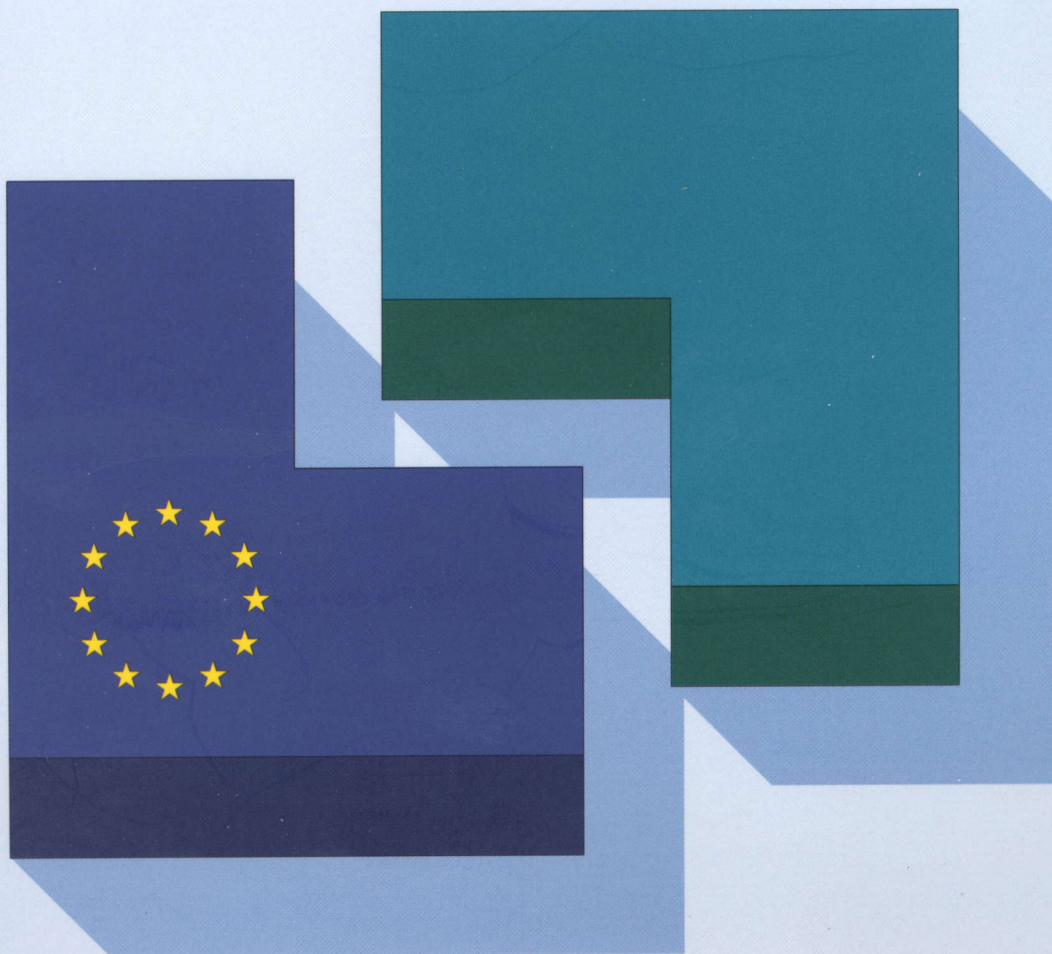




European Commission:  
The Tacis Programme  
Annual Report 1995

Brussels 22.07.1996 Com (96) 345 final



## What is Tacis?

The Tacis Programme is a European Community initiative for the New Independent States and Mongolia, which fosters the development of harmonious and prosperous economic and political links between the European Community and these partner countries. Its aim is to support the partner countries' initiatives to develop societies based on political freedoms and economic prosperity.

Tacis does this by providing grant finance for know-how to support the process of transformation to market economies and democratic societies. In its first five years of operation, 1991-95, Tacis has made available more than ECU 2,268 million to launch more than 2,200 projects.

Tacis works closely with the partner countries to determine how funds should be spent. This ensures that Tacis funding is relevant to each country's own reform policies and priorities. As part of a broader international effort, Tacis also works closely with other donors and international organisations.

Tacis provides know-how from a wide range of public and private organisations, which allows western experience to be combined with local knowledge and skills. This know-how is delivered by providing policy advice, expert teams, studies and training, by developing and reforming legal and regulatory frameworks, institutions and organisations, and by setting up partnerships, networks, twinnings and pilot projects. Tacis is also a catalyst, unlocking funds from other lenders by providing pre-investment and feasibility studies.

Tacis promotes understanding and appreciation of democracy and a market-oriented social and economic system by cultivating links and lasting relationships between organisations in the partner countries and their counterparts in the European Community.

The main priorities for Tacis funding are common to all partner countries, although each is at different stages of transformation. Currently, the key areas include: restructuring of state enterprises and private sector development, building an effective food production, processing and distribution system, developing energy, transport, and telecommunications infrastructures, nuclear safety, environment, public administration reform, social services and education.

## Contents

Commissioner's statement	2
Tacis in 1995 - consolidating reform	3
Tacis and European Union policy	4
Tacis financial overview	5
Operational management of the Tacis Programme	8
Tacis and the European Community institutions	11
Bilateral and international cooperation	12
Armenia	13
Azerbaijan	15
Belarus	17
Georgia	19
Kazakhstan	21
Kyrgyzstan	23
Moldova	25
Mongolia	27
Russian Federation	28
Tajikistan	37
Turkmenistan	38
Ukraine	39
Uzbekistan	42
Multi-country programmes	44
Future outlook	48
Special feature	
Tacis in the NIS energy sector	33
Annexes	
Tacis funds allocated by sector	49
Tacis financial performance	52
List of major contracts signed in 1995	55

# Commissioner's statement

The Tacis Programme reached an important turning point in 1995, as it prepared for its next major programming cycle.

Five years since its inception, it has reached a level of maturity in which it can point to significant advances made in enhancing the reform process in the New Independent States. It can claim this with the assurance of having instituted extensive and thorough systems for the monitoring and evaluation of individual projects and framework programmes. Its challenge, therefore, is to make the best possible use of the weight of this experience, by shaping it to formulate plans for the new programming cycle from 1996 to 1999.

## **Tacis in context**

As Tacis embarks upon this task, the relationship between the European Community, its Member States and the New Independent States is entering a new stage. Long and involved negotiations have brought us to a point at which we have signed Partnership and Cooperation Agreements with the majority of our partner countries. Even greater challenges lie ahead in the actual implementation of these broad-ranging Agreements, which encompass so many areas of political, economic, social and cultural cooperation.

In this, Tacis remains an important instrument for facilitating the implementation of the broad objectives of the Partnership and Cooperation Agreements.

## **Priorities for the Programme**

The European Commission is addressing this task by reaffirming the commitment to principles and procedures established under Tacis, while adapting itself to move with the times and maintain the impact and performance of the Programme in its second five years of operation.

For this reason I attach particular importance to both the consolidation and the innovation which took place within the Tacis Programme in 1995.

## **Consolidation**

The Tacis Programme continues to provide grant finance for know-how in clearly defined priority sectors, in accordance with the needs and wishes of its partner countries. It stands by the principles which underpin all its activities, such as the respect for democracy and human rights and the preservation of the environment. It continues to consolidate its activities with those of other international donors and lenders. It maintains its efforts to enhance its accessibility, with a readiness to provide timely and substantial information about the Programme.

## **Innovation**

At the same time, Tacis has shown itself to be adaptable, demonstrating the broadening scope of the Programme, and exemplifying the spirit in which it is prepared to develop practical solutions in a relationship with its partner countries which is constantly evolving.

I consider multi-annual programming essential, in order to enhance the impact of the Programme, allowing longer-term planning and, for individual projects, quicker inception and greater concentration.

Meanwhile the commitment towards the funding of investment support for EC-NIS small and medium-sized enterprise joint ventures and for small-scale infrastructure projects in border areas, as proposed in the new Tacis Regulation, represents another important new departure for the Programme.

I commend this Annual Report, which charts the most important developments in the Tacis Programme in 1995, another year of notable achievement. In particular, I would again like to pay tribute to the performance and dedication of the individuals who manage the Programme.



Hans van den Broek  
Member of the European Commission

# Tacis in 1995 - consolidating reform

Tacis is the largest grant finance programme providing know-how to the New Independent States. Five years after its inception in 1991, Tacis has committed over ECU 2,268 million and launched more than 2,200 projects. The Programme is now contracting as many projects each year as it did in its first three years of operation combined.

Tacis is now well established, and plays an acknowledged role in the processes of fundamental economic and social change which are currently unfolding in the New Independent States.

1995 saw the significant strengthening of the political framework for relations between the European Community and its Member States with the New Independent States, through the conclusion of a number of Partnership and Cooperation Agreements, PCAs. The Agreements have a wide scope in covering all political, commercial, economic and cultural cooperation between the European Community, its Member States and the New Independent States, NIS. They also draw together all the elements of European Community support towards the partner countries. One of the primary aims of Tacis is to contribute to the realisation of the objectives of these PCAs. Agreements have been signed by six New Independent States and initialled by a further three.

Once ratified and in force, the Agreements will also offer greater security to companies and investors from the European Community, to encourage the direct investment which is needed by the economies of the New Independent States.

The year 1995 also saw enhanced coordination between Tacis activities and those of Member States and other donor organisations working in the NIS. Tacis worked with other organisations primarily on an individual project basis.

The new monitoring and evaluation system for Tacis projects became fully operational in 1995 and has been highlighting areas where improvements can be made.

Meanwhile Tacis can now concentrate on responding more rapidly to changing needs, and on implementing projects quickly once they have been identified and agreed. An important part of this process is the reinforcement of multi-annual planning which allows a long-term strategic approach to run in parallel with the fast implementation of projects.

The proposed new Regulation allows Tacis to provide funding for investment support to EC-NIS small and medium-sized enterprise joint ventures. Assistance may be provided through a combination of INTERREG, Phare and Tacis to support measures aimed at promoting inter-state, inter-regional and cross-border cooperation, including small infrastructure projects in cross-border areas. The environment (institutional strengthening, legislation, training) has been identified as a priority area. However, the transfer of know-how remains the hard core of Tacis activity, and this is largely done through the individual country programmes which comprise some 60 per cent of the annual Tacis budget.

These issues are explained in more detail in the following chapters.

# Tacis and European Union policy

The Tacis Programme, developed by the European Community in 1991, was one of the first instruments to support the New Independent States in the reconstruction of their economies and societies.

The Tacis Programme has now been providing grant finance for the provision of know-how to its partner countries in the NIS for five years. In that time, developments have made it clear that overall relations between the European Community, its Member States, and each partner country should be put on a different, broader footing. For this reason, a new set of contractual arrangements with the individual partner countries, known as Partnership and Cooperation Agreements, PCAs, is now replacing the 1989 Agreement on Trade, Commercial and Economic Cooperation which was drawn up between the Communities and the entire former Soviet Union.

Although these Agreements are diverse, reflecting the differences between the partner countries themselves, each establishes a close form of contractual relations: a political and economic partnership, covering all aspects of relations, from trade and investment to cooperation in the areas of home affairs and justice.

The concept of partnership embodies the shared principles and objectives which are the basis for the relationship: respect for the rule of law and human rights, the development of political freedoms including the establishment of a multiparty system with free and democratic elections, and the establishment of a functioning market economy. Furthermore, it aims to support the integration of the NIS into the world economy, the promotion of peace and security, and the development of international relations, globally and regionally, in accordance with the principles of the United Nations, UN, and the Organisation for Security and Cooperation in Europe, OSCE.

The PCAs use Tacis as the most important tool to facilitate cooperation under each Agreement. It provides the means to support partner countries' efforts to consolidate democracy and to complete the transition to the market economy.

## Towards broader political relations

By the end of 1995, the European Community and its Member States had negotiated Partnership and Cooperation Agreements with the majority of the New Independent States. Having concluded PCAs with Russia, Ukraine and Moldova in 1994, during 1995 the EU negotiated and signed PCAs with Belarus, Kazakhstan and Kyrgyzstan and initialled them with Armenia, Azerbaijan and Georgia. Exploratory PCA talks also began with Uzbekistan.

While the PCAs await full ratification, a number of Interim Agreements covering the trade aspects of the Partnership and Cooperation Agreements have been negotiated and some of these have entered into force. This will allow the parties to benefit from the