-making activities of the head of government, the council of ministers and associated support and advisory bodies. These institutional frameworks are, at least formally, largely in line with practices in Western countries.

Some institution-building areas will require more focused attention in the near and medium term. For example, there is a need to address macro-level "machinery of government" issues, such as the delineation of portfolio responsibilities, the structures and roles of ministries, and interministerial policy co-ordination mechanisms.

There is also a pressing need to build better systemic linkages between the policy-making process and the budgetary process. Progress in this area has so far been modest, partly because improvements are dependent on the development of modern budgetary systems and traditions of institutional co-operation.

Other areas that require attention include: the strengthening of mechanisms to ensure the implementation of policy decisions; the improvement of management systems for the production of legislative and regulatory norms; the progressive development of consultative mechanisms to involve new actors in the policy formulation processes; and the upgrading of governmental communications capacities, both as a means of managing information flows within government and as a tool for greater policy coherence.

Government Policy-making and Implementation

Support in improving co-ordination processes and procedures, both at the centre of government and with line ministries, was the focal point of SIGMA's work in 1995. Beneficiary countries' recognition of this need was strengthened by the increasing globalisation of policy-making and central and eastern European countries' wish to adhere to international standards, especially in relation to accession to international bodies such as the EU and OECD. As an example, preparation for the implementation of the EU White Paper became the "engine" for improving the quality and efficiency of policy-making.

The review of policy-making and co-ordination systems and procedures for approximation of law in beneficiary countries continued throughout the year, with fact-finding and advisory missions to Latvia, Hungary, Lithuania, Romania, the Czech Republic and Slovakia.

Managing the Internationalisation of Policy-Making

Two workshops built upon an earlier meeting at the Joint Vienna Institute in June 1993 on "Improving the Quality of Laws and Regulations".

The first was held at the European College at Natolin near Warsaw, in July. Senior practitioners and experts from SIGMA and OECD countries met to exchange information on strategies, structures and processes for the integration of domestic and international aspects of policy-making. The papers presented at the workshop are being published along with summaries of the domestic and international policy co-ordination structures established in the eleven beneficiary countries, and are expected to be available in 1996.

An important conclusion of the Warsaw workshop was that central and eastern European countries must intensify efforts to improve their legislative and regulatory management systems for three main reasons: first, in order to continue developing effective public institutions capable of sustaining market economies and democratic pluralist systems; second, to support the approximation of laws process; and third, to ensure mechanisms of market regulation are efficient from a budgetary and economic standpoint.

After the Warsaw workshop many countries expressed the wish for national workshops on the same subject, tailored to their specific requirements (see national actions).

Managing Legislation and Regulation

Building on the Vienna and Warsaw meetings, a workshop on Legislative and Regulatory Management was held in Paris in December. Its purpose was to examine new ways of improving governments' capacity to produce and implement legislative and regulatory instruments, including how to manage consultation processes. Officials responsible for the management of legislative and regulatory processes and those involved in managing the process of the approximation of laws to international standards exchanged experience with experts from Austria, Finland, France, Hungary, Norway, Poland and the European Commission. Participants reviewed key requirements for the design of laws and regulations and examined how computerised legal information systems can help ensure legislative coherence and compliance.

Structuring and hierarchy of legal/regulatory instruments

A joint PUMA/SIGMA comparative study on the structuring and hierarchy of legal/regulatory instruments was launched, with the objective of developing a tool based on a common framework of regulatory instruments. This should help regulatory designers and their advisers understand other jurisdictions.

ACTIVITY 3: EXPENDITURE MANAGEMENT

Reform and modernisation priorities in expenditure management varied greatly among countries, while elections and government changes interrupted momentum in some. Organic Budget Laws continued to be improved with fresh drafts or amendments but, in several countries, still lack important features of those in the advanced economies.

In the area of fiscal policy management and budget preparation, a number of finance ministries sought to understand the content and dynamics of the expenditure "base" through policy programme analysis, as a potential offset to the customary demands for incremental growth. These efforts should reinforce the introduction of internationally accepted budget and account classifications, with greatly improved accounting and reporting for analysis, more rigorous analysis by the central budget offices, with greater transparency in the budget presentation and documentation, and a meaningful use of information technology in the budgeting process.

A mounting concern for more effective financial control during budget implementation has emerged in many countries and it is mirrored by parliamentary and government interest in monitoring and controlling the implementation of policy decisions. The roles of different financial control institutions and the rationalisation of control methods in both central organisations and line ministries are on the agenda in many countries.

Management Controls

Serious concern and attention to control issues have become evident in cabinet offices and finance ministries of many countries. At the same time, officials remain uncertain about how to develop an integrated strategy on controls. In some cases, there is confusion or unrealistic expectations about the role of the Supreme Audit Institution (SAI) relative to the tasks before the administration itself. With the objective of contributing to the dialogue within countries, a project was launched to communicate concepts and practices which have become prominent in a number of western countries in recent decades, under such names as Internal Control or Management Control.

In many of these countries, Management Control is a major element in the design of organisation structures, definitions of delegated authority, financial management and personnel management systems, the role of audit relative to the role of management and all other major administrative processes. In contrast to the traditions in most central and eastern European countries, the prevailing practice in most OECD countries places the primary responsibility for control on line management. The SAI, meanwhile, strongly "promotes" strengthened management control and validates, through systematic audit studies, the controls already in place.

As part of SIGMA's project on Management Control, experienced professionals from eight OECD Member countries prepared texts, in collaboration with Poland's Supreme Chamber of Control, for the reference publication on *Management Control in Modern Government Administration: Some Comparative Practices*. The papers provide real examples of the principles set forth in *Guidelines for Internal Control Standards*, published by the International Organisation of Supreme Audit Institutions (INTOSAI), which authorised the publishing of its guidelines as a convenient reference annex in the publication.

The papers also illustrate the widely different approaches that exist to implement management control and demonstrate the weaknesses and mistakes to which, like other management functions, it is subject. They illustrate as well the underlying validity of the concept of management control, especially

in a period when governments everywhere are trying to decentralise operations. The publication will be distributed widely in central and eastern European countries in February 1996.

A multi-country seminar for SAIs, co-hosted by the Polish Supreme Chamber of Control, to be held in March in Golawice, Poland, as well as a number of national seminars for senior line ministry officials, budget offices and control bodies, are planned for 1996.

Generic Public Procurement Manual

SIGMA is providing the expertise to develop, with the International Training Centre of the International Labour Organisation (ITC/ILO), a generic public procurement manual, designed to be "nationalised" by countries and used by procurement managers and operators in all CEE administrations.

The broad outline of the project, which emerged from discussions among procurement experts representing the European Commission, World Bank, European Bank for Reconstruction and Development, GTZ/Prompt, SIGMA and ITC/ILO, was presented to CEE experts at a seminar held in December 1994, jointly organised by SIGMA and the DGXV, with the help of Phare, in Brussels. Their positive feedback was taken as an endorsement and SIGMA was encouraged to proceed. Once the texts have been approved -- by a panel of CEE procurement experts -- the manual will be distributed to all beneficiary countries.

Audit Practices Concerning Sensitive Programmes and Institutions

A comparative study of four western European country practices regarding relationships with sensitive audit subjects was completed at year end for distribution to beneficiary countries in 1996. Supreme audit institutions in a number of countries have expressed a wish to establish practical ground rules, modelled on those accepted in Western Europe, to govern their relations with audit subjects such as presidential offices, defence and security forces, the prime ministry and parliament.

**ACTIVITIES 2/3:
BUDGETING AND POLICY-MAKING: HARMONISATION AND COMPLEMENTARITY**

Activity Sector 2 (Management of Policy-Making) and 3 (Expenditure Management) launched, in mid-1995, a joint project to examine the linkages and complementarities between the budgetary and policy-making processes. The project will examine the roles and functions of key institutional actors (eg, the centre of government, the budget ministry) in ensuring that the policy-making agenda takes into account economic and fiscal realities, and that the budget accurately reflects the government's policy priorities. The project will look at key elements specific to SIGMA beneficiary countries, in order to determine to what extent they can learn and benefit from the experience of OECD Member countries.

The project has two components: a publication, *Budgeting and Policy-Making: Harmonisation and Complementarity*, expected to appear in 1996, and a multi-country seminar to be held in April 1996. The publication will be used as a reference tool on the design, structure and management of the budgetary process and the policy-making system, while the multi-country seminar is aimed at an audience of high-level officials from the budget office and centres of government.

ACTIVITY 4: PUBLIC SERVICE

Management of the Public Service

Central and eastern European countries lack the tradition of having specific legislation for public servants. With the exception of Poland, where there is a 1982 law on civil servants (amended in 1994), and Estonia, Hungary, Latvia and Lithuania -- which all have new Civil Service Laws -- the work in the public administrations is based on the general labour codes.

In central and eastern European countries' administrations, the regulatory framework tends to be incomplete and the quality unsatisfactory. There is no tradition of rule of law or accountability. Effective functions for quality control are not in place. These conditions lead to unpredictable and unequal decision-making and, alongside low salary levels, open up the way for corruption.

Common standards for selection, recruitment, promotion, management and training of staff are lacking, and the decision-making process is not transparent. This gives considerable discretionary powers to each state institution, or even to managers, in making management decisions regarding staff. It also creates a public administration in which ministries and other public institutions operate as independent employers with few links to the centre or to other public institutions, in terms of personnel management.

To improve the professionalism and performance of the public service, crucial personnel management areas -- such as selection and recruitment, promotion, remuneration, training, career management and quality control -- must be addressed. In addition, appropriate conduct and professional standards need to be defined. One particularly important area to address is the management of top officials and their careers.

Development of Human Resources Management Policies

Only a few central and eastern European countries have implemented civil service reforms supported by Civil Service Laws. SIGMA thus addressed issues of staffing and conduct, also in a labour code context. A project to prepare tools for enhancing performance and professionalism in public administrations through improved personnel management systems, procedures and practices was launched, with the participation of experts from countries in transition. The project will be useful in addressing management issues both in countries implementing Civil Service Laws, as well as in those lacking such laws, but where governments want to improve the performance and professionalism of the administration in a labour code context.

Throughout the year, SIGMA actions addressed issues related to funding and the financial impact of civil service reform and of improved personnel management in a labour-code based administration.

