tries. The most recent negotiation process with 10 candidate countries has most likely created precedents for the future accession proceedings.

5) "Battering ram strategy" – can be a useful tool to force candidate countries to compromise by using one of them as a „battering ram" – a model negotiation behaviour which should be followed by the rest of the group.

6) Group coordination – candidate countries can improve their negotiating position by coordinating their strategies toward the EU.

As the author further argues, it is precisely the unbalanced positions of the two negotiation parties that makes the EU accession talks so different from any other traditional international negotiations. Asymmetric character of these proceedings is caused by different starting positions of the Union and the individual candidate country on the negotiation matter – acquis communautaire. Therefore, most of the proceedings concentrate on the ability of the candidate countries to fulfil these established rules. In this phase of the negotiation process Javorčík stresses especially the role of the European Commission, because its task is to balance the interests of the member and the candidate states in order to reach an agreement which would be beneficial for the already enlarged community in the future. Apart from this aspect of the process, the success (speed and quality) of the negotiating process also depends on the political climate and context which will dominate the era of the next accession wave. The author believes that the recent enlargement process has exhausted the EU and that it has to undergo a process of consolidation.

Despite author's belief that the process of the future integration in the European Union is likely to follow some of the listed strategies, he sees the main difference between these two processes in the political character of the negotiations. He states 2004 enlargement was in many ways unprecedented process due to very strong political will on both sides to conclude negotiations relatively quickly and smoothly in order to fulfill moral obligation to overcome painful division of Europe after WWII. Various negotiating tactics were never fully explored.

As concerns future enlargement process there is bigger question mark about the political drive behind it, as well as to the flexibility of the candidates to cope with the asymmetric character of the accession negotiations. Therefore, one might expect that as to negotiating theory and use of different negotiating tactics the following accession talks will be probably "more interesting".

Ingrid Brocková

Lessons Learned from the World Bank's Assistance in New EU Member Countries

For some of the countries that became part of the European Union on May 1, the EU membership did indeed appear to be a long way off. For example, Lithuania and Latvia still had major restructuring of their economies to undertake from a relatively low income base, or Slovakia, which at that point had a government that was isolated by its regional partners and globally. But for other countries like Slovenia with its steady, gradualist approach to reform from a quite high income base

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and location and other advantages the EU membership seemed a readily achievable goal in the not too distant future. There was also a group of countries somewhere in between, the Czech Republic and Hungary and Poland to some extent, where the rhetoric was that accession would come soon, but the reality was that while the path was well marked, it would take a little while longer to make all the adjustments needed to align with EU rules and regulations.

The World Bank has helped these countries by applying the full range of instruments and activities and support that the institution has available to it: financial support for reforms and, perhaps more important, helping to catalyze support for structural reforms, and key investments in infrastructure and the social sectors. Advice has also been very important. The World Bank for example prepared a series of comprehensive economic reviews looking at the readiness of each country for EU accession, and making recommendations about how to move the process along and how to undertake the accession process in such a way that maximized the benefits and minimized the costs.

Looking at the membership process from the outside, one important element to stress is that these countries have already been extremely well-integrated into the European economy. So it was not a question of integration, but rather of membership in the governance in the institutional structures in the European Union. Economic integration occurred very rapidly during the 1990s, and the adjustments associated with that shift in economic space, in many cases, have already taken place. One important new challenge is to take full advantage of the resources that became available from the European Union itself, and to use those resources well.

A second challenge is maintaining the pace of reform as countries are members of the European Union. Some countries in Eastern and Central Europe are moving very rapidly in introducing public administration and public financial management reforms; for example, Slovakia with its flat tax, and simplification of bureaucracy in the Baltics, particularly Estonia, with its rapid progress toward e-government. It is important to maintain this momentum toward reform in the future. There is a spirit of reform, a new way of looking at economic and social problems, and a dynamism which these new members bring to the European Union.

Nearly all the new member states (EU8 – Poland, the Czech Republic, Hungary, Slovakia, Lithuania, Latvia, Estonia, and Slovenia) have introduced far-reaching and necessary economic reforms. They have undergone

the most radical fiscal reforms and abolished most of their subsidies. They have privatized their economies and opened them to foreign investment. Social-security networks and pension systems have been overhauled. The role of agriculture in GDP has been dramatically decreased. The business climate in new member states is open, the labour market is not overregulated, the tax burden is low. Slovakia, according to a report *Doing Business in 2005: Removing Obstacles to Growth* – report cosponsored by the World Bank and International Finance Corporation, was the world's top reformer in improving its investment climate[1] over the past year, allowing it to join the top 20 economies in the world on ease of doing business. The report also finds that new entrants into the European Union were also among the top reformers of investment climate.[2]

The third challenge is managing economic policies to promote as rapid a convergence as possible. These countries entered the EU at a lower relative income than any previous members have entered the EU, so the challenge is to grow rapidly over a relatively long period in order to achieve convergence in order to avoid any acceptance of a dualistic Europe. The central Europeans will have to keep up this pace for many years, if they are to achieve their ambition of becoming as rich as Western Europe. The current wealth gap is so large that the Economist Intelligence Unit has estimated that even if they grow at around 4 percent a year for the foreseeable future, it would take Slovakia almost 40 years to catch up and Poland almost 60 years.

These countries certainly are prepared and motivated to face these challenges. The approximation to the *acquis communautaire* that the countries have undertaken in the past 6-7 years has meant a very demanding set of legislative and administrative reforms, and it's created a capacity to help meet future challenges as well. But the road ahead won't necessarily always be smooth. The EU's evaluations and the country's own evaluation, there is the recognition that the key challenge is precisely one of being well-equipped in administrative structures and skills. It is also important to free up the most talented and best of the new generation of entrepreneurs and civil servants to operate effectively in the broader European context. In many ways these countries with the experience of dramatic system change can add a dynamism and impetus to reform that could be a very positive force in the enlarged EU.

Political and institutional alignment of new members is now the real advantage of membership, given the economic integration that has already taken place, and this alignment is a factor equally important on both sides of the divide that once separated east from west in Europe. The existing members have potentially much to gain from the challenges to conventional thinking and momentum of reform that the new members bring. The new members gain from enhanced security, both economic and political, and from the access to global decision making and strengthening of the fundamentals underpinning democracy and markets. Both can gain from the enhanced scope for investment that the more rapid growth and improvements in the investment climate in the new members will bring. But ultimately it comes down to the sense of belonging to a European Union that truly reflects the deep roots of common heritage. And that belongs equally to each citizen of the enlarged EU.

By the enlargement, the history of Europe is certainly not ending; in fact it is just beginning. The effects of the EU enlargement will go deeper than most people are predicting, changing Europe beyond recognition. From the core bureaucratic structure of the union itself, to fiscal policy and ideological identity it will not be possible for the Union to continue as before. The current structure will be unmanageable with 25 member states and will have to undergo a radical overhaul. Meanwhile, the enlarged European Union will have to reconcile the low-tax, low-regulation economies of the incoming members with the high-tax, high-regulation policies in much of the existing Union.[3] This will be most probably great tension within the Union over the next decade.

Enlargement should be the catalyst that at last forces their hand. Europe's economic malaise must be confronted if it is to compete with its global rivals. The continent needs a clear vision and a new agenda for the 21st century. The enlargement should provide the impetus to work out this agenda and regain the momentum for reform. The new member states are poor today and still bear the burden of their communist heritage, but if they stiffen their resolve and maintain their liberal approach and open economies they may succeed not only in improving their own countries and economies, but also in injecting all Europe with a new dynamism and momentum for reform. It is essential that new members, along with Britain, resist attempts to introduce tax harmonization and increase the burden of regulation in the enlarged EU, sucking vibrant new members into the old stagnant Europe – a Europe that is slowly but steadily losing its importance in the world, and consistently lagging behind its global competitors economically. This is the moment when Europe can move in a new direction.

For most of the new member states, the World Bank will continue to play, particularly over the first years of membership, a role in helping to tackle the country's own development agenda, which is very much linked with the process of meeting the challenges of the EU membership. But through a different framework—more of a partnership framework as opposed to an assistance framework understanding that partnership inevitably involves a recognition on both sides of comparative advantages, of defining clear and separate responsibilities, and of recognizing that the special circumstances that each partner faces. In the case of the World Bank's role in the new member states, the World Bank recognizes this means being very selective, and focusing on those things to which the World Bank can really make a difference and add value. Being responsive to the needs and demands of the countries so that this becomes a demand-driven process, and being flexible and ready to meet new demands as they evolve quickly, are very important.

Examples of Relevant World Bank Involvement in the EU8

Some World Bank supported operations in the EU8 countries have clearly demonstrated strong relevance to emerging needs for technical and financial support in preparation for EU membership. The following examples are among the most significant:[4]

In Poland, support to the rural development program has effectively enhanced rural infrastructure, education and training, micro-enterprise development and administrative capacity building from the region down to the municipality level. Capacity building in the roads sector has provided institutional underpinning for significantly scaling up international financial institutions (IFIs) financial contributions to modernizing Poland's road network through a consortium approach in which the World Bank provided technical and institutional support in addition to some financing while the bulk of external resources came from the European institutions.[5]

In the Slovak Republic, a multi-year dialogue on health reforms culminated in an sector adjustment operation supported by a technical assistance loan with the explicit recognition by both Health and Finance Ministries that the financial support from the World Bank contributed to leveraging the volume and quality of technical support that the authorities felt necessary if the reforms were to succeed. The Ministry of Finance agreed with the Ministry of Health to treat the technical assistance (TA) loan as "additional" to the Health Ministry's normal allocation reflecting the impact on the quality of public expenditure that the TA loan would provide. This approach could have more general applicability for capacity and institution building TA linked for example to the more effective utilization of EU structural funds.

In Latvia, the authorities chose to use the Deferred Drawdown Option (DDO) for the second Programmatic Structural Adjustment Loan (PSAL). Although no disbursements have been made as yet under PSAL2, the State Chancellery has proceeded with preparation of the third PSAL given the importance they attach to the set of reforms (focusing on anti-corruption, civil service and public expenditure reform) supported by the PSAL program. The availability of a PHRD grant (linked to project preparation) to supplement World Bank administrative resources clearly allowed the critical mass of technical and institutional support that the authorities felt necessary to move the public sector reforms forward.

In Slovenia, the government chose to borrow for a Health Reform Adjustable Program Loan (APL), where the Bank's key value added was to assist in the design of institutional and financial reforms in the health sector, but also to use its convening power to help bring together the various constituencies and stakeholders in the country to build consensus on these difficult reforms. With graduation, the government has decided not to borrow for a second phase, but has indicated that it will implement successive phases of reforms as designed, and has requested continued Bank technical advice.

In the Czech Republic the Bank co-sponsored recently with the Czech authorities a Public-Private Partnership (PPP) Forum. Some fifteen countries of the region participated led by the respective ministries of finance and economy, with strong participation from PPP practitioners across the globe and from the IFIs. This highly successful Forum concluded with the adoption of the so-called "Five Ps" (Prague PPP Platform) that will create an informal and innovative network for EU8 and other countries' PPP experts and may lead to the adoption of a set of principles associated with successful PPPs. This approach to the expanded provision of public services clearly is highly topical as most national governments and municipalities or regional authorities feel the pinch between vast unmet demands and tough fiscal realities.

Broadly speaking implementation of World Bank activities in the EU8 during the past 2-3 years would support the following conclusions:

There is strong demand in all EU8 countries for support to capacity building to help ensure a successful start to EU integration, especially related to effective and full utilization of structural funds;

In some EU8 countries and in some sectors, there is also potential demand for World Bank financial support to sector programs or investments, potentially linked to co-financing EU or other funding, or to completing structural reforms;

The World Bank can best respond to these needs through a combination of analytic, advisory and financial services – analytic and advisory services alone are constrained by limited administrative budgets for activities in the EU8 countries, with limited scope for leveraging other resources.

Utilization of the full range of World Bank services as they are currently available is constrained by perceived borrowing costs, both financial and non-financial, including time-consuming and inflexible processes and procedures, which often duplicate but are not aligned with EU requirements.

Some EU8 countries associate World Bank assistance (particularly financial) more with the earlier stages of the transition process and less with the still significant development challenges faced generally by middle income countries.

Lessons Learned for New Candidate Countries

The experience in the EU8 countries sets the stage for further aligning the World Bank products and business processes to more closely respond to the unique needs of new accession countries – Romania, Bulgaria and Croatia – Middle Income Countries (MICs), characterized by two having achieved investment grade status in financial markets and two with 2007 as the date established for EU accession. Governments of these countries are aware that there is a long distance to go, not just simply to accede to the EU but to enter as dynamic and competitive economies, ready to catch up fast. The lessons of the EU8 are not lost on them. Accession is not *nirvana* – difficult reforms and choices are needed before accession, and absorbing EU grant resources is not easy. The value they place on the Bank's support to restructure the economies and help build institutions to be able to convert ideas into action, is high. To continue to be relevant, the World Bank would need to be more responsive and timely, engaging best teams and bringing directly relevant expertise. The World Bank would have to think big, develop systemic solutions and relevant programs and products to back these up, rather than simply find some projects to finance. Relevant products would be those that are developed and delivered quickly and help governments quickly absorb EU grant resources where available and increase their engagement with "European" international financial institutions.[6]

Perspective from the current accession countries:

The EU accession is the top priority. This is the overriding and impending goal of the three countries. However, the goal is not merely to achieve accession by focusing on legislative and political factors but rather "successful EU integration". The latter implies coming in as partners determined to rapidly achieve economic and social convergence with the rest of the EU. The availability of larger amounts EU grant resources and ensuring ability to absorb them is increasingly on the minds of the finance ministries.

There is a distance to go on reforms. All three countries acknowledged important remaining reform agendas moving toward and beyond EU accession: macro-economic stability, sustainable private sector led growth, increasing competitiveness, reducing regional disparities and promoting social inclusion; but the weights of the different elements are different in the three countries. As higher growth strategies are defined and implemented, the agenda may indeed get more substantive.

The World Bank's financial sources is not the only option. The next phase of partnership is not primarily about even money if it is still quite attractive being somehow less costly and with better maturities. The three economies are doing well and external financing needs are not really difficult to meet (slight exception of Croatia, with its high debt exposure), which in turn has begun to reduce the dependence on Bank financing (particularly Bulgaria).

The partnership is about quality of advice and achieving results. The World Bank has been acknowledged a key partner in all three countries, primarily in "finalizing" structural reform agendas and developing the next phase of reforms to accelerate growth, improving public expenditure management linked to EU flows, strengthening public administration, building social protection, education and health systems, poverty reduction (especially Bulgaria, Romania), social inclusion, promoting cross-border co-operation, and development of public-private partnership

models. The focus was using its expertise for helping governments achieve real development results, not just implementing Bank financed projects, but to convert ideas into action.

The World Bank's analytical and advisory assistance has been highly valued. Analytical and advisory work is well appreciated, both of the in-depth kind and policy notes and workshop kind. There is a premium on Bank global and EU related knowledge and a desire for continued support for its local application through good benchmarking. Even if the extent of the lending relationship were to get moderated, demand for the World Bank technical assistance technical assistance (TA) remains and could lead to fee-based TA support (perhaps starting in Bulgaria).

Programmatic Adjustment Loans (PALs) are on target but investment lending has to shape-up. The PALs are playing an important role and future demand for development policy support lending will remain. But traditional investment lending delivered in the traditional way is seen as fast losing its usefulness in the changing context. Governments are looking for operations which are delivered and implemented fast, based on ideas that have worked and are complementary when EU and European international financial institutions (IFIs) resources are available. Governments are ready to include financial products (guarantees, currency swaps, local currency borrowing and PPP approaches (which bring in IFC and MIGA instruments) in the product mix.

Lessons from EU8 experience

Face the reality of accession. Expectations of early economic benefits from accession outrun reality. Growth comes from pursuing vigorous structural reforms prior to accession and continuing. The focus should be on undertaking difficult structural reforms in times of good growth and entering the EU as dynamic and competitive economies, which aim to converge rapidly with other EU members.

Absorption of EU grant resources is not easy. The importance was stressed of strengthening public finance/expenditure management and restructuring before EU accession to make room for, and maximize benefits of, EU grant funds. Delayed reforms in some cases created fiscal constraints that now inhibit the efficient use of structural funds. Pre-financing and co-financing requirements, pipeline development and lack of institutional capacity for EU funds can slow development down.

The World Bank's comparative advantage is clear. The World Bank' s comparative advantage is seen in developing and assisting in structural reform, creating policy making capacity (at the centre), supporting fiscal management reforms, and sectoral reform (e.g. labour markets, social sectors). The World Bank's role could have been useful in helping development of the EU's multi-sectoral National Development Plans and programs. The World Bank's financial role was considered less important than the World Bank's knowledge role. The World Bank has a useful advocacy role on sensitive issues (e.g. the Roma) and as an objective partner able to communicate difficult messages when needed. The importance of partnership was underlined: this should avoid supply driven approaches and should focus on responsiveness and selectivity.

Effective public dialogue on accession and reforms is essential. The reality of accession needs to be understood even in the midst of the euphoria, and public dialogue helps build a constituency for the initial actions needed for a "successful" integration with the EU.

Conclusion

The driving force of the new EU accession countries is to demonstrate to the EU that they are able to comply with the EU's *acquis communautaire*. This is what the EU membership negotiations and the EU's pre-accession financial assistance are all about. In a way, the *acquis* constitutes a large part of a comprehensive development framework for the EU candidate countries, to which all its partners, including the World Bank, can subscribe. Adoption and implementation of the *acquis*, implementation of complementary reforms in education, health, social services and social protection, including dealing with issues of minorities (e.g., the Roma), which is of importance to some of the countries, and efforts to support knowledge development and application together form the basic elements of a comprehensive effort to reduce poverty in these countries.

An important focus of World Bank activity programs in individual accession countries may well be on key development areas not covered directly by the *acquis*, without precluding sharply focused World Bank support on key aspects of areas covered by the *acquis* where the World Bank may have a particular comparative advantage.[7] A major area of focus of the Bank's work is likely to be the social sectors, where focus could include (i) education, with a special emphasis on improved efficiency of resource use, financing reform, improving education quality and access, and modernization of programs and facilities; (ii) health, with an emphasis on improving the efficiency of resource use and access, modernization of health-care methods, health financing reforms and a potential focus on the emerging problem of communicable diseases such as TB and AIDS; (iii) pension reform, to attain long-term sustainability, increase savings and deepen capital markets, improve management and transparency, reduce costs to budgets and to enterprises, and to strengthen this aspect of the social safety net; and (iv) other elements of the social safety net, for example relating to the social aspect of enterprise restructuring, the problems of minorities and access to social services. Some aspects of the World Bank assistance which might be relevant to new accession countries include:

The World Bank's prime objective is to promote, through dialogue and lending, good policies and strong institutions as the main drivers for growth, increased competitiveness, social inclusion and reduction of poverty;

The World Bank's lending to Middle Income Countries (MICs), including these accession countries still provides, in the short term, additionality to market finance. Countries may decide themselves to end borrowing from the Bank if they find more attractive sources of financing or find our transaction costs to be too high relative to the perceived benefits;

The World Bank's involvement in MICs supports cross-country and global issues (including global public goods), including trade integration, environmental protection, communicable diseases, financial architecture;

Continued World Bank involvement in MICs permits the harvesting of important empirical lessons of transition and development for the benefit of less developed World Bank client countries (akin to a global public good);

The World Bank's capacity to deliver relevant, objective diagnostic analyses is a significant institutional strength.

Poznámky

1 *In Slovakia, the amount of time required to start a business was cut in half, time to recover debt fell by three quarters, a new private credit registry opened, and employment regulation was made more flexible. The country witnessed a jump of 12 percent in new business registrations after simplifying its entry procedures and a 10 percent increase in credit to the private sector after its collateral law reforms.*

2 *Report Doing Business finds that such reforms, while often simple, can help create job opportunities for women and young people, encourage businesses to move into*

the formal economy, and promote economic growth. The report benchmarks regulatory performance and reforms in 145 nations. The Report is the product of more than 3,000 local experts – business consultants, lawyers, accountants, and government officials – and leading academics, who provided methodological support and review. The data, methodology, and names of contributors are publicly available online.

[3] *Mart Laar, Making All Europe 'New" Again, The Wall Street Journal, May 3, 2004*

[4] *Framework for World Bank Group Support to EU Accession Candidate Countries of Central and Eastern Europe, prepared by the Europe and Central Asia Region World Bank, Washington, D.C., 2002, revised in 2004*

[5] *In order to achieve this objective the World Bank is pursuing an innovative "sector wide approach" with significant reliance on the country's own procedures and systems for fiduciary, procurement and safeguards issues; the first such example in the EU8 countries. The sector wide approach confronts the additionality issue head-on by directly linking World Bank financial support with Government budget implementation.*

[6] *Summary is based on conclusions of the ECCU5 Operations Workshop of the World Bank, Sofia, September 8-10, 2004*

[7] *Framework for the World Bank Group Support to EU Accession Candidate Countries of Central and Eastern Europe, The World Bank, Washington, D.C., January 2002, revised in 2004.*

Resumé

Ingrid Brocková: *Skúsenosti nových členských krajín EÚ s projektmi Svetovej banky*

Prioritnou agendou pre krajiny strednej, východnej a južnej Európy je prístupový proces do Európskej únie. Pre všetky tieto krajiny predstavuje komprehenzívny rámec rozvoja naplnenie *acquis communautaire*. To je zároveň agenda, kde sa môže realizovať pomoc všetkých ostatných donorských organizácií. Svetová banka sa konkrétne angažuje v oblastiach, ktoré nie sú priamo pokryté *acquis*, t. j. v štrukturálnych reformách v oblasti vzdelávania, zdravotníctva, sociálneho systému vrátane riešenia problémov menšín (ako je napr. rómska komunita), v podpore rozvoja a v znižovaní chudoby v týchto krajinách, eliminovaní regionálnych rozdielov, v zlepšovaní manažmentu verejných výdavkov a i.

Vychádzajúc zo skúseností a z aktivít Svetovej banky v krajinách, ktoré sa roku 2004 stali členmi EÚ, je veľmi pravdepodobné, že prioritnými oblasťami spolupráce s vládami kandidátskych krajín bude reforma sociálneho systému, kde koncentrácia bude na: vzdelávanie – so špeciálnym dôrazom na zvýšenie efektívnosti využívania zdrojov, reformu financovania systému, zlepšenie kvality a prístupu k vzdelávaniu, modernizácia programov; zdravotníctvo – s dôrazom na zvýšenie efektívnosti využívania zdrojov, modernizáciu zdravotníckych zariadení a používaných metód, financovanie systému; dôchodkovú reformu –s cieľom dosiahnutia dlhodobej udržateľnosti zvýšenia úspor, zlepšenia manažmentu, trasparentnosti atď.; iné reformy sociálneho systému súvisiace s problémami menšinového obyvateľstva, reštrukturalizáciou podnikovej sféry a pod.

Cieľom angažovania sa Svetovej banky bude prispieť k dosiahnutiu plnohodnotného členstva týchto krajín v EÚ. Finančný aspekt pomoci nebude taký dôležitý, ako využitie pomoci Svetovej banky ako inštitúcie prispievajúcej expertízou a skúsenosťou k budovaniu potrebných kapacít v týchto krajinách.