ANNEX I - EXECUTIVE SUMMARY

For the 12 Member States that joined the EU in the last two enlargements (2004 and 2007) (add list as footnote) the dual transition from communist rule towards western-like democracy and from centrally-planned socialist economy to market economy involved fundamental changes and transformations. These changes affected virtually every aspect of each country’s political, economic and social development. Each experience is different, but some common factors exist. All demonstrate that basic changes can be introducing quite rapidly, but that the more complex state-building is a long-term process.

Reforms were carried out by diverse national institutions who had to rapidly develop their capacity in many areas in order to cope with the complex transformations going on. The EU offered assistance in this process, in the form of financial support and the technical cooperation of institutions and experts from many of its Member States, and help in building up the structures and expertise necessary to manage this external aid.

The experiences of these countries during their transition process – including their expertise in the use of foreign aid and assistance in support of such a difficult transition - is of great interest for other countries and regions benefiting from the EU’s development cooperation. In many areas this experience is particularly relevant for countries sharing a similar starting point, cultural or historic linkages, or a similar objective to join the EU or to come closer to it. However, several aspects of this experience can be of equal interest and relevance to any other developing country.

The EUROPEAN TRANSITION COMPENDIUM (ETC) is a document based on contributions to a questionnaire. It starts with a short general introduction, setting the historical context of the transition – a process that started with the collapse of the Soviet-led communist “block” established in the aftermath of WW II. It highlights the nature and scope of the changes and reforms carried out in many of the countries of Central and Eastern Europe and the Baltic region in the 1990s as well as in the early years of the present Century. It also mentions the two main stages or “waves” in such reforms: the earlier transition years (till mid 1990s) and the years of reforms introduced to prepare for accession to the EU.

The ECT is made up of six main chapters and their related sub-chapters, dealing respectively with:

I: DEMOCRACY, HUMAN RIGHTS AND MAIN POLITICAL AND INSTITUTIONAL REFORMS (presenting information on experiences in political transition).

II: ECONOMIC REFORMS (related to transition to a market economy)

III: HUMAN DEVELOPMENT (education, health, employment..)

IV: AGRICULTURE, LAND MARKET REFORM AND ENVIRONMENT ISSUES

V: REGIONAL DEVELOPMENT PROGRAMMES

VI: MANAGEMENT OF EXTERNAL AID

CHAPTER I: DEMOCRACY, HUMAN RIGHTS AND MAIN POLITICAL AND INSTITUTIONAL REFORMS

The concept of political transition used in the ETC includes not only the processes
leading to the restoration of political freedoms and democratically-elected institutions (at both central and local levels), but also other fundamental aspects such as those related to the establishment of new constitutional frameworks and legal systems, the development and consolidation of party systems, measures related to the dismantlement of the power of the former communist “nomenklatura” and those aimed at dealing with the abuses and wrongdoings of the previous regimes. This chapter also includes the efforts made in these countries transition to ensure the effective protection of human rights and the development of new public administrations and civil societies. Finally, this chapter presents information on one of the most sensitive issues of the transition from an authoritarian to a democratic regime: that of the reform of the internal security systems.

**Political freedoms and democratically elected institutions**

(Information from Poland, Czechoslovakia, Hungary, Slovenia and Lithuania). For some countries, this was mainly a domestic process; for others the recovery of political freedom was largely due to the restoration of its independent statehood. For some, changes were sharp and radical. For others changes were more a process of negotiation. Different roles were played by actors such as the pro-democracy and pro-independence movements; the leadership or members of the ruling communist parties. Key factors were civic mobilisation (Solidarity movement, Velvet revolution, Baltic chain); negotiations between Government and civic or political opposition (“round-tables”); or pre-democratic elections to representative bodies of the previous regime (National Councils). Experiences in general demonstrate that energy and resources in the development of a sound and consistent legal system were important to success of reforms.

**Common factors**: In all countries the reforms were carried out peacefully, with strong popular support to the reform process, in spite of all the uncertainties surrounding the process. The importance put on peaceful implementation was possibly inspired by EU democracies – which had provided four decades of unprecedented peace, freedom and economic and social prosperity – as well as the fear of the horrors of the two World Wars. But the roadmap each country followed was different.

**Establishing a Constitutional framework.** Some countries proceeded immediately with the elaboration of an entire new Constitution (Estonia, Lithuania, Slovenia, Romania) or the restoration of a previous one (Latvia). Others opted initially for the introduction of most of the amendments to the existing Constitution, and only later decided to renew it (Poland, Czech and Slovak Republics). In Hungary, the elaboration of an entire new Constitution was on the political agenda for a number of years, but then abandoned.

**Common factors**: Generally, the elaboration of a new Constitution was delayed until the political situation had stabilised, and necessary framework set up. In this respect, the process followed in Estonia for the elaboration of the 1992 Constitution is a case of good practice that could be used in other countries undertaking a democratic transition1.

**Best practice example**: Estonia – social consensus building.

**The development and consolidation of a stable political party system.** In some countries, opposition movements that enjoyed broad support in the early years of transition soon broke up into different parties; in others the former communist parties

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1 Unfortunately, more detailed written information about this process, which was announced during the expert’s visit to Tallin, has not been provided to the date.
successfully recycled into left-wing democratic parties. In many countries, the electoral systems adopted in the beginning of the transition caused excessive fractioning of parties, leading to unstable government coalitions and too frequent Government changes, which in some cases hindered the timely implementation of the reforms required.

Common factors:
i) In all countries, the communist party monopoly was abolished at the very beginning of the transition, but the party was not banned. There are some examples of specific policies and measures aimed at preventing members of the communist establishment from occupying positions of responsibility in the new democratic regimes, such as “sweep the place clean” policy applied in Estonia or the “lustration” laws adopted in the Czech Republic. However, in many countries no specific measures were adopted, and the members of the communist nomenklatura could easily find a position in the new political system or in the private sector of the new economy.
ii) The difficulty for broad-based democratic movements to remain united after the reforms were introduced.

Dealing with the past -. By contrast to other transition experiences, no formal political agreement to guarantee impunity to former communist leaders was granted. The economic and property aspects were mostly tackled through return of property, different types of laws and initiatives regarding compensation, usually linked to legal rehabilitation of the people or institutions affected. Some chose to investigate and prosecute criminals. However, as the information provided by Poland, Czech Republic, Slovakia and Hungary shows, the implementation of such measures was hampered by a multitude of political, legal and institutional obstacles, including in some cases objections raised by the Constitutional Courts regarding retroactive application of criminal law. In a number of countries (Poland, Czech Republic, Slovakia) institutions in charge of gathering and preserving documents and information pertaining to the past and making it available for research and education purposes have been established, and provide examples of the role this type of institution can play in similar situations.

Human rights – One of the core aspects was to incorporate internationally recognised human rights legislation into the respective legal systems. Some best practices: development and implementation of comprehensive Human Rights’ Plans and Programmes, with the support of international organisations (Latvia and Lithuania); provision of information on institutions and bodies established for the protection of human rights (Hungary, Slovenia) and projects in the field of equality and non-discrimination (Malta). Information is also provided on issues of citizenship (Latvia, Estonia), the rights of national minorities (Slovenia) and the establishment and development of the legal and institutional framework for providing asylum and refuge (Slovenia, Romania) as well as projects on the integration of refugees and asylum (Malta).

Reforms of the legal system – The first stage was getting rid of those who formerly represented the judicial power, followed by reform of the legal system and legal codes. In some countries (Czech Republic, Hungary) the Constitutional Courts played a vital role. For others, reform of the Judiciary and Public Prosecution was crucial (Latvia, Estonia, Czech Republic, Romania). Examples of good practice in the process of renewal of existing legislation and in the elaboration of new legal Codes and texts is included.

Public Administration Reform – This was one of the biggest challenges during transition. Two main issues: i) building an efficient and effective Government as the leading body; ii) reform and modernisation of the internal organisation and staffing of the public administrative apparatus, including the establishment of a reformed Civil
Service.

Best practice examples: Modernisation of the civil service through extensive use of ICTs (Estonia, Slovenia) which could be replicated. Reforms and developments in this area include the Latvian experience in improving policy planning and coordination at Government level. In addition to earlier reforms, the strengthening of the capacity of national public administrations became the standard bearer of the reform agenda in some countries in the run-up to EU membership (from the second half of the 1990s). Extensive support was provided by the EU and its member states through a number of instruments, namely the SIGMA programme and the so-called “Twinning” projects.

The experiences of these countries with implementation of administrative reforms based on SIGMA assessments, as well as in the management of “Twinning” projects can now be extremely valuable for other countries, particularly those in which such instruments are currently being applied (New Neighbours).

Decentralisation - the establishment of democratically-elected local governments - In most countries, this was first done at the municipal level and ignited a process that led to the activation of local communities as important actors in the overall reform process (for instance, in the emergence of a local private sector, through privatisation of local assets and small economic undertakings). Since then, all countries have seen significant development of their local public sector, which was decisively supported by local governments and their associations in other European and Western countries. Such development required a parallel development of the mechanisms and legislation for financing local governments and a number of models and solutions were implemented in different countries to this end. At a later stage, in some countries reforms in this area moved into more ambitious decentralisation policies and programmes, involving the establishment of self-governing institutions at regional level and a substantial transfer of decision-making and executive responsibilities and tasks to sub-national levels of government and administration.

Information and good practices provided by Latvia, Estonia, Poland, Czech Republic, Hungary, Slovakia, Slovenia and Romania.

Development of an active civil society – (info from Latvia, Estonia, Hungary and Slovenia). All highlight that the wide popular support for political and economic change that existed at the outset of the transition did not give rise per se to an active civil society. The development and activity of CSOs (and particularly NGOs) was, for most of the transition, the outcome of strong external (foreign) support, rather than of consistent domestic policies and support instruments and schemes. However, since this external support was withdrawn, many countries have adopted new policies and instruments in support of NGOs that can be considered as good practice in this field.

Reform of the internal security systems - information from Estonia, Lithuania, Czech Republic, Slovenia, Hungary shows how the first steps were aimed at dismantling the former state security services (the political police) and/or rebuilding the services as reliable and professional units designed to serve the new democratic institutions. Another early reform measure was the de-militarisation of the various security forces that were previously integrated into the Army. Later on, each country started to develop its own “police model”, based both on its own traditions and on models existing in other European countries.

Common factor: the move from a model based on the concept of “police force” towards a “police service” approach.

Best practice examples - Estonia, Latvia, Lithuania, Slovakia, Romania and Slovenia - border management and reform of the border police, as well preparations for joining
CHAPTER II: ECONOMIC REFORMS

Each country started from a different economic situation at the start of political change. Country summaries are provided of the economic reforms carried out in Latvia, Estonia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia and Romania during transition, as well as in Malta in the run-up to EU accession.

There were two broad approaches: i) those countries that chose to introduce more radical reforms from the outset (the so-called “shock therapy”) - eg Estonia, Poland or the Czech Republic; and ii) those countries that took a more “gradualist” approach (Hungary and Slovenia).

Common factors; in all cases, economic reforms focused on the following: macro-economic stabilisation, liberalisation (of prices, trade and foreign exchange), restoration of private property and setting up the legal and institutional framework needed for a new economy based on private enterprise and economic activity, privatisation of state-owned enterprises, capitalisation of the national economies (including building up domestic financial systems) and reform of public finances.

Implementation of macro-economic stabilisation programmes: experiences of Latvia, Estonia, Poland, Czech Republic, Hungary and Slovenia describe efforts to curb inflation, establishing a sound fiscal base and regaining access to international capital markets. Highlights are the success of some countries (Estonia, Latvia, Slovenia) in introducing a new national currency, and revision of the currency exchange regime to regain stability. Also mentioned is the importance of the status and role played by the national banks; the main measures adopted in the early transition years to reduce budget deficits (both in the expenditure as well as on the revenue side); and the difficult negotiations carried out in those years with public and commercial foreign creditors (particularly in Poland and Slovenia).

Liberalisation of prices, trade and foreign exchange (info from Latvia, Estonia, Lithuania, Poland, Czech Republic and Slovenia) gives the economic rationale for this process and the different sequence, pace and scope in each. In general, liberalisation of prices proceeded quite quickly in most countries, with the exception of some sectors (transport and public utilities, housing). Foreign trade liberalisation was also quite radical from the outset, particularly in Estonia, and these two processes combined led to a rapid adjustment of local prices to international prices. This in turn had an immediate effect on supply, and the cost of living for the population and domestic companies. Foreign exchange liberalisation was a logical corollary of the liberalisation of trade, but not all countries adopted the same approach, particularly on capital investment.

Privatisation of state-owned enterprises - methods for this varied (info from Latvia, Estonia, Lithuania, Poland, Czech Republic, Hungary and Slovenia) but it was a fundamental component of the economic reform process. A common factor was the corporatisation of state-owned enterprises, some preceded by rehabilitation and restructuring.

In general, privatisation of small companies was a pretty straightforward process, mainly carried out through auctions, open to domestic or local bidders. But substantial differences can be observed in the privatisation of medium and especially large companies, which in most countries took place at a later stage. Some countries were from the outset quite willing to allow foreign investors to participate in the process of privatisation (Estonia, Hungary), while others arranged the process under conditions which were more favourable to domestic capital (Czech Republic,
Slovenia). Voucher privatisation played a role in several countries this type of privatisation, prevalent in the Czech Republic, failed to achieve its expected objectives and instead led to serious problems at a later stage, linked to the establishment of investment funds and their practices in an economic environment lacking sufficient regulation. Some countries favoured management and staff buy-outs.

However, even in this case some countries (Estonia) introduced elements and requirements that went beyond the price during privatisation (such as guarantees of employment), while others – possibly because of the need to repay the inherited external debt – sought mainly the revenue that could be obtained out of the privatisation (Hungary).

Two lessons stem from these experiences - i) the introduction of “popular capitalism” requires an "economic “culture” in the population – if this is absent, there is a high risk of concentration of decision-making capacity in the hands of the managers of investment funds whose interests are quite often merely speculative; ii) management and staff by-outs, while theoretically ensuring a closer relationship between ownership and management, may often result in delaying the necessary restructuring of the companies, as a condition for their long-term survival in a competitive market economy.

Reform and development of domestic financial systems - Once again, each country had a different approach to both the banking system as well as other financial markets, including the restructuring and later on the privatisation of state-owned banks, the opening up of the banking sector to new private banks. In some countries, the extremely liberal approach adopted in the beginning of transition regarding the creation of new private banks, exacerbated by the insufficiency or ineffective enforcement of banking regulations, led to serious banking crises in the mid 1990s.

In general, it was only in the second half of the decade that Governments, National banks and in general banking supervision authorities were able to adopt and enforce more stringent regulations, in line with EU standards and legislation. Problems in the sound development of the banking system were not limited to weak regulation or supervision systems, but were also related to the initial lack of knowledge and capacity of bank managers and staff of managing banking operations in conditions of a market economy, especially international operations, and the persistence of bad practices inherited from the past (banking „culture”) leading to shareholders or proxies, without the necessary guarantees.

Although stock exchanges and other securities' markets were established and are now in operation in all countries, their weight in the overall domestic financial system is still relatively small, when compared with the banking sector. This could explain why a number of these countries, the model of financial market supervision has evolved towards a single supervisory authority.

Development of the private sector. Information is provided on the pre-conditions for and the importance of foreign investments in such development (information from Estonia, Poland and Slovenia). Also described is the rapid development of the SME sector (Estonia, Lithuania, Poland, Czech Republic, Slovakia, Hungary and Slovenia) and the importance of support measures for SMEs (specific policies and legislation, institutional arrangements, programmes/instruments available).

Generally, active Government support to the development of SMEs started only in the second stage of the transition and was to a great extent triggered by the EU’s pre-accession strategy. Before that, the prevailing approach in many countries was to avoid Government direct intervention in the private sector, possibly a reaction to the past and the influence of more extreme versions of economic liberalism.
Some best practice examples are Estonia’s „Enterprise Estonia”; the Business Advisory Centres in Lithuania, the Agency for Enterprise Development in Poland; the START Programme in the Czech Republic, programmes managed by the National Agency for the Development of SMEs (NADSME) in Slovakia and the various programmes and instruments available in Hungary.

Trade development and regional integration (information from Latvia, Estonia, Lithuania, Poland, Czech Republic, Hungary, Slovenia, Romania and Malta).

Most countries started with liberalisation measures, changes in trade patterns (partners and commodities) derived from the re-focus of their trade to the West, and the signature of bilateral and regional trade agreements with other countries. The reforms needed in some of these countries for accession to the WTO and those related to the implementation of Free Trade Agreements with the EU (including the Association and “Europe” Agreements that followed, are catalogued (as well as the final reforms needed for accession to the EU).

Key factors in the process were strong government coordination) continuous dialogue with the national business sector and the challenge of adapting to technical standards required for exports of goods to foreign markets (particularly EU).

Some examples of instruments developed for the promotion of international trade are - the Economic Information System (INSIGOS) in Poland; the web portal “Businessinfo.cz” in the Czech Republic.

Reforms in the field of public finances This includes state budget reforms and public expenditure, reforms of the tax system and administration, establishment of Treasury systems and reforms in public accounting, the establishment and development of modern debt management systems and reforms affecting customs administration.

Most reforms mentioned aimed at the gradual consolidation of the state budget, the separation of the state budget from local or sub-national budgets, the design and implementation of sound budget procedures (including macro-economic analysis and forecasting, pluri-annual budgeting and programme budgeting), as well as the establishment of a clear legal framework based on the Constitution and the Budget Law. In this process, a substantial revision of the expenditure side of the budget was carried out, affecting both the overall size and the composition of expenditure (current expenditure and investment), in a framework of hard budget constraints. The experiences of Slovakia (Public Financial Management Reform programme, launched in 2003), Poland (budget reform as of 1991) and Slovenia (from the adoption of the 1991 Constitution to the adoption and implementation of the Public Finance Act of 1999) are briefly summarised in this sub-chapter.

Key challenges mentioned by all are reform of the tax system and setting up a modern and efficient tax administration. Info came from Latvia, Estonia, Poland, Czech Republic, Slovenia and Romania, as well as on the particular experience of Lithuania with excise tax.

Most reforms in the tax system were aimed at setting up a system common to market economies, based upon property taxes (particularly real estate tax), income taxes (corporate and personal income tax) and indirect/consumer taxes (VAT and excise). This involved important policy decisions on key aspects of the new system, such as
the relative weight of direct/indirect taxation, or the rates to be applied, particularly for property and income taxes. Here the most valuable lessons that can be useful for transition economies, or those in which tax administration is still weak, is the convenience of establishing a system that is simple, stable, easy to manage and favours economic initiative. In particular, the establishment of flat rates for corporate and personal income tax (as Estonia did first and was later followed by other countries) appears as a good example for transition economies.

Equally important was the need to invest resources and efforts in the building up of effective and efficient tax administrations, so that the state could actually obtain the revenue corresponding to the pace of economic growth and respond to the demands for modern public services. The EU assistance provided under the PHARE programme was crucial in this respect.

Other common reforms include building up centralised Treasury systems and setting up and developing effective public accounting. The main aspects of this reform were the establishment of the Treasury itself, the modernisation of the system of public accounts, including the move towards accrual accounting, and the introduction of modern payment and financial reporting systems. Some examples of experiences in Latvia, Lithuania, Hungary and Slovenia in this field are included;

Public debt management - some countries had to re-negotiate their existing or inherited foreign debt in the beginning of their transition. A common feature of the reforms undertaken (in Latvia, Lithuania, Poland, Slovakia, Hungary and Romania) is the move from the previous passive debt servicing towards a more active debt management, encompassing the full range of instruments that are used in market economies eg separation between strategic decision-making and operational management of state borrowing, development of domestic markets for public debt, diversification of debt instruments and some innovative solutions for the trading of state securities (such as the Lithuanian example of delegation of such function to the Vilnius Stock Exchange). Best practice: worth mentioned is the Polish example of setting a Constitutional limit for state debt (60%) and its impact on public debt management.

Customs administration in Lithuania, Slovakia, Slovenia, Romania and Malta underwent a learning and change process, guided by the EU’s customs strategy and “blueprints” and by valuable experience received from the customs administrations of EU member states (regional programmes implemented by Eurocustoms as well as bilateral “Twinning” projects). These countries developed their knowledge and expertise in areas such as harmonisation of legislation to conform to the EU Customs Code, introducing customs procedures (including electronic declarations and simplified procedures), the use of risk assessment and post-clearance audit and control systems, correct and efficient revenue collection, and the fight against drug trafficking and counterfeiting, inter alia. Moreover, following their accession to the EU, their respective customs administrations have also acquired some relevant experience in providing technical assistance to other countries.

CHAPTER III: HUMAN DEVELOPMENT deals with transition reforms in the fields of education, health, and other social development areas, such as employment, labour and social protection, gender equality, women’s rights and empowerment, and children’s rights.

Most education sector reforms mentioned are those in primary and secondary education and vocational training systems (including adult or continuous education/lifelong learning), and use of ICT in education.

General education The main reforms undertaken during the transition (in Latvia, Estonia, Lithuania, Poland, Czech Republic, Slovakia, Hungary and Slovenia) are
measures aimed at ensuring equal access to primary education and equal opportunities to continue education later. Experiences and expertise in bilingual education programmes (Latvia, Estonia, Slovenia) are provided, as well as on initiatives to enhance educational opportunities for the Roma community; measures to integrate the disabled or children with special needs into the mainstream education system; efforts to create equal opportunities in urban and rural areas; financial support instruments to low income families or children’s education.

**Overall, the majority of countries** in Central and Eastern Europe and the Balkan states made significant progress during transition in this field

**Vocational education and training** has a long tradition in socialist countries, although it was totally separated from the general education system and mostly based in a set of narrowly defined industrial specialities. The inadequacy of this in a new market economy soon became evident, but reforms only began in the mid 1990s. Reforms implemented in Latvia, Estonia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia and Romania are included, as well as on developments in Malta since 2001. Progress was made in the development of national qualifications systems in line with the European Qualifications Framework (EQF), and contributions highlight some of the best practices in these countries: (eg the system of voluntary quality management introduced in Estonia’s VET schools, based on self-evaluation; the changes in the status of vocational schools in Lithuania, which allowed for the participation of a variety of stakeholders in the management and funding of vocational education centres; some initiatives implemented in Romania (the “Exercise Firm” and “Together for Education and Training”); and the establishment and development of the MCAST in Malta). These contributions also provide insights into the development of continuous education and life-long learning systems, in which Ministries of Labour and Employment Services played a very important role, particularly in regards to job seekers and the unemployed.

**ICT in education:** the countries that joined the EU in the 2004 and 2007 enlargements initially made a huge effort to equip themselves with the necessary ICT resources and to provide large segments of the population with basic ICT knowledge and skills; eg the National Programme of Computer Literacy implemented in the Czech Republic. This was often followed by policies and programmes aimed at the introduction of ICT in the educational systems, to provide i) ICT equipment and internet Access to schools; ii) Intensive training and support to teachers in the use of ICT for education purposes and iii) e-content for education purposes, and the setting up of education databases and web portals for a wider dissemination of information and resources.

Examples of best practices that could be replicated are the Estonian “Tiger Leap” programme, the Educational Web Portal developed in Poland, or the IT-based Educational System (SEI) implemented in Romania through a public-private partnership, as an integrated nation-wide solution. The experience of other countries (Slovakia, Hungary, Slovenia, Malta) shows that since accession to the EU, funding from the EU’s structural funds is being used for programmes and projects in ICT for education.

**Health sector reforms** - **In general, these were** substantial reforms eg in Latvia, Estonia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, and Romania as of the early 1990s, as well as in Malta (after 2004).

Common aspects of these reforms were: 1) the opening up of the health care sector to private operators (either private practices or privately owned clinics and hospitals) and the liberalisation of pharmacies 2) the emergence of Health Care systems (compulsory and voluntary schemes) and the possibility of separation of purchaser-provider
3) the creation and development of primary health care (PHC), as the entry point to the health care system, previously dominated by specialised health care facilities and services; 4) decentralisation of public management of public health care services.

Some questions were treated differently according to country, such as the “basket” of health care services to be covered by the new health insurance system, the coverage of the costs of pharmaceutical products and medical aids, as well as more controversial issues such as the introduction of user fees for medical services covered by the compulsory health insurance.

**Reproductive and sexual health / family planning and the fight against poverty diseases (mainly HIV/AIDS)**

Examples: Latvian Association “Papardes Zieds”, and the fight against poverty diseases, namely HIV/AIDS (Latvia, Estonia, Lithuania, Romania); the restructuring of the Romanian Network of HIV/AIDS Regional Centres in order to improve prevention-related activities and better access to health care for the HIV/AIDS infected people and the HIV/AIDS European Academy developed in this country.

**Reforms in employment, labour and social protection**, eg employment policies and services, social dialogue, unemployment protection systems, reform of the pension system, reforms concerning other social welfare benefits and services and social inclusion/integration or poverty reduction strategies.

In the first years of transition, unemployment—a phenomenon officially unknown in the socialist economy—began to rise quickly, and institutions built quickly to combat this. In the mid 1990s, reforms carried out by eg Ministries responsible for employment and labour and the Labour Exchange offices were mainly to provide assistance to the unemployed, developing active employment policies, training and retraining of labour force, incentives to companies and workers for job creation and occupation, and in some cases public works programmes.

**Employment policies and services** This gives an overview of the evolution of employment and the characteristics of the “adjustment” that followed the move towards a market economy in Latvia, Estonia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia and Romania. It includes the institutional arrangements put in place in each country in this field, with particular reference to the development of public employment services and their evolving role during the transition. Countries' experiences in assessing the employment situation and policy-making and planning (National Employment Action Plans aligned with the European Employment Strategy are also described. Also mentioned are setting up of the most relevant labour market programmes and measures designed and implemented during the transition, in areas such as counselling and training/re-training for job seekers or for specific groups (young, disabled, long-term unemployed), public works programmes, etc.

**Two practices that are worth mentioning** are the Czech policy of “Making sure it pays off to work”, based on the establishment of a minimum wage that provides an incentive for active job search; and the Romanian experience with Regional Action Plans for Employment, in the wider context of Regional “Pacts” for Employment and Social Inclusion.

**Social dialogue** An important structural element developed in many countries during transition to market economy were the institutions and mechanisms set up to carry out social dialogue and consultation between government, trade unions and employers’ associations in matters of economic and social policy. Although mostly of a consultative nature at the outset, these tri-partite social dialogue mechanisms later expanded to more specific policy and public governance issues (such as the
management of active employment policies at regional and local level). Bilateral social dialogue between trade unions and employers also developed, and in some areas had already replaced trilateral dialogue by the end of the transition. The ETC includes reforms in Latvia, Estonia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia and Romania.

**Unemployment protection systems** were put into place in Latvia, Estonia, Lithuania, Poland, Slovakia and Hungary and Czech Republic, Slovenia and Romania. In most countries, the system developed a dual model, in which unemployment benefits based on previous work and financed by payroll contributions coexisted with a second non-contributory tier financed by the state budget. In at least two countries (Poland and Hungary), a particular form of unemployment protection, based on pre-retirement payments or benefits, was in place during the transition for older workers expelled from the labour market and who had little chance of being re-employed.

Reform of **pension systems.** The particular experiences and process followed in each country concerning the reform of the pension system are described for Latvia, Estonia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia and Romania.

Before transition, such systems were based on a pay-as-you-go models, fully funded by the state budget and with very early retirement ages, different for men and for women. However, the rapid economic and demographic changes brought about by the transition process soon revealed that such systems were financially unsustainable and there was a risk of collapse of the system in a short period of time unless substantial reforms were introduced.

**In all these countries in mid 1990s** reforms were examined, but only in the final years of the decade – or in some cases in the early 2000s – were they actually implemented, through the adoption of new legislation.

**The common approach adopted** was the introduction of a three-pillar pension system, mostly based upon compulsory wage-based contributions but also providing for a voluntary contribution component, or a mix of all three pillars (pay-as-you-go system, financed by wage-based contributions of both employer and employee; part-voluntary; or the purely voluntary model.

Alongside such pension schemes, a number of countries have introduced an additional system of non-contributory pensions, for all those who, are not entitled to a contributory pension and do not have other sources of income.

**Other social welfare benefits and services.** This section outlines the different types of social security benefits (other than pensions), family allowances or other benefits covered by the state budget, as well as financial benefits and non-financial support for low income individuals and families that were in place during the transition in Latvia, Estonia, Lithuania, Poland, Czech republic, Slovakia, Hungary and Slovenia. Of particular interest in this field is the concept and methodology for the calculation of a “guaranteed minimum income” (GMI), used in several countries as a reference for granting financial support to low income persons and the calculation of the relevant social assistance benefits.

**Poverty reduction and social inclusion strategies, plans and programmes.** This demonstrates that initially in the mid 1990s, the necessary research and analyses was promoted by international organisations combating poverty (eg UNDP), as well as the creation of awareness on this issue. At a later stage, work was jointly undertaken by the Governments concerned and the European Commission to
elaborate a Joint Inclusion Memoranda on Social Inclusion, which helped keep this issue on the political agenda and led to the formulation of comprehensive national action plans for social inclusion.

Specific plans and programmes aimed at poverty alleviation and the social inclusion of particularly disadvantaged groups (disabled persons, Roma communities, elderly people, etc.) became inserted in this broader framework. The contributions from Latvia, Estonia, Lithuania, Poland, Slovakia, Slovenia, Romania, Czech Republic and Malta included in the ETC provide details on the relevant experiences in this area.

Best practice: the Cottonera Community Resource Centre and the Headstart project in Malta, the Centre for Social Support to the Roma population in Blaj-Alba county (Romania) or the Polish experiences with economic and social integration of disabled people.

Gender equality and women's rights and empowerment (info from Latvia, Estonia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia and Malta.)

Most reforms started with analyses and work done for the preparation of national reports for the Beijing Conference (1995) often on the initiative of women’s organisations supported by UN and bilateral donors. Many transition countries managed to create the machinery necessary for promoting gender equality and women's rights, in an environment in which the social impact of the economic transition had clearly worsened the status of women in those countries. The first national programmes and action plans on gender equality were developed in the mid 1990s. This was followed by further work in the harmonisation of national legislation and institutional mechanisms with the requirements of EU acquis on gender equality. Later, in some countries, gender equality was integrated into wider equal opportunities and non-discrimination policies and institutional structures.

Several examples of best practice' are included in legislation, institutional arrangements, formulation of national programmes and action plans, employment, and labour relationships, domestic violence/violence against women and fight against trafficking on women, political representation and support to women’s organisations.

Children's rights Two best-practices are presented: Romanian experience with the reform (de-institutionalisation) of the child protection system inherited from the communist regime, and ii) the Youth Crisis Centres set up in Slovenia under the National Social Assistance and Services Programme 2000-2005 and the programmes managed by the Slovenian Foundation “TOGETHER”, for children and youth affected by conflict situations, which, though originally developed for Slovenia, are now being also implemented in some developing countries in which children and the youth are facing similar problems.

Chapter IV: AGRICULTURE, LAND MARKET REFORM AND ENVIRONMENT RELATED ISSUES contains the information provided by EU12 concerning: 1) Land administration and cadastre (securing property rights); 2) EU regulations and standards on food safety; and 3) Renewable energies.

Land administration and cadastre, focusing on two main issues: a) the process of restoring land and estate in general and b) the (re)establishment of the land and real estate cadastres and property registries.

Land privatisation and restitution of land property The focus is on agricultural land and some details on the privatisation of agricultural cooperatives. This was a complex and sensitive process in all countries, which at the turn of the Century had not yet been completed in many of them (although it was well advanced). In some
countries, like the Czech Republic, an additional difficulty of the process of land restitution was the need to also resolve property issues arising from the expropriation of land which took place in the period between the two World Wars. In others, like Hungary, land restitution was rather a matter of economic compensation for historical deprivation of property.

Regarding land tax, **cadastre and land registry**, different countries opted for different models. In most cases both were established (or re-established) as separate instruments, although with the necessary interconnections: the cadastre fulfilling a role more oriented towards physical and economic information, especially, but not only, for tax purposes and the land registry as an instrument for property guarantee and protection.

However, some countries have now moved to a unified system, in which both the cadastre and the property register are placed under a single authority. Other than this, **in all countries a process of modernisation information cataloguing** has been undertaken, both of the cadastral information and the property register, and cadastral offices are now providing a wide range of services – some of them online – to a variety of potential users. Information about developments in these areas is provided by Latvia, Estonia, Lithuania, Slovakia and Hungary.

**Food safety** is an area in which the reform of pre-existing systems and mechanisms were mostly driven by the need to align national legislation and institutions with the basic requirements of EU legislation, as well as to develop the human, technical and procedural capacities required for effective implementation after accession.

This explains why most such reforms were not started in the early transition years, but were carried out between the mid-1990s and the date of accession. In various ways, **all countries** moved from a system of in which the responsibility for ensuring food safety were scattered among different bodies and institutions to an integral system of food control based upon the principle of “from farm to fork” (“from stable to table”) where control is one single body. In this process most countries have established food safety authorities and inspection bodies responsible for all aspects of the control chain; and these bodies have actually upgraded their resources and capacities and have developed some tools and procedures that can be regarded as good practice in this field.

Information about these bodies and their best practices for Latvia, Lithuania, Czech republic, Hungary, and Malta. The expertise available in Romania in the field of Genetically Modified Organisms and Ecological Agriculture is also highlighted.

**Renewable energy** - Recent developments in Estonia, Lithuania, Czech Republic Slovakia and Hungary are given in this. Many carried out preliminary studies during their transition (for instance in Hungary), but most experiences with renewable energies are still recent. There are nevertheless already some **good examples** of successful experience and developments, particularly in regards to bio-fuels; and the policies and instruments created to promote other renewable energies (solar, wind, small hydropower industries).

**Chapter V : REGIONAL DEVELOPMENT PROGRAMMES**
(info from Latvia, Estonia, Lithuania and Romania) on the introduction of the concept of regional development policy during transition and the setting up and evolution of the instruments of this policy.

Notwithstanding earlier developments in the first years of transition (such as the Estonian Guidelines for Regional Development Policy adopted in 1994 and the first programmes put in place as of 1996), it was with the help of the EU’s pre-accession assistance (the PHARE Programme) that a proper legal and institutional framework,
as well as the necessary instruments, were firstly introduced and pilot-tested as of the second half of the 1990s. The process led to the adoption of the first National Development Plans to be supported by the EU’s structural funds for the period 2004-2006 and the consolidation of the structures needed for the further planning and implementation of regional development programmes supported by those funds in the period 2007-2013.

Chapter VI : MANAGEMENT OF EXTERNAL AID

For Poland, the focus is on the experience of the Paying Authority Department (PAD) within the Ministry of Finance, which covers the financial management of external aid and the management of EU structural funds since accession.

Slovakia describes the experience of the Aid Coordination Unit (Office of Government) and the CFCU (Ministry of Finance) in the management of both bilateral and EU aid during the transition period. Also included are lessons learnt from that experience and useful insights on the management of „twinning“ as an instrument for technical cooperation.