Work on budgeting and monitoring of personnel costs, which had been carried out on the national level, continued on the multi-country level. A multi-country meeting on these subjects was scheduled for March 1996.

An area with heavy and long-term cost-implications is that of pensions. A multi-country seminar on civil service pension schemes was held in December in Tallinn, with participants from the central and eastern European countries and from France, Germany, the Netherlands, Sweden and the United Kingdom. Seminar papers will be published and distributed to public administration practitioners in 1996.

Improving Legal Framework and Institutional Structures

The passing of a Civil Service Law defining the status and conditions for civil servants is regarded in most central and eastern European countries as the means to change and improve the quality and conduct of the administration. By the end of 1995, only five countries had passed new Civil Service Laws, not all which had been fully implemented.

A problem in several countries seemed to be the lack of an explicit concept of the civil service, including objectives, design, and implementation strategy. Civil Service Laws have often been drafted from a Labour Code perspective and by experts on labour codes with access to information on western European systems but without national, politically-defined goals and guidelines.

Another problem experienced in a number of countries has been the tradition of sectorised personnel management and the lack of centralised policy-making, regulating and monitoring powers, essential for the implementation of a Civil Service Law and for uniform management of personnel. These factors all added to the difficulty in gaining political acceptance of Civil Service Laws, both in governments and parliaments.

Since all countries were preparing, or already had, Civil Service Laws -- although they were all at different stages of the process, there was no need to address issues related to drafting and implementing Civil Service Laws on a multi-country level. In 1995, therefore, SIGMA only carried out national actions under this sub-activity.

Development of Staff and Organisations

Training is one of the most important features in the development of consistency among legal frameworks, management institutions, management systems and day-to-day management. It also is key to the establishment of professional, non-political and financially-controlled administrations, with conduct ruled by law and guided by openness and service to the public.

Considerable training has been taking place in the central and eastern European countries' administrations, with support of various donors. The training component is considerable in each national EU/Phare public administration reform (PAR) programme. In countries with Civil Service Laws, training programmes are to some extent part of co-ordinated civil service reform, but training programmes in all countries were often seen to be inconsistent and not sufficiently co-ordinated.

A comparative study of systems and structures for training in the eleven beneficiary countries was launched to determine how to better target training resources aimed at improving the quality of the administration's performance. The resulting publication, due to appear in spring 1996, *Profiles of Public Service Training Systems in the Central and Eastern European Countries*, will provide an overview of the structure, content and funding of in-service training in the eleven countries. It should help countries to assess their training policies, systems and needs, and assist donors in finding counterparts.

Central and eastern European administrations are increasingly influenced by international standards, and many officials have contacts on a daily basis; this implies training needs. Further, when a country takes the political decision to join an international body, preparatory training programmes are required for critical parts of the administration. A multi-country seminar on "Training for Internationalisation", held in Budapest in May, brought together participants from the SIGMA countries and from Austria, Finland, France, Portugal and Sweden. Seminar papers will be published and widely disseminated in 1996.

Top Management Service in Central Government (SIGMA Papers No. 1) was published during the year and distributed to officials responsible for human resource issues in Central and Eastern Europe. The publication provides a tool for developing a system for management and training of the very top officials in government, in a national context.

ACTIVITY 5: ADMINISTRATIVE OVERSIGHT

Throughout the region, the need for transparent public administration acting under the rule of law and democratic control has been recognised as crucial, not only to carry out public administration reforms but also to gain the confidence of the public. Unethical behaviour can be found at all levels of the administration in the post-communist countries. Under the communist regimes, public administration tasks were not guided by the rule of law; they were carried out by non-transparent, arbitrary decision-making practices. When these arbitrary administration practices continue in the new democracies, they create problems of inequity and corruption. The contexts and expectations in which the administrations must function have changed. In addition, new incentives and possibilities for corruption may also emerge when reforms and changes sweep through society.

Many international organisations have explored this complex area. For its part, SIGMA has contributed to the development of efficient, transparent public administration which acts under the rule of law through work related to legislative techniques, administrative procedures and controls, employment conditions, and management of staff and ethical standards.

Administrative control institutions and mechanisms have been established in countries in transition, although they often need strengthening. Learning from the experience of other countries is valuable for further development of the existing institutions, and also to provide exposure to alternative ways of oversight through a systematic approach to administrative procedures and control institutions.

Administrative Procedures Acts and Administrative Oversight Institutions

It seems likely that administrative quality and administrative control will be on the agendas of several central and eastern European governments for the coming years. Administrative Procedures Acts will be drafted or amended and oversight institutions will be established or reviewed. To match this development, SIGMA launched two multi-country projects during the year. Reports on each are expected to be issued for wide circulation in the spring of 1996.

In March, experts from Albania, Czech Republic, Germany, Greece, Italy, Hungary, Latvia, Netherlands, Poland, Romania, Sweden and the Council of Europe met in Paris to identify and plan future actions and products related to combatting corruption in public administrations. The meeting contributed to the establishment of a network of experts on administrative law, and helped to determine priorities for action. A project on administrative law in the EU countries was subsequently launched. The experts identified a need for reference material on administrative oversight mechanisms in Western Europe and for a review of the implementation content. Three comparative studies -- on administrative Procedures Acts; administrative oversight institutions; and basic public law principles and institutions in a modern democratic society -- will be published.

Finally, a project on administrative law in CEE national contexts was also begun. The legal frameworks as well as the institutional contexts in which the laws are applicable will be analysed in Albania, Bulgaria, Estonia, Hungary and Poland. At a later stage, the project may be extended to include other countries in Central and Eastern Europe.

ACTIVITY 6: INFORMATION SERVICES

The design and implementation of public administration reform is recognised as an increasingly urgent task in Central and Eastern Europe. In planning reforms, policy-makers have sought examples and experience from other countries, including neighbouring states also coping with transition. The Liaison Group recognised the need for improving access to published material on reform topics at its meeting in October 1994, when participants endorsed the creation of an activity to promote information sharing.

In line with the Liaison Group's decision, the Secretariat expanded its mailing list, launched a quarterly newsletter, updated the *Public Management Profiles: SIGMA Countries*, began designing a World Wide Web page, enhanced the quality and dissemination of programme management reports, and upgraded its documentation facility. Reports continued to be distributed free of charge to public administration practitioners in Central and Eastern Europe, and to others with a professional interest in the restructuring of state institutions.

Public Management Forum

In May, 6 000 copies of the inaugural issue of the quarterly newsletter, *Public Management Forum (PMF)*, were distributed in English and French via the post and at workshops, on missions and during meetings. Targeted recipients of the quarterly bulletin have included civil servants, donors, researchers, interest groups, public management instructors, parliamentarians, specialised newsletters and journals, and representatives of the media. Four issues of the *Public Management Forum* were drafted during 1995.

The newsletter quickly became recognised as a regular forum for sharing experiences, theories and proposals on the changing structure and role of state institutions in SIGMA countries. It also contributed to the development of professional networks of public administration practitioners by providing details of conferences, workshops, and publications, as well as the addresses and phone numbers of authors. *PMF* also served to apprise other donors of SIGMA's work areas and topical subjects in public administration reform in Central and Eastern Europe.

Articles appearing in the early issues of *Public Management Forum* included: "Public Administration in the Classroom in Central and Eastern Europe," "Six Steps to a Modern Public Procurement System," "Governments Examine Regulatory Burdens on Business," "Growing Pressure to Manage Internationalisation," "Preparing Public Servants for European Integration," and "Governments Move to Reform Public Sector Pay." Two prime ministers were among those interviewed on transformation of state institutions.

Information Management

The size of the Programme's mailing list was doubled to nearly 2 000 entries by the end of December. The list, divided into a number of codes and subcodes, has facilitated the targeted distribution of publications on specific themes to those who could make the most use of them. The list has been updated regularly based on information collected by staff, names provided by SIGMA country governments, and inquiries by persons following public administration developments.

In order to improve access by counsellors and beneficiary countries to basic documentation, including SIGMA reports and copies of laws and regulations, the Secretariat re-organised its internal documentation facility. Design of a World Wide Web page also began with the goal of providing information cost-effectively via the Internet. Plans were made to expand the variety of on-line resources,

and to link the "SIGMA Homepage" to others dealing with public management and Central and Eastern Europe.

Dissemination of Publications

The year witnessed the launch of a publications series entitled "SIGMA Papers," marked by the release of *Top Management Service in Central Government: Introducing a System for the Higher Civil Service in Central and Eastern European Countries*. (An earlier version of this paper previously had been made available to the Liaison Group). The new series is to include specialised reports prepared as contributions to the Programme's work. Each report will focus on a particular issue of public management, such as expenditure control, administrative oversight, policy co-ordination, and public service management.

Constitutions of Central and Eastern European Countries and the Baltic States was the second paper in this series, which is expected to comprise at least seven publications before the expiration of the current SIGMA Convention in May 1996.

Several hundred copies of each of the aforementioned publications have been distributed around beneficiary countries and to donors. In addition, papers presented at certain SIGMA events organised in 1995 were in the process of being packaged for wide dissemination in the coming year. These include documents prepared for the seminars on "Training for Internationalisation" (May, Budapest); "Internationalisation of Policy-making" (July, Natolin, Poland); and "The Civil Service and Communications" (November, near Budapest).

Public Management Profiles

A revised and updated edition of the *Public Management Profiles - SIGMA Countries* brought to eleven the number of national administrations examined by this detailed report. This edition generally follows the format established in the original version released in 1993. The new edition comprises 253 pages and reviews the organisation and responsibilities of judicial, legislative, and executive authorities; state audit offices; ombudsmen; trade unions; and delivery systems for education, health and social welfare.

Programme Reporting

To better fulfil its reporting obligations to donors, evaluators and partner countries, the Programme revamped its *Monthly Activities Report* and sharply increased circulation to those with a direct stake in SIGMA's implementation. Among the elements added to the document were a summary table, overview of a topical issue area in which the Programme is active ("SIGMA This Month"), accounting codes associated with actions, and up-to-date financial data.

In addition, the Secretariat released the *Report on the Implementation of the SIGMA Programme in 1994*, and began work on the report for 1995 (scheduled for release in spring 1996).

