COMMISSION DECISION
OF 2002

Establishing a Phare multi-beneficiary “Steel Restructuring Technical Assistance Facility” programme in 2002

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EEC) No 3906/89 of 18 December 1989 on economic aid to certain countries of Central and Eastern Europe¹, as last amended by Regulation (EC) No 2500/2001², and in particular Article 9 thereof,

Whereas:

(1) Regulation No 3906/89 lays down the rules and conditions for the granting of economic aid to certain countries of Central and Eastern Europe,

(2) The measures provided for by this Decision are in accordance with the opinion of the Committee on Aid for Economic Restructuring in certain countries of Central and Eastern Europe

HAS DECIDED AS FOLLOWS:

Article 1

The programme described in the Annex to the present decision is hereby adopted.

Article 2

The maximum amount of Community Assistance shall be €2.5 million to be financed through Budget line B7-030 in 2002.

Done in Brussels,

For the Commission

¹ OJ n° L375 of 23/12/1989, p. 00110012
² OJ n° L342 of 27/12/2001, p.1
FINANCING PROPOSAL 2002

STEEL RESTRUCTURING TECHNICAL ASSISTANCE FACILITY

1. IDENTIFICATION

Country: Certain candidate countries in particular the Czech Republic, Poland, Romania
Programme: Steel Restructuring Technical Assistance Facility
Year: 2002
Phare contribution: € 2.5 million
Implementing Authority: European Commission, on behalf of the beneficiary countries
Expiry Date: 30 June 2003 (contracting)
30 June 2004 (payments)
CRIS number: 2002/000-301
Budget line: B7-030

2. SUMMARY

The 2001 Accession Partnership documents for a number of negotiating countries foresee an important priority on the restructuring of the steel sector in particular by implementing measures as part of a comprehensive sectoral programme for restoring viability including the control of state aids and appropriate reductions in capacity where necessary.

In a number of cases these countries will require technical assistance to be able to prepare overall and individual steel restructuring plans and to proceed with an objective assessment of the viability of their overall and individual steel restructuring plans, on the basis of the viability criteria that have been used within the EU before, and to be able to implement the recommendations that will emerge from these assessments. In a second phase, this could lead to the establishment of social reconversion programmes notably to alleviate the social consequences of such a restructuring.

This Technical Assistance Facility will provide Phare funding for technical assistance and advisory services either for the preparation of overall and individual steel restructuring plans, and/or for an objective assessment of each of the participating countries’ overall and individual steel companies restructuring (business) plans and to formulate recommendations to this effect. In a second phase, this Facility could finance advisory and expert services to help the participating countries in the drawing up of social reconversion programmes which will be needed as a result of these viable steel restructuring programmes.
3. STRATEGY

The 2001 Accession Partnership documents, adopted on 28 January 2002 by the Council, for a number of negotiating countries foresee an important priority on the restructuring of the steel sector in particular by implementing measures as part of a comprehensive sectoral programme for restoring viability including the control of state aids and appropriate reductions in capacity where necessary.

The granting of state aids in the context of such a restructuring should be based on a restructuring programme linked to the global rationalisation and reduction of capacity; the programme leading to the viability of the benefiting firms under normal market conditions at the end of the restructuring period; and, the amount and intensity of such aid being strictly limited to what is absolutely necessary in order to restore such viability and that such aid is progressively reduced.

A number of countries are currently preparing and/or revising their plans on the basis of these parameters. In a number of cases this will require technical assistance either for them to be able to prepare overall and individual steel restructuring plans, and/or to proceed with an objective assessment of the viability of their overall and individual steel restructuring plans, on the basis of the viability criteria that have been used inside the EU before, and to be able to implement the recommendations that will emerge from these assessments. As a result, these countries will be able to respect their obligations under their Europe Agreements and will be able to keep their commitments in the accession negotiations. In addition, this could lead to the establishment of social reconversion programmes that would be needed as a result of viable steel restructuring.

4. OBJECTIVES AND DESCRIPTION

This Technical Assistance Facility will provide Phare funding as follows:

Preparation of overall and individual restructuring plans:

The objective of this component is to provide technical assistance, in particular to Romania, to prepare the country's overall steel restructuring plan and the steel mills' individual steel restructuring plans, ensuring that these restructuring plans fully take environmental concerns into account, in order to have them assessed following the Commission's viability criteria (as set out in Annex 3).

Viability assessments:

The objective of this component is to provide an objective assessment of each of the participating countries’ overall and individual steel companies’ restructuring (business) plans. This analysis should assess the credibility of the plans and identify whether the fulfilment of each plan is reasonably possible and, if so, is likely to return the companies concerned to viability, defined on the basis of the Commission’s viability criteria (as set out in the attached Annex 3) under normal market conditions. The
analysis should situate the viability plans in the context of the national restructuring plan. In the case of negative assessment, a list of recommendations will be made on the changes that need to be introduced in each individual plan so as to respect the criteria as set out in Annex 3. In general, this will involve an appraisal of revenues and costs and sales and other income and coherence of the individual companies’ plans with overall demand for the products produced.

