

International support in restructuring coal industry. Lessons learnt from Stage I (1995-2000)

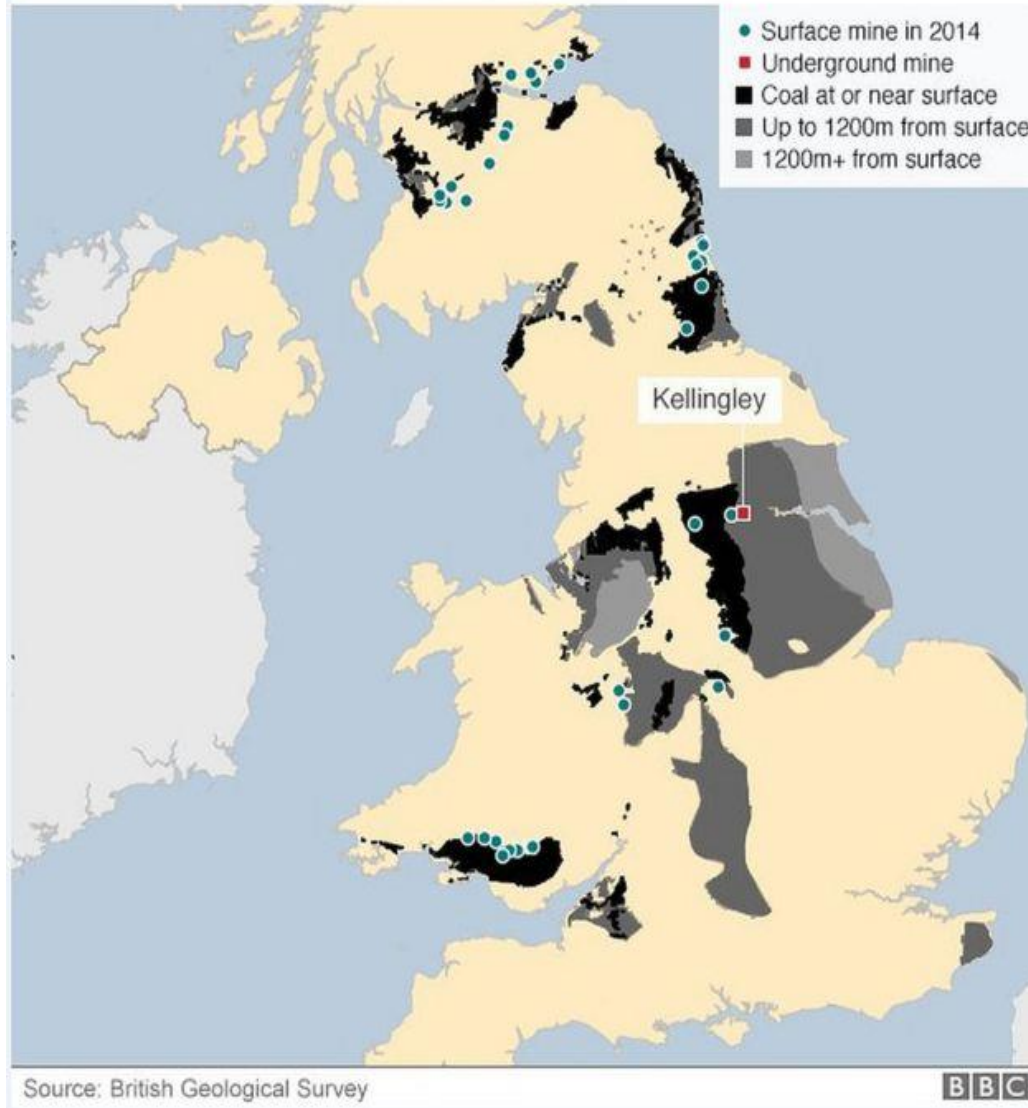
Dmytro Tolmachov

Head of the Project Coordination
Unit, Ministry of Energy under
support of the World Bank

Coal Sector Restructuring Safeguards

A fair approach to coal sector restructuring proposes the implementation of safeguards that complement the process of physical liquidation of coal mines with mitigating the social and environmental consequences of mine closures, as well as the social and economical reconversion (sectoral reorientation) of mine closure regions.

UK still has surface coal mines



European experience in reducing the coal sector

In the second half of the 20th century, direct employment in coal mining in Western Europe declined from 1.8 million to less than 100,000.

Complete closure of the coal industry in the Netherlands and Belgium and the significant reduction of the sector in France, Germany, the United Kingdom and Spain.

British Coal Enterprise

During 1985-1991 (less then for 6 years) British Coal Enterprise had supported 70,000 new employment opportunities:

- 40 000 - through financial investment in new and expanding SME's,
- 10 000 - through the operation of 79 managed workshops and
- 20 000 - through the retraining and external resettlement of ex-mining employees.

In addition, we had outplaced some 2,000 ex-employees of other declining industries.

The Company also supported 137 Enterprise Agencies.

The cost to British Coal Enterprise was less that J1,000 per new employment-opportunity created (less than one month's wages).

3 regions experienced the liquidation of the coal industry in the 1970s:

1. Limburg province in the Netherlands and of the same name the province in Belgium;
2. The Liege region and the Charleroi region of Belgium;
3. North Pade Calais region in France.

1. Active economic policy for structural restructuring of the economy in the **Dutch Limburg**:

- creation of alternative employment within existing industries;
- stimulating new industries;
- moving a number of large public service centers to the province of Limburg;
- tourism development program, etc.

The result is a reduction in the effects of mine closure and a victory over unemployment. A similar active economic program with similarly impressive results was implemented in **Belgian Limburg**.

Comparative experience of the Netherlands, Belgium and France





2. The Liege and Charleroi regions of Belgium have not implemented such programs and today have the highest unemployment rates, social problems and are generally characterized as the most depressed regions of Belgium.

3. French Nord Pas de Calais

Features: Support of local government and government France as well as local the Mulliez family (Auchan, Leroy Merlin).

Programs on attracting investors, including by giving them benefits on the legislative level, was implemented and coped successfully with consequences of coal sector restructuring.

Today industrial force # 1 in region is automotive (manufacturing of Toyota, Renault, Peugeot and Citroen).

The First Phase Of The Coal Industry Restructuring (1996-2000).

Restructuring of the sector with the support of the Coal Industry Restructuring Project (IBRD loan of \$ 300 million, 1996-2000), the Pilot Project in the Coal Industry (IBRD loan of \$ 15.8 million, 1996-2000) and technical assistance from the United Kingdom (DFID), the EU (TACIS) and other donors.

Major Results:

- Closure of 49 mines;
- Reduction of employment by 24% in 1995-1999;
- Production decreased by 3%;
- Productivity growth by 27%.

The first Phase of the coal industry restructuring (1996-2000).

Social Mitigation

- Measures accompanying the closing process: payment of arrears, incl. on recourse claims, payment of severance pay upon dismissal, registration of early retirement, resolution of the issue of provision of household fuel;
- Creating new jobs: retraining programs, creating business incubators, creating jobs mostly in the heavy industry, the cost of one such job was high, there were some complaints about the transparency of project selection.
- Introducing special investment regimes at mine closures in three affected areas of mine closure - Donetsk, Volyn and Lugansk.



Thank you for attention

Dmytro Tolmachov
+38067 9354727
tolmachov.dmitry@gmail.com