III. DEVELOPMENTS BY COUNTRY

ALBANIA

Recent Political Developments

The Democratic Party-led coalition has remained in power since the last elections (1992). Elections are scheduled for spring 1996. Privatisation progressed throughout the year, and about 75 per cent of state companies have been sold off. While the transition period has been extremely difficult, Albania enjoyed relative political stability, and the economic growth rate was one of the highest in the region.

Public Administration Reform

The government pursued constitutional and legal reform, particularly the preparation of a new Constitution. Until the new Constitution is adopted, the fundamental legal base remains the Law on Major Constitutional Provisions, which was enacted in April 1991 and amended several times in 1992 and 1993. Administrative reform focused on the civil service, the structure and operation of the central and local administrations and administrative procedures. The Office of the Prime Minister has the leading responsibility for administrative reform, and works in close liaison with the Ministries of Finance, Interior, Justice and Labour.

MANAGEMENT OF POLICY-MAKING

Government Policy-Making and Implementation

The Regulation on the Organisation of the Council of Ministers was adopted in February. SIGMA experts from Ireland and Greece gave advice on organising the Prime Minister's Office to fulfil the mandate set out in the new regulation.

EXPENDITURE MANAGEMENT

Public Procurement

Following a SIGMA panel review in January of the draft Public Procurement Law -- prepared with World Bank assistance -- a study visit was organised for the Director of the Public Procurement Unit, Ministry of the Interior, to examine France's central management unit for public procurement and central purchasing unit. Since Albania's draft procurement law was based on the model law designed by the UN Commission for International Trade (UNCITRAL), SIGMA sponsored the participation of the Albanian Director of the Public Procurement Unit, Ministry of Industry and Trade, at the annual UNCITRAL Symposium on International Trade Law in May. Parliament passed the Public Procurement Law in mid-year.

Budgetary Planning

SIGMA provided comments to the Ministry of Finance on the Organic Budget Law, which was being amended. Comparative documentation was provided to illustrate options for managing contingency reserves and for structuring the legislature's debate on the budget. Two workshops were held on the subject of drafting such amendments, one (in May) with the Budget Department team preparing a revised Organic Budget Law, and a second, held in August with Finance Ministry officials. An amended draft law was subsequently submitted to Parliament in September.

Local Government/Central Government Fiscal Relations

In October, a workshop was held for the Ministries of Finance, Internal Affairs and Justice on local government responsibilities and financing. It was based, in part, on the Albanian translation of the synthesis chapter of the SIGMA publication *State Budget Support to Local Government*. At the request of the State Secretary for Local Government, a SIGMA expert submitted recommendations for resolving key issues so that detailed drafting could proceed.

Public Investment Programming

In October, SIGMA advised the Department for Economic Development and Foreign Aid Co-ordination (DEDFAC) on the legislative framework, distribution of responsibilities, and technical, structural and analytical approaches for the development of the public investment planning system. This was followed by a series of workshops on procedures and methodology for Public Investment Programming. At these workshops, the experiences of Greece and Portugal were examined in detail, using legal, technical and procedural material translated from relevant Greek and Portuguese documents.

PUBLIC SERVICE

Development of Human Resources Management Policies

Two study visits to Rome provided the opportunity for two advisors from the Prime Minister's Office to examine Italy's public administration, with particular attention to the establishment of a professional civil service. SIGMA worked closely with the Trade Development Institute (TDI) consultant team reviewing the EU/Phare Public Administration Reform Programme, and held in-depth discussions with the Programme Team Director on its key findings and recommendations, which were presented in the final report submitted to the Prime Minister's Office in early December.

On 29 August - 1 September, SIGMA organised a study visit to Paris, in co-operation with the French *Ministère de la Fonction publique* and the International Institute for Public Administration, for eight senior Albanian public officials to examine recruitment and remuneration systems, manpower planning, and the role of secretaries of state. The officials met with the *Conseil d'Etat, Secrétariat général du Gouvernement, Ministères de la Fonction publique, de l'Intérieur et de l'Agriculture* and the *Préfecture des Yvelines*. They also participated in a one-day seminar with SIGMA staff. This visit to France, as well as similar visits of senior officials to Germany and the United Kingdom, were funded by the Phare National Programme.

Improving Legal Framework and Institutional Structures

SIGMA continued to advise the Department for Public Administration in the Prime Minister's Office on the preparation of a number of laws (including a Civil Service Law). The TDI team working under the Phare National Programme provided drafting support to the Prime Minister's Office. By early January draft legislation had been circulated to line ministries for comment. SIGMA organised a panel review in June of a draft Civil Service Law. The review report was forwarded to the Prime Minister's Office in late July, and further advice on the draft law was provided in October.

In late December a SIGMA panel reviewed the draft law on supplementary pensions for civil servants. The panel included three of the five experts from EU Member states who had participated in the SIGMA multi-country seminar on Civil Service Pension Schemes in Tallinn earlier in the month.

Development of Staff and Organisations

In the final report on the first phase of the EU/Phare National Programme, delivered by TDI in December, it was suggested that SIGMA support the establishment of a top management training programme in Albania. Together with the Department for Public Administration in the Prime Minister's Office, SIGMA began planning for the establishment of a training "club" to improve the professional quality and performance of senior managers and to reduce the negative effects of a sectorised central government structure.

The TDI final report on the first phase of the Reform Programme considered this project to be a link to the second phase, which was put out for tender.

BULGARIA

Recent Political Developments

Following its victory in the December 1994 elections, the Bulgarian Socialist Party (BSP) secured a comfortable parliamentary majority throughout the year. The government is trying to encourage foreign investment, which is relatively low, but much depends on privatisation. The voucher sale of about 1 200 state-owned companies was planned for early 1996.

Public Administration Reform

The government is committed to European integration and has used the creation of interministerial mechanisms to address the issue of administrative reform in general. The government also created a central administrative reform unit, implementing an earlier decision.

In the summer, the government assigned the administrative reform portfolio to a vice prime minister. A reform strategy, aimed at establishing a professional administration through improvement of administrative processes, development of human resources and introduction of information technologies, was being prepared at year end.

REFORM OF PUBLIC INSTITUTIONS

Administrative Reform

In September, the Council of Ministers organised a workshop on administrative reform, which brought together senior staff from all ministries. SIGMA staff addressed issues relating to strategies for public administrative reform in the context of European integration. Results of a questionnaire outlining reform problems and opportunities, which was sent to ministries prior to the meeting, were examined, and will be used in the development of a long-term strategy.

Negotiation Skills

A workshop, jointly organised with the Ministry of Commerce and External Economic Co-operation in November, served as an introduction to behavioural and procedural features of negotiation, in which participants explored ways of improving interministerial co-operation. It was attended by young civil servants who will be working on implementation of the EU White Paper.

MANAGEMENT OF POLICY-MAKING

Internationalisation of Policy-Making

In October and November, experts from Germany, Greece, Portugal and from the European Institute of Public Administration (EIPA) in Maastricht, advised deputy ministers and ministerial secretaries-general on policy co-ordination and management needs which derive from the internationalisation of policy-making. A follow-up workshop has been requested for 1996 to examine further the role and functions of ministerial secretaries-general and to improve the levels of co-ordination between the centre of government, line ministries and other government agencies.

EXPENDITURE MANAGEMENT

Budgetary Planning

The passage by Parliament of the Organic Budget Law, prepared during 1994 with the support of a SIGMA panel review and drafting workshops, was delayed into early 1995. The Ministry of Finance, in preparation for the implementation of the new law, continued its comparative study of the budgeting systems of selected western European countries, particularly Belgium, and a workshop on this subject was led by an expert from the Belgian Ministry of Finance. In September, Bulgarian officials made a study visit to the expert's Ministry.

The passage of the Organic Budget Law also led the Parliament to legislate the establishment of the Supreme Audit Institution (SAI). Parliamentary discussions revealed a desire for more information on how the various control institutions, both parliamentary and administrative, should integrate their roles and policies. Preliminary plans were made for one or more seminars to be held in 1996.

CZECH REPUBLIC

Recent Political Developments

The country is governed by a coalition composed mainly of the Civic Democratic Party (ODS) of Prime Minister Vaclav Klaus, the Civic Democratic Alliance (ODA) and the Christian Democrats. Legislative elections, due to take place in June 1996, dominated much of the late-1995 agenda in that no major policy initiatives other than economic were launched.

The government's focus on managing economic transition and privatisation has contributed to a stable political environment. In September, the Parliament approved the establishment of the Senate (upper chamber).

In December, the Czech Republic became the 26th Member country of the OECD.

Public Administration Reform

The Department for Public Administration, located in the Office for Legislation and Public Administration (OLPA) under the Deputy Prime Minister, continued to oversee central and local administration reform. It co-operated with the Ministry of Labour and Social Affairs, and focused its activities on civil service development, *inter alia* on designing a training programme. OLPA also managed the process of approximating legislation to EU norms. Due to the importance accorded to issues of internationalisation, the Ministry of Foreign Affairs set up interministerial committees to oversee rapprochement with the EU.

MANAGEMENT OF POLICY-MAKING

In May, the Director of Financial Policy at the Finance Ministry, examined France's experience in European integration. Officials from the French Ministry of Finance and *Secretariat général du Comité interministeriel pour la coopération économique* (SGCI) described the various co-ordination mechanisms in the decision-making process, and procedures for harmonisation, implementation and amendment of laws. The Head of the Secretariat for EU Affairs at the Finnish Ministry of Finance briefed Czech officials on the structures and processes used by the Finnish government to manage co-ordination of policy-making and European integration.

EXPENDITURE MANAGEMENT

Budgetary Planning

SIGMA continued to offer support to the efforts to systematise the governance -- and the relationship to State Budget -- of the many budgetary and contribution organisations carrying out state administration functions. The goal is well-defined budgeting, accounting and reporting rules which are appropriate to the role and status of the varied groupings of organisations within this universe. The powers and responsibilities of these organisations to manage and dispose of state property emerged as a pivotal, and controversial, issue.

A workshop was held in March for an interministerial team to develop a conceptual framework for a draft law on state property and the legal personality of state agencies, both of which are related to the reform of the Organic Budget Law. Further workshops were conducted in June and July with the interministerial task force on plans for its law drafting project on public goods and state property.

A second area of SIGMA activity was training in analytical techniques for Budget Office officials, which also demonstrated the use of data made available by modern budgeting systems, for Finance Ministry and government decision-making purposes.

Seminars on the role of the Budget Office in budget preparation and analysis, and the use of different analysis techniques were held in May and October, with participants from Austria, Canada, Denmark, Germany and the United States.

In the second half of the year, the Ministry of Finance began to prepare for the role it would have to play, as a central agency, in governmental activity leading towards EU accession. The Ministry's internal organisation and procedures, its relationship to the cabinet decision process as well as technical demands on the budget structure and implementation rules need to be reviewed.

A first workshop by Finnish Ministry of Finance officials presented recent EU accession experience, while, in a second, an expert from Denmark presented the concepts and procedures of the EU budget system at a workshop in September. A November study visit to London by the Director of Financial Policy at the Finance Ministry provided an opportunity to examine the U.K. experience in applying EU rules for public procurement, internal markets for financial services and budgetary implications of EU membership.

Public Procurement

Parliament passed the Public Procurement Law in late 1994 and it entered into effect 1 January 1995. SIGMA assisted the Public Procurement Office, Ministry of Economic Competition, in reviewing organisation and implementation issues pursuant to the passage of the legislation, and contributed to plans for the initiation of training.

PUBLIC SERVICE

Development of Human Resources Management Policies

A national workshop on "Personnel Cost Budgeting and Monitoring Personnel Costs", co-organised with the Ministry of Finance on 30 October-1 November, addressed issues of priority for Czech efforts to control personnel costs, including job classification, salary structures and techniques of budgetary control of personnel costs.

Participants from Austria, Finland and the United Kingdom provided information on personnel budgeting and monitoring procedures in their countries. SIGMA continued to advise the Ministry of Finance in the framework of its project of "systemisation" -- the setting up of a uniform, central system of specification, evaluation and description of individual posts in state administration. Advice in this regard focused especially on job evaluation and classification in the public service.

Improvement of Legal Framework and Institutional Structures

SIGMA continued to offer support to the process of preparing a civil service law during the year. At the request of the Minister of Finance, the draft Civil Service Law had been reviewed by a SIGMA panel in August 1994. By early 1995, the various institutions involved -- Ministry of Labour and Social Affairs, Office for Legislation and Public Administration (OLPA) and Ministry of Finance -- were in the process of amending the draft for submission to the government. The draft law, however, was withdrawn from the government's agenda.

ESTONIA

Recent Political Developments

Parliamentary elections on 5 March were won by the centre-left Coalition Party, led by Tiit Vahi, who had been prime minister in 1992. The first coalition broke up in October, but a new one was quickly formed, and the new cabinet was sworn in on 6 November. Government policies continued to favour free market reforms. Virtually all large companies were privatised (with the exception of those in the transport, telecommunications and energy sectors) and small-scale privatisation was mostly completed by mid-year.

The appointment of the Reform Party Leader as Minister of Foreign Affairs reinforced EU membership as a governmental priority.

Public Administration Reform

Reform policies have emphasised improvements to the public management, civil service and social guarantees systems. To cover the planned increases in spending in 1996, the Prime Minister seeks to reduce the size of government by decreasing the number of bodies (agencies) and inspectorates. As the State Chancellery's mission for managing governmental work and public management reform was expanded, the office began to restructure itself. The State Chancellery remained the main body responsible for co-ordinating public management reform efforts, in liaison with the Ministry of Finance, the Ministry of Justice and the Ministry of Labour.

MANAGEMENT OF POLICY-MAKING

Functions and Role of Chancelleries

At the request of the State Chancelleries of Latvia in Estonia, Latvia and Lithuania, SIGMA was invited to make a presentation to them on the functions and role of chancelleries in the process of European Integration in Riga in mid-August.

Following the meeting, SIGMA provided written material on the functions and structures of EU Member States' chancelleries, and organised a joint study visit to France and Belgium for eleven officials from the three countries. Participants examined centre of government experiences with their counterparts, including the chancelleries' role in law-making, as well as ways that computerised data collection and management can improve government operations. The study visit also explored regional co-operation, with a visit to the Secretariat of the Economic Union of Benelux countries in Brussels.

EXPENDITURE MANAGEMENT

Budgetary Implementation

The Finance Ministry's principal objective in 1995 was to complete the design of the Treasury and move towards its implementation. Four donors (Finland, Iceland, Sweden and EU/Phare) contributed to different parts of the project; SIGMA provided suggestions on the integration of these four initiatives and commented on the draft legislation. Comparative information was provided on the organisation, start-up and phasing of Treasury operations, and written comments on the draft legislation on the Treasury were provided to the Finance Ministry's Deputy Chancellor.

Public Procurement

A SIGMA panel reviewed the draft Public Procurement Law in January. In May, Parliament approved the law, which was scheduled to take effect 1 January 1996.

PUBLIC SERVICE

Improvement of Legal Framework and Institutional Structures

Parliament passed the Civil Service Law in January and proclaimed the measure by a presidential resolution in mid-February. In view of the recognised need to evaluate the cost of implementation, determine training needs and ensure an adequate balance between rights and duties of civil servants, the law's implementation was postponed.

During 1995, SIGMA advised officials in the State Chancellery, and Ministries of Finance and Justice on various aspects of the law and its implementation.

Parliament approved amendments necessary for implementation at the end of December. Since the law is expected to be implemented in 1996, a workshop on "Implementation of the Civil Service Law" has been planned for March 1996.

HUNGARY

Recent Political Developments

Hungary's coalition government of Socialists and Free Democrats remained intact despite ministerial resignations and internal divisions over state budget reform plans.

Faced with a serious budget deficit, a number of difficult fiscal decisions had to be made. In March, the newly-appointed Minister of Finance announced a wide-ranging austerity package. Policy measures led to devaluation of the forint, application of import surcharges, measures curbing domestic demand by restraining wage growth and cutting budgetary expenditures. The measures proved unpopular with the citizenry and contributed to cabinet resignations, but seemed to have the macroeconomic intended effects. At the same time, the government reaffirmed its commitment to privatisation which began to pick up by year-end.

Public Administration Reform

The government had established in 1994 the Office of Government Commissioner for the Modernisation of Public Administration to perform tasks related to modernising both central and local public administration, to direct the process of deregulation, and to review the structure of ministries and de-concentrated state administrative organisations. The Office undertook a major deregulation activity, initiated a number of efficiency studies with the Government Control Office and worked with ministries on staff reductions.

During 1995, the Parliament elected four ombudsmen -- for rights of citizens (ombudsman and deputy), data protection, and ethnic and national minorities.

REFORM OF PUBLIC INSTITUTIONS

A goal of the Ministry of Interior has been to promote effective communication between public servants and the media, and enhance media coverage of public administration reform. Other ministries, too, have indicated a keen interest in improving understanding between public servants and the press. SIGMA assessed the needs of civil servants with media responsibilities at different governmental bodies and in November organised a seminar on "The Civil Service and Communications", held near Budapest.

Two dozen persons from across the public administration and the media participated in the seminar, which featured speakers from the local and foreign press based in Hungary, and government information offices from Belgium, the United Kingdom and Canada. The Phare National Programme assumed many of the seminar's costs.

The seminar featured frank exchanges among participants, and promoted the sharing of experiences, techniques and ideas on organising a press office. The event also served as a catalyst to increase frequency of interaction among ministerial press officers, and highlighted missing elements in Hungarian governmental communications -- a media law and overall official communications strategy, regular meetings of press officers, co-ordination between policy-makers and government communicators, and full appreciation of the difficulties and restraints faced by journalists as they carry out their work. The seminar papers are to be published and widely disseminated in 1996.

MANAGEMENT OF POLICY-MAKING

Policy-Making and Implementation

The Ministry of Justice carried out a review of provisions in the Hungarian Constitution which will affect governmental operation. SIGMA organised two workshops, in January and April, on the subject. The first examined the possible consequences of changes to the Constitution on economic performance. The second focused on the political management of constitutional change. Hungarian participants included experts involved in law-drafting, members of the Constitutional Court, academics, and representatives from the parliamentary parties. International examples of constitutional provisions were provided.

A draft concept paper of the new Constitution, drafted by the Ministry of Justice, set out the advantages and disadvantages of constitutional revisions. A SIGMA panel reviewed issues of: constitution and the economy; relationships between the Constitution, the government and public administration; and ways to achieve the right balance between central and local government. A summary of the panel's comments was prepared and (with SIGMA's financial assistance) translated into Hungarian, ensuring a wide distribution of the report within policy-making circles.

During the second half of the year, Parliament appointed a 24-member Constitution Preparation Committee, led by the Speaker of the Parliament. The Ministry of Justice led the constitutional reform programme for most of the year.

EXPENDITURE MANAGEMENT

Budgetary Planning

The broad package of austerity and rationalisation measures introduced by the government included an initiative to establish a single account and Treasury function with IMF and World Bank assistance. SIGMA provided comments to the Ministry of Finance on the far-reaching plan of work and offered its support for elements which were not addressed in contracts with the other donors.

Financial Control

Comparative documentation was provided to the government Financial Control Office (GFCO) to support preparation of officially-mandated "efficiency scrutinies" of specific government programmes and institutions. A workshop for the GFCO enabled a comparative study of approaches to performance audits from the experience of a variety of governments, and was expected to be followed by an interministerial seminar on management controls in 1996.

Public Procurement

SIGMA provided the Ministry of Justice with comparative documentation on public procurement central management practices in various countries, including Poland's procurement reform process, to assist them in their negotiations with Parliament on the Public Procurement Law. The law passed in May and came into effect on 1 January 1996.

PUBLIC SERVICE

Development of Human Resources Management Policies

The austerity package proposed by the government in early 1995 included a 15 per cent reduction of staff in the core state administration. In April, SIGMA advised on strategies and mechanisms for staff reductions.

In May, Parliament passed the staff reduction package and it was implemented in a very short time, partly through the abolition of vacant posts and the use of early retirements. Staff reductions are

envisaged to continue and the next phase will also aim at changing old ministry structures and include a consideration of the administration's options for action.

A workshop on "Staff Reductions as a Means to Modernise the Administration", organised with the Government Commissioner for the Modernisation of Public Administration, was held in October. It aimed to expose national officials to policies and experiences of other countries (including Austria, Canada, Sweden and the United Kingdom) that have reduced or are currently reducing costs and numbers in their administrations -- for different reasons and using various methods. A Czech expert provided information on the bill recently passed on the reduction of staff costs in his country's public administration.

The status, organisation and management of the police force was under review in Hungary. At the request of the Ministry of the Interior, SIGMA provided documentation on the management of uniformed forces in four European countries (France, Germany, Ireland, and Sweden) as well as a comparative paper on police forces in EU Member states.

Improving Legal Framework and Institutional Structures

Hungary was the first central European country to implement a Civil Service Act (passed by Parliament in 1992). The Hungarian Act, under the responsibility of the Ministry of the Interior, regulates the core state administration while the Public Servants Act, under the Ministry of Labour, regulates local government, health workers and teachers. A general Labour Code and special legislation for groups of professional technical personnel also exist in parallel to the Civil Service Act. However, there is a lack of harmonisation among the various laws and no overall legislative structure.

In April, SIGMA addressed this issue with officials of the Ministry of the Interior and Ministry of Labour. A task force of experts from these ministries began drafting a "Document of Principles", and SIGMA was asked to provide its comments on the draft once it is finalised.

The expected recommendation of the Document of Principles will be that the Labour Code should serve as a general basic law for all sectors, with a complementary Public Service Law defining the status, rights and duties of public servants. Complementary specialised legislation may also be drawn up for any branches of the administration for which this would be required.

Development of Staff and Organisations

SIGMA advised the Ministry of the Interior on the development of a civil service training strategy for internationalisation, in preparation for Hungary's integration into international bodies. The report was submitted to the Ministry at the end of February. The Ministry also provided input to the SIGMA multi-country seminar on "Training for Internationalisation", which was held in Budapest in May.

LATVIA

Recent Political Developments

The results of the October elections to the *Saiema* considerably weakened the ruling centre-right coalition, giving the populist parties -- opposed to the ongoing reforms -- a strong say in government policies.

The difficult economic situation has also had a negative impact on the implementation of reforms previously adopted. It was decided that no civil servants would be appointed in 1996. Voucher privatisation was completed in March, but privatisation has been slow.

Public Administration Reform

The government continued to implement the public administration reform programme adopted in 1994, though at a slower pace, covering in particular such areas as the recruitment procedures of civil servants and training.

Activities previously carried out by the Ministry of State Reform, which was shut down in June, were taken over by the State Chancellery and different line ministries.

The government showed strong interest in European integration and contributed to the establishment of special institutions within government, such as the European Integration Council, and Parliament. New legal status was accorded to the European Integration Bureau and 24 working groups. In addition, co-operation institutions of the Baltic Council of Ministers continued to function.

MANAGEMENT OF POLICY-MAKING

Functions and Role of Chancelleries

At the beginning of January, a French consultant reviewed with officials from the State Chancellery policy-making and co-ordination systems and provided information on his experience as a former Secretary-General of the French government. Chancellery officials expressed an interest in gathering more information on the organisation of policy-making at the centre of government in France and requested that SIGMA organise a study mission later in the year.

At the request of the State Chancelleries of Latvia in Estonia, Latvia and Lithuania, SIGMA was invited to make a presentation to them on the functions and role of chancelleries in the process of European Integration in Riga in mid-August.

Following the meeting, SIGMA provided written material on the functions and structures of EU Member States' chancelleries, and organised a joint study visit to France and Belgium for eleven officials from the three countries. Participants examined centre of government experiences with their counterparts, including the chancelleries' role in law-making, as well as ways that computerised data collection and management can improve government operations. The study visit also explored regional co-operation, with a visit to the Secretariat of the Economic Union of Benelux countries in Brussels.

Government Policy-Making and Implementation

During the year, advice was given to the newly-appointed Deputy Director of the European Integration Bureau at the Ministry of Foreign Affairs on the main orientations for the activities of this office, as well as options for institutional arrangements and co-ordination mechanisms aimed at improving the government's capacity to pursue its policies related to eventual integration to the European Union.

Managing Legislation and Regulation

During his January mission to the State Chancellery, a French consultant also took part in a question-and-answer session on the law-drafting process and juridical norms with officials from the Ministry of Justice.

EXPENDITURE MANAGEMENT

Budgetary Planning

With the implementation of a new classification of budget accounts and the state Treasury, the Ministry of Finance sought to increase the analytical skills of its officials and to improve the systems of control during budget implementation. General approaches to information-gathering and analysis, and the special cases of programmes in the education and culture sectors, were addressed in two workshops. Comparative documentation on education budgeting, identified with the help of OECD's Directorate on Education, Employment, Labour and Social Affairs, was provided to the Ministries of Finance and Education.

The Ministry of Finance and the Office of the Auditor General decided to jointly sponsor two seminars in early 1996, the first on management controls for senior line executives, Ministry of Finance and Supreme Audit Institution (SAI) officials, and another on internal audit in ministries and agencies.

PUBLIC SERVICE

Development of Human Resources Management Policies

At the request of the Ministry for State Reform, SIGMA provided documentation on the management of uniformed forces in some EU Member countries (France, Germany, Ireland, and Sweden) as well as a comparative paper on police forces in EU countries.

Development of Staff and Organisations

The Latvian School of Public Administration requested SIGMA assistance in preparing qualification examinations and development of evaluation procedures in the civil service. In September, a SIGMA expert participated in the national seminar "Process of Qualification Examinations and Related Procedures". Two follow-up seminars were planned for 1996. The first, on "Finalising the Regulation on Examination Procedure", was planned for January. The second was planned for March 1996.

In November, SIGMA participated in the national seminar "Public Administration Reform Programmes: Future Developments and European Integration", organised by the State Chancellery in co-operation with the EU/Phare National Programme.

LITHUANIA

Recent Political Developments

The Lithuanian Labour Party, led by President Algirdas Brazauskas (who was elected in February 1993), maintained a strong majority. General elections are due to be held in 1996.

Public Administration Reform

Public administration reform and European integration have held high priority. However, difficult economic conditions and political constraints have delayed major reforms.

The Law on Officials was passed in March. A European Integration Department was created in July 1995, with the task of co-ordinating activities on approximation of law with the European Union.

MANAGEMENT OF POLICY-MAKING

Functions and Role of Chancelleries

At the request of the State Chancelleries of Latvia in Estonia, Latvia and Lithuania, SIGMA was invited to make a presentation to them on the functions and role of chancelleries in the process of European Integration in Riga in mid-August.

Following the meeting, SIGMA provided written material on the functions and structures of EU Member States' chancelleries, and organised a joint study visit to France and Belgium for eleven officials from the three countries. Participants examined centre of government experiences with their counterparts, including the chancelleries' role in law-making, as well as ways that computerised data collection and management can improve government operations. The study visit also explored regional co-operation, with a visit to the Secretariat of the Economic Union of Benelux countries in Brussels.

Government Policy-Making and Implementation

Advice and documentation on staffing and organisation of the work of the Prime Minister's Office was given to officials at the centre of government. The management of policy-making and co-ordination systems and procedures were also reviewed with the Minister for Public Administration Reforms and Local Authorities, especially approximation of law to international standards and streamlining the law-making process.

PUBLIC SERVICE

Development of Human Resources Management Policies

To contribute to government efforts to create a professional civil service and improve human resources management, the Public Administration Training Centre and SIGMA jointly organised a workshop on "Recruitment and Performance Appraisal" in November. Participation consisted mainly of personnel managers, but also included trainers, political officials and other representatives of the Ministry of Public Administration Reform and Local Authorities. Comparative documentation on recruitment and performance evaluation was prepared for the workshop.

Improving Legal Framework and Institutional Structures

The Parliament passed the Law on Public Officials in March 1995. SIGMA had reviewed and provided advice on the draft law during 1994.

POLAND

Recent Political Developments

The political scene was dominated by tensions between President Lech Walesa and the ruling coalition of the Democratic Left Alliance (SLD) and the Polish Peasant Party (PSL). Tensions arose in part from differences in approaches to key policy issues (eg, privatisation, taxation) and were further accentuated by the upcoming presidential elections. On 19 November, SLD leader Aleksander Kwasniewski narrowly defeated the incumbent Lech Walesa for the presidency and was sworn in on 23 December.

A new coalition government was formed in March under Prime Minister Jozef Oleksy. During its 10-month term in office, the government undertook major restructuring of the economic centre of government (State Economic Administration reform).

Public Administration Reform

The State Economic Administration (SEA) reform provides for the creation of a new structure for central management of economic affairs. The reform was intended to improve the government's ability to formulate medium- and long-term economic strategies, improve the efficiency of co-ordination and decision-making mechanisms, limit state involvement in, and enhance efficiency of, state-owned enterprises, decrease the size of state sector, and further strengthen the process of Poland's integration with the European Union.

In addition to changes in the structures explicitly responsible for the economy, SEA reform provides for the abolition of the Office of the Council of Ministers (URM) and the establishment of a Chancellery of the Prime Minister, the Ministry of Public Administration, the Centre for Strategic Studies, and the Committee for European Integration.

In November, the Council of Ministers approved a package of 11 draft laws to introduce SEA reform, and transmitted it to the Parliament. After parliamentary discussion and possible amendments, the bills are expected to be adopted by June 1996.

MANAGEMENT OF POLICY-MAKING

SIGMA has given support to the Plenipotentiary of the Council of Ministers for State Administration reform, who was given the task of improving co-ordination of economic policies, including the design of new structures for ministries and central administrative bodies. A former Secretary-General of the Irish government gave advice on policy co-ordination mechanisms and support to the drafting of a legal framework to improve co-ordination of economic policy. A former Secretary-General of the French government examined policies for administrative reform, especially those linked to the possible privatisation of public utilities.

At the end of the year, SIGMA consulted with the Secretary of the Council of Ministers on a comparative study on centres of government in European countries, to be carried out by a team from the Warsaw University Faculty of Political Science with EU/Phare support. This study will provide background information for use during Poland's reorganisation of the centre of government. It will be presented to the multi-country meeting organised by SIGMA for secretaries-general in Paris in February 1996.

EXPENDITURE MANAGEMENT

Public Procurement

The Public Procurement Law, which was passed by Parliament in June 1994, authorised the establishment of an independent Office of Public Procurement which the government began to organise in the second half of 1994.

Poland's legislation (in effect since 1 January 1995) and implementation of public procurement procedures has provided an important model for other countries in transition. SIGMA, having participated actively in the drafting and parliamentary review stages, held a workshop on the organisation of the procurement supervision office and participated in a conference of procurement directors from around Central and Eastern Europe, hosted by Poland with support of USAID.

External Audit

The Supreme Chamber of Control of Poland has co-operated throughout the year on the preparation of a SIGMA publication on *Management Control in Modern Government Administration: Some Comparative Practices*, and will host a multi-country seminar for Supreme Audit Institutions in March 1996.

PUBLIC SERVICE

Improving Legal Framework and Institutional Structures

Passage of the Civil Service Law by the *Sejm* was expected by May 1996 and the preparation for its implementation began during autumn 1995. The Prime Minister appointed a Council on the Civil Service to prepare government decrees and other decisions necessary for implementation.

A SIGMA workshop on "Issues to Consider when Implementing the Civil Service Law", organised with the participation of the Parliamentary Commission, was held in December. Some 50 officials participated, including members of the extraordinary Parliamentary Commission and government officials involved in preparations for implementation of the law, as well as experts from Hungary, Ireland and Latvia. The workshop constituted the first phase of a four-phase project of co-operation between SIGMA and the Office of the Council of Ministers (URM) during the long-term process of implementing civil service legislation.

Development of Staff and Organisations

In March, SIGMA organised a roundtable discussion with the new management of the URM Personnel Office on funding policy and steering public service training institutions. At the event, advice was provided on training strategies, institutional structures and funding.

Subsequently, SIGMA reviewed a strategy document establishing new public service training structures. This document was the outcome of the seminar held with the working group responsible for preparing a qualification-improvement system for employees of the government administration, organised by the URM Personnel Office in April.

Linked to the implementation of the civil service legislation is the plan to create a Top Management Service (TMS). The new Civil Service Law is intended to define the civil service and its management institutions, in effect laying the foundations and pre-conditions for building a TMS. SIGMA advised on the selection, training and examination of top executives who would become subject to the new civil service legislation.

ROMANIA

Recent Political Developments

The political scene was dominated for much of the year by tensions between the Greater Romanian Party (GRP) and other parties in the ruling coalition. In October, the GRP was expelled from the governing coalition. Despite this move, the government's position remained firm, due to disunity among opposition political forces.

Although privatisation was one of the government's main priorities, it proceeded slowly, and the implementation of its second phase, which started in October, was expected to be more difficult than the first one.

Public Administration Reform

Recent reforms have included the creation of several administrative bodies for supervision of economic activity and of the use of public funds; the establishment of the Legislative Council, Public Prosecutor's Office and Court of Audit; and the introduction of a public procurement system following the Parliament's approval in 1994 of the government's Public Procurement Decree.

The Administrative Reform Unit (ARU) in the Directorate for Social Development and Administrative Reform of the Council for Co-ordination, Strategy and Economic Reform retained responsibility for public administration reform in liaison with other government institutions.

One of the ARU's main objectives was to improve relations between citizens and the administration, and to begin work on creating an administrative information system for citizens.

MANAGEMENT OF POLICY-MAKING

SIGMA examined and advised the government on management systems for international policy-making and the procedures for the approximation of law to international standards.

EXPENDITURE MANAGEMENT

Public Procurement

To support the government's preparations for implementation of the Public Procurement Law, two seminars were held early in the year to address issues including the implementation of regulations, public information, data-collection and training. The first seminar targeted senior officials at the policy-making level, while the second was designed for managers with procurement responsibilities.

Budgetary Planning

In co-operation with the OECD Directorate for Education, Employment, Labour and Social Affairs, a seminar on Budgeting and Controlling Social Programmes was organised for officials of the Ministries of Finance and Labour and Social Affairs responsible for reforming the system. Experts from Canada, France, Luxembourg and the United Kingdom shared their experience and know-how.

External Audit

Documentation on computer auditing practices in OECD countries was provided to the Romanian Court of Audit, and follow-up training seminars may be requested in 1996.

PUBLIC SERVICE

Development of Human Resources Management Policies

In December 1994, SIGMA and the Ministry of Labour and Social Protection had agreed on a series of steps for co-operation on drafting amendments to the law on Pay and on the design of a new civil service pay scheme, with the principal input to be provided by the Danish Ministry of Finance. One of the steps was to provide comparative documentation on the Dutch and British remuneration systems to the drafting team.

SIGMA advised the Romanian Ministry of Finance on methods for collecting data on personnel and employment costs in the state administration, and provided comparative documentation on the subject from EU Member states.

Development of Staff and Organisations

With the overall objective of establishing an efficient and effective civil service, SIGMA advised the Romanian Training Institute and training experts in ministries on civil service training, in particular methods and techniques to improve law drafting and top management training, and on the vital link between training and career.

SLOVAKIA

Recent Political Developments

A coalition of three parties, led by Prime Minister Vladimir Meciar's Movement for a Democratic Slovakia (HZDS), has been governing since October 1994. Economic performance has been impressive - the currency is stable, balance of foreign trade positive, and state budget deficit low. Although the voucher privatisation scheme was cancelled in June, privatisation continued efficiently, with 65 per cent of the country's GDP in the private sector.

Public Administration Reform

Primary institutions responsible for administrative reform are the Ministries of Interior and Finance and the Office of the Government. A number of advisory bodies were created to co-ordinate governmental work. The government has defined its major administrative reform agenda around legislation dealing with the territorial division of the country. The Board for Public Administration (also known as the Council for Administrative Reform), chaired by the Minister of Interior, assumed responsibility for this reform.

Other reforms included the establishment of the Constitutional Court, Supreme Audit Office and self-government of the municipalities and enactment of a new Public Procurement Law.

MANAGEMENT OF POLICY-MAKING

Government Policy-Making and Implementation

The Office of the Slovak government sought comparative information on managing and co-ordinating the processes of policy-making at the centre of government. SIGMA consultations held in June with officials at the Office focused on internal organisation, as well as on approximation of laws, training for civil servants, financial control of government decisions and the newly-installed computerised system for tracking government decisions. In September, SIGMA gave further advice on the functioning and development of the Government Office and organised a seminar for department heads on managing the process of integration into European institutions.

EXPENDITURE MANAGEMENT

Budget Preparation and Analysis

At the beginning of the year, the priority for the Ministry of Finance was the completion of the new economic classification of the budget and the publication of a budget preparation manual in time for the preparation of the 1996 budget. SIGMA provided technical assistance on the budget preparation process (including the development of a budget preparation manual) and drafting of a new Organic Budget Law, which was approved by Parliament at the end of the year.

In October, SIGMA gave support to Ministry of Finance officials in their appearance before the Parliamentary Committee for Treasury, Budget and Currency to present the new classification format of the State Budget.

Because the 1996 budget submissions, prepared on the new basis, would make available a valuable new source of data for analysis, the Finance Ministry requested a seminar to train budget officials on budget preparation and analysis techniques. Experts from Austria, Canada and Denmark participated in this event, which took place in July. Plans were developed for future training seminars to examine specific techniques in greater depth.

Towards the end of the year, the Ministry of Finance sought to computerise and extend the information system for budget preparation and train more people to use it. SIGMA was asked to help define and document the necessary project proposals which would be submitted in early 1996 for funding by other foreign donors. These included a review of technical and training requirements for introducing systems infrastructure to strengthen budget preparation and execution within the Ministry and in its communications with other ministries.

Control Structures

The Prime Minister's Office and the Ministry of Finance continued to develop their policies in administrative and financial control. A workshop at the Prime Ministry brought together most of the key Slovak institutions concerned and preliminary plans were made for a seminar on Management Control to be held in early 1996.

Public Procurement

Slovakia was the first central and eastern European country to pass public procurement legislation in late 1993. SIGMA provided support throughout the development of the law and during its initial implementation phase.

In January, a study visit was organised by HRM Treasury (U.K.) and SIGMA for five officials of the Ministry of Transport, Communications and Public Works and two Slovene Finance Ministry representatives to examine the British public procurement system, with a focus on public works and government purchases in the transportation area. Their attendance at a public procurement course at the Civil Service College, U.K., was co-financed by SIGMA and the British Know-How Fund.

PUBLIC SERVICE

Improving Legal Framework and Institutional Structures

At the request of the Ministry of Labour, Social Affairs and the Family, SIGMA organised in July a workshop to review a concept paper on the future Civil Service Act for members of the drafting team and other concerned officials. SIGMA summarised the input given at the workshop in a paper, forwarded to the Ministry in August.

Development of Staff and Organisations

In November, SIGMA staff advised the Ministries of Interior and Labour, Social Affairs and the Family on civil service training strategies. Meetings were also held with the Institute of Public Administration on the existing training structure, the new training strategy and the EU/Phare training programme.

SLOVENIA

Recent Political Developments

In the country's first free elections, held on 6 December 1992, voters chose to become a parliamentary democracy and to use the proportional electoral system. This led to a multitude of political parties represented in the Parliament, with Social Democrats and Christian democrats and ex-Communists holding most of the seats. The coalition government is presently headed by Mr. Janez Drnovsek, a Liberal Democrat. The president, Milan Kucan, is a member of the (ex- communist) United List party.

Public Administration Reform

In January, the Ministry of Interior was made responsible for public administration reform, including local government. The Ministry has begun a global review of reforms required to satisfy the needs of European integration.

In September, a European Integration Bureau was set up within the Ministry of Foreign Affairs.

EXPENDITURE MANAGEMENT

Public Procurement

In early 1995, the Ministry of Finance requested a review of draft public procurement legislation, now expected to be adopted by Parliament in 1996. Attention turned to issues of implementation, and three study visits helped to address them.

In January, a study visit was organised by HRM Treasury (U.K.) and SIGMA for two Finance Ministry representatives and five officials of the Slovak Ministry of Transport, Communications and Public Works to examine the British public procurement system, with a focus on public works and government purchases in the transportation area. Their attendance at a public procurement course at the Civil Service College, U.K, was co-financed by SIGMA and the British Know-How Fund.

In November, a study visit was organised to Warsaw to examine the well-advanced Polish experience in public procurement. A third study visit was made to Vienna, to meet with Austrian procurement authorities and the UN Commission for International Trade (UNCITRAL), whose model law was used in Slovene drafting. It provided the opportunity for the Director of the Public Procurement Unit and an advisor of the Ministry of Economic Affairs to consult on recent international issues in procurement, gather documentation, and seek support for ongoing public procurement activity.

In May, SIGMA provided comments on a draft financing proposal to the Phare programme.

PUBLIC SERVICE

Development of Human Resources Management Policies

At the request of the Ministry of Interior, SIGMA provided documentation on the management of uniformed forces in some EU Member countries (France, Germany, Ireland, and Sweden) as well as a comparative paper on police forces in EU countries.

Improving Legal Framework and Institutional Structures

A workshop on strategic issues in drafting civil service legislation was organised with the Ministry of Interior in April. As a follow-up to this workshop, documentation was provided on legal frameworks for the public service in France, Germany, Italy and Norway, and on Austria's civil service pay reforms and staff reduction programme. The Ministry used this information in the context of its current drafting of civil service legislation.

IV. EVALUATION AND MONITORING

When the European Commission and OECD concurred on the renewal of SIGMA for the period May 1994 to May 1996, they decided that the Programme's performance during this period should be monitored. Responsibility was assigned to the SIGMA Liaison Group to arrange for an ongoing assessment, and funds were approved for this purpose.

After the Liaison Group had vetted a short-list of candidates, a "call-for-tender" was issued in November 1994 for independent monitoring and evaluation of the Programme. Subsequently, the Liaison Group set up a tender evaluation panel from amongst its members. Representatives of three SIGMA countries and one from EU/Phare participated on the panel, which chose the Warsaw-based Policy Education Centre on Assistance to Transition (PECAT) to undertake the work.

The OECD, acting as contractor for the Liaison Group, entered into an agreement with PECAT to provide the Liaison Group with an evaluation of SIGMA's performance. In particular, the contract required PECAT to provide two interim assessment reports, in October 1995 and January 1996, and to present a final evaluation of SIGMA's performance by July 1996.

First Interim Report

The *First Interim Report* evaluated SIGMA's operations for the 14 months leading up to October 1995 in all eleven countries, and sought to draw lessons for the Programme's decision-making. The report used four sources of data: SIGMA documentation and interviews with SIGMA staff; data from a statistically random sample drawn of SIGMA's universe of actions; data from over 100 on-site interviews conducted in the partner countries; and data from questionnaires directed to persons who participated in SIGMA actions. The report determined that SIGMA has continued to be respected and valued by its clients on various levels and from different view points.

The report also concluded that SIGMA had been able to meet most of the input performance indicators -- such as diversifying funding sources, re-allocating resources among sectors, and keeping overhead expenditures below 20 per cent of total expenditure -- which had been established by the Liaison Group.

These accomplishments were attributed to SIGMA's principles and methods of work, including rapid and appropriate responsiveness, flexibility, quality professional expertise, wide range of low-risk interventions, and reasonable cost-efficiency. PECAT recommended certain steps to improve performance: developing more specific elements for measuring Programme performance; enhancing co-operation with donors, especially regarding preparatory work for implementation; and exploring ways to improve follow-up and to deepen the effect of services and contributions.

Liaison Group Conclusions

Krzysztof Ners, Director of PECAT, presented the findings of the *First Interim Report* to the seventh Liaison Group meeting on 22-23 October 1995. After discussing the document, the Group took the following actions:

- agreed the report was an extensive, concrete, useful and interesting start to evaluation in what was recognised as a very difficult area;
- noted the evaluators' views about the difficulty of cost/benefit analysis, the need to further develop the evaluation process, and to round out information and evidence on which to make firm judgements;
- noted that preparation of the *Second Interim Report* and the *Final Report* will provide an opportunity to take account of proposals for improvements to the evaluation process;
- noted the relevance of these reports because they will be an instrument for making decisions about future financing of SIGMA;
- noted the main recommendations of the evaluators which suggested that enhancements were needed on Programme penetration, co-operation with other donors, and performance measurement, and with respect to the last of these, proposed that PECAT work together with the Secretariat and the Liaison Group to develop indicators;
- noted the remarks of beneficiary countries and SIGMA donors about the quality of the Programme and its comparative advantages, and noted the strong interest of those who spoke in favour of continuing SIGMA; and
- asked the Secretariat to prepare, as soon as possible, a new tendering procedure involving countries and Phare so that the evaluation process could be continued under a future Programme.

Following the meeting, PECAT began preparations on the *Second Interim Report* -- scheduled for submission in January 1996 -- in line with the Liaison Group's decisions.

V. FINANCIAL MANAGEMENT DATA

Contributions

OECD allocated FF 1.5 million to SIGMA in 1995. Further to the 1994 contributions (Turkey, Netherlands, Finland, Canada, EU/Phare, Norway and Austria), SIGMA received FF 600 000 from Sweden and FF 1 million from Austria in 1995. Poland provided FF 500 000 through a separate financing agreement.

The EU/Phare contribution covers the period May 1994 to May 1996, and has been allocated proportionately to fiscal years 1994 and 1995. The OECD and its Member countries provide financing based on annual budgets.

Working Capital

The total inflow of working capital for SIGMA's second phase, as of 31 December 1995, had reached FF 67.5 million. After deduction of the 1994 and 1995 disbursements (FF 18 million and 23.8 million respectively) and the outstanding commitments at 31 December (FF 9.5 million), SIGMA's working capital at the end of the fiscal year 1995 stood at FF 16.2 million.

Commitments and Disbursements

The Programme disbursed FF 18 million in 1994 and FF 23.8 million in 1995. Outstanding commitments at 31 December 1995 amounted to FF 9.5 million. Disbursement levels continued to increase due to the integration of five additional countries into the Programme. The number of individual disbursement transactions in 1995 exceeded 4 200, of which 3 200 were less than FF 10 000 each. The overall average was less than 10 000 FF per disbursement. This illustrates SIGMA's relatively small scale of operations.

Integration of New Countries

Comparison of the 1994 versus 1995 disbursements shows that the relative shares of each of the five new beneficiary countries increased (Albania from 8 to 9 per cent, Estonia from 7 to 8 per cent, Latvia from 7 to 9 per cent, Lithuania from 7 to 8 per cent and Slovenia from 7 to 8 per cent). The relative shares of the original six beneficiary countries decreased or remained the same, with the exception of Poland. (The increase here can be explained by the separate financing agreement made with Poland through the country's EU/Phare OMEGA-2 programme.)

Country Advisors

All country advisor posts have been phased out. The share of the country advisors in the total cost decreased to 16 per cent and will decrease further.

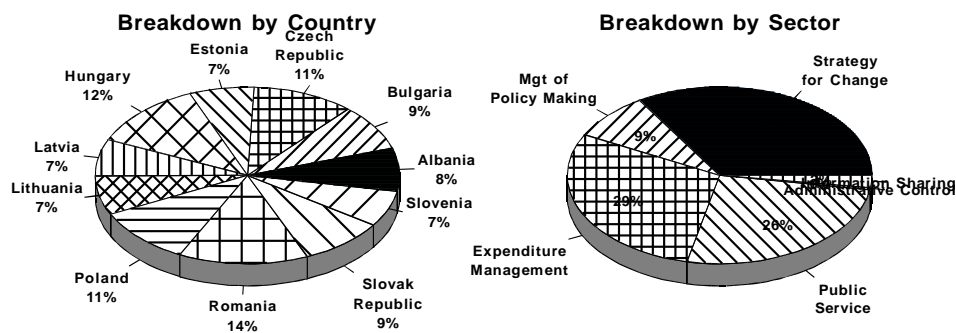
Overhead Costs

Costs of general direction and co-ordination stood at 18 per cent during 1995. This was well below the target of 20 per cent of the total costs established by the Liaison Group.

1994 Disbursements

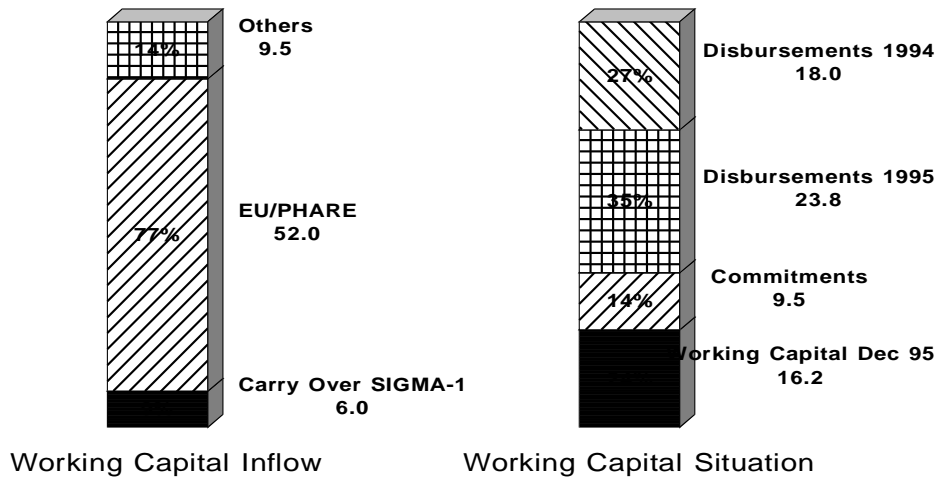
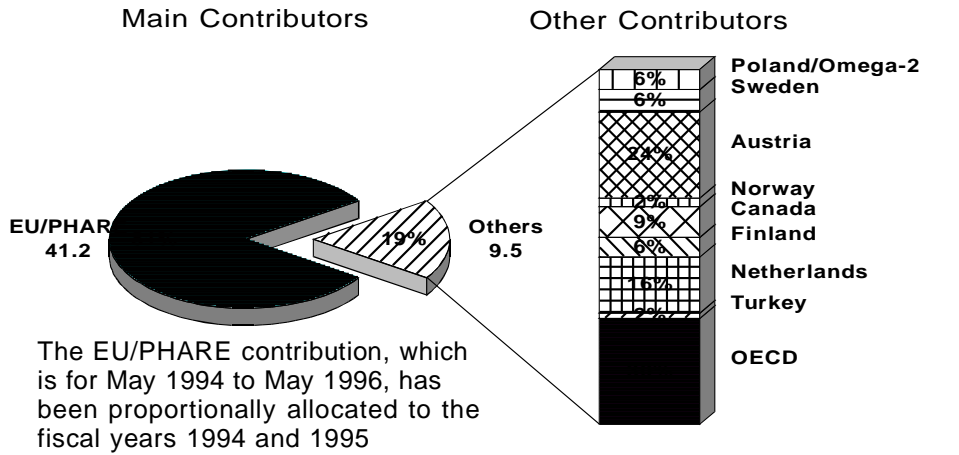
Allocation by Country and Sector (all amounts x 1000 FF)

Countries	Sector 1	Sector 2	Sector 3	Sector 4	Sector 5	Sector 6	Total
Albania	296	235	381	401	23	46	1,381
Bulgaria	507	211	423	385	2	28	1,557
Czech Republic	892	98	485	417	20	28	1,940
Estonia	281	94	420	375	2	37	1,208
Hungary	1,004	181	535	484	2	28	2,235
Latvia	298	94	381	375	2	44	1,194
Lithuania	323	94	415	390	2	45	1,269
Poland	584	239	552	509	2	28	1,914
Romania	1,250	126	467	545	14	30	2,431
Slovak Republic	347	99	794	390	2	29	1,661
Slovenia	284	94	394	375	2	44	1,193
Totals	6,065	1,566	5,247	4,645	75	387	17,983
of which Multi-Country	2,934	1,034	4,186	4,122	24	302	12,601



1995 Implementation Report

1994 & 1995 Contributors and Working Capital (all amounts in million FF)

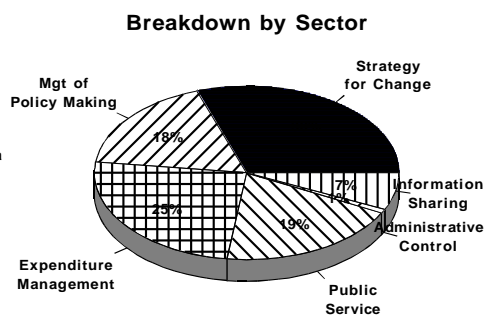
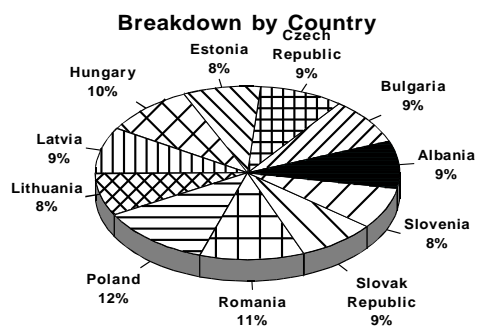


1995 Implementation Report

1995 Disbursements

Allocation by Country and Sector (all amounts x 1000 FF)

Countries	Sector 1	Sector 2	Sector 3	Sector 4	Sector 5	Sector 6	Total
Albania	480	376	604	424	17	146	2,048
Bulgaria	603	434	560	371	17	146	2,131
Czech Republic	491	334	647	470	17	146	2,105
Estonia	484	396	497	377	17	154	1,925
Hungary	599	525	474	558	17	146	2,319
Latvia	557	389	511	431	17	146	2,051
Lithuania	496	389	439	371	17	146	1,858
Poland	1,416	373	504	428	17	146	2,884
Romania	1,043	331	672	378	17	146	2,586
Slovak Republic	528	372	534	417	17	146	2,013
Slovenia	481	331	484	388	17	146	1,846
Totals	7,179	4,249	5,925	4,612	183	1,617	23,765
of which Multi-Country	5,196	3,639	4,826	4,082	183	1,609	19,536

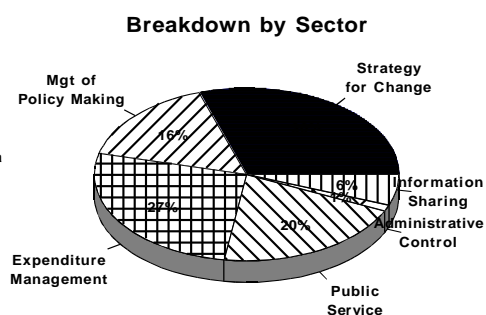
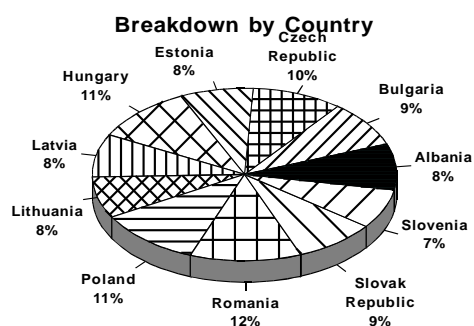


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1994- 1995 Resource Allocations

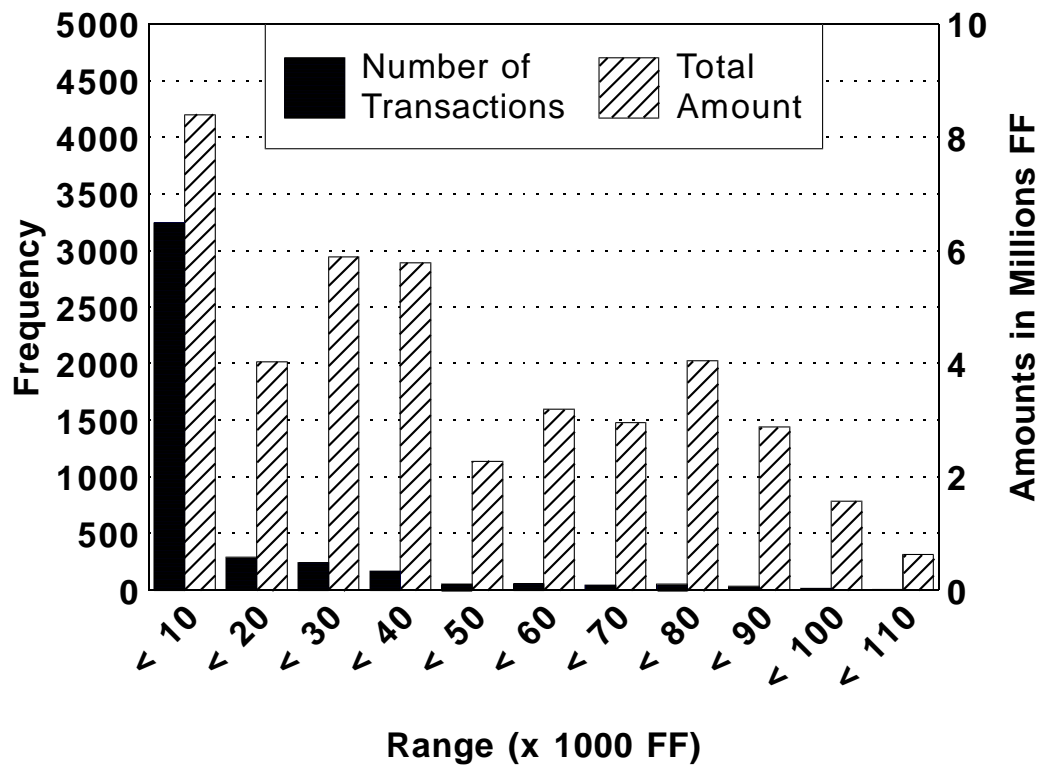
Allocation by Country and Sector
(all amounts x 1000 FF)

Countries	Sector 1	Sector 2	Sector 3	Sector 4	Sector 5	Sector 6	Total
Albania	948	828	1,265	937	70	277	4,325
Bulgaria	1,324	900	1,197	843	49	253	4,567
Czech Republic	1,559	636	1,386	995	67	253	4,896
Estonia	933	682	1,118	841	49	280	3,902
Hungary	1,798	980	1,247	1,174	49	252	5,500
Latvia	1,087	675	1,094	919	49	278	4,102
Lithuania	1,015	676	1,054	850	49	268	3,912
Poland	2,234	893	1,259	1,065	49	253	5,753
Romania	2,475	657	1,384	1,108	61	257	5,942
Slovak Republic	1,048	766	1,550	893	50	254	4,561
Slovenia	933	617	1,079	854	49	277	3,809
Totals	15,354	8,309	13,634	10,479	592	2,902	51,269
of which Multi-Country	9,986	6,788	11,221	9,181	538	2,759	40,473

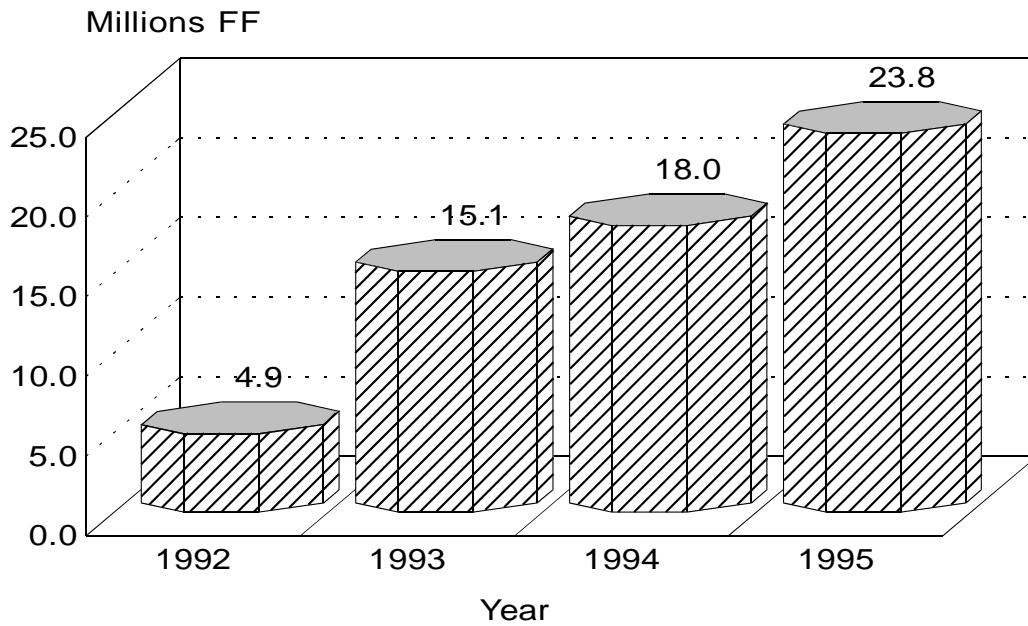


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Frequency Distribution of Disbursements



Disbursements 1992 - 1995



Disbursements Patterns 1992 - 1995