This will have to ensure that each company has properly taken account of recent developments (e.g. Asian and Russian crises and the on-going situation vis-a-vis the US measures to restrict access to their domestic market) in its sales' forecast. This analysis will furthermore involve a number of technical matters (capacity, investments, financing, prospects for privatisation) so as to determine viability and profit and loss projections.

In general, this analysis will have to be undertaken within short deadlines and will require the services of consultancy firms of international standing with a proven track record in the area of high profile advisory services in steel production (both at the level of crude steel and of downstream rolling - both flat and long products) and with the strategic and financial vision necessary to judge the detailed restructuring plans. This will require in-depth knowledge of the steel industry, of industrial financial appraisal and of the mechanics of the financial and technical restructuring of companies in Europe, as well as developments in the industry in the CEECs and the CIS.

Social reconversion programmes:

In a second phase, and provided the first phase described above is deemed successful, this Facility could finance, as a separate and follow-up measure, the services of consultancy firms and other advisory and expert services to help the participating countries in the drawing up of social reconversion programmes which will be needed as a result of these steel restructuring programmes. This will involve an assessment of the social and regional costs of steel restructuring and recommendations on how this could be implemented. This will normally also include seminars and workshops directed towards the steel enterprises, the trade unions, local authorities, ministries and competition authorities of the countries concerned.

Such reconversion programmes should be designed on the basis of similar programmes carried out previously in the EU and will be aimed at alleviating the social consequences of restructuring through an active social policy designed for this purpose. Provided that such programmes receive the approval of the participating countries, these could, in a later stage (e.g. in 2003) receive cofunding under future Phare national programmes of the countries concerned or, as appropriate, under future Structural Funds for which some of the countries will be eligible upon accession.
5. BUDGET

The following table specifies the budget for this facility (all amounts in million EUR). Allocations between the different aims of TA are indicative only:

<table>
<thead>
<tr>
<th>Institution Building</th>
<th>Investment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>TA preparation of viability plans</td>
<td>0.5</td>
<td>0</td>
</tr>
<tr>
<td>TA assessment of viability plans</td>
<td>1.5</td>
<td>0</td>
</tr>
<tr>
<td>TA social reconversion programmes</td>
<td>0.5</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.5</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

6. IMPLEMENTATION ARRANGEMENTS

The programme will be managed by the European Commission according to the procedures laid down in the Commission’s “Manual of Instructions - Service, Supply and Works Contracts Concluded Within the Framework of Community Cooperation for Third Countries” adopted on 10 November 1999, the Vademecum on Grant Management adopted by the Commission on 7 July 1998, and the detailed provisions of the “Practical Guide to EC External Aid Contract Procedures” (published on [http://europa.eu.int/comm/europeaid/tender/gestion/index_en.htm](http://europa.eu.int/comm/europeaid/tender/gestion/index_en.htm)).

Procurement of service contracts (including those for which the contract value would exceed 200,000 EUR) can also take place according to the “Simplified Procedure” of the “Practical Guide to EC External Aid Contract Procedures.”

7. MONITORING AND ASSESSMENT

The accounts and operations of all activities carried out under the programme may be checked at regular intervals by an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the Court of Auditors. Also, the Commission may carry out any necessary audits and on-the-spot checks in accordance with the Practical Guide to EC external aid contract procedures.

To facilitate this, the Commission will keep accounting, financial and operational documents concerning all activities financed under this Programme, and will make available to the competent bodies of the European Commission and the European Court of Auditors on request all relevant financial information.

The Commission will monitor the implementation of the Programme on the basis of reports from the selected contractors and independent assessments.

The Commission services shall ensure that an ex-post evaluation is carried out after completion of the Programme.

8. ANTI-FRAUD MEASURES, AUDIT AND EVALUATION

This Financing Decision as well as the resulting contracts are subject to supervision and financial control by the Commission (including the European Anti-fraud Office,
OLAF), and the Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the Commission. In order to ensure efficient protection of the financial interests of the Community, the Commission can conduct check-ups and inspections on site, in accordance with the procedures foreseen in Council Regulation (Euratom, EC) №. 2185/96, concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities’ financial interests against fraud and other irregularities.

The procedures foreseen in Commission Regulation №1681/1994 of 11 July 1994 on the communication in case of irregularities and the putting in place of a system to administrate the information in this field shall apply.

The Commission services shall ensure that an ex-post evaluation is carried out after completion of the Programme.

9. VISIBILITY/PUBLICITY

In implementing this Programme, the Commission shall provide for the maximum visibility of EU actions in the Phare candidate countries. In this line, the Commission shall consistently apply the note “Information and publicity for the Phare Programmes of the European Communities”

10. SPECIAL CONDITIONS

In the event that agreed commitments are not met, the Commission may review the programme with a view, at the Commission's discretion, to cancelling all or part of it and/or reallocate unused funds for other purposes consistent with the objectives of the Phare programme.

ANNEXES TO THE FINANCING PROPOSAL

Annex 1 - Log frame Matrix
Annex 2 - Cumulative quarterly contracting and disbursement schedules
Annex 3 - Viability criteria for steel restructuring

3 OJ L 178 of 12 July 1994, p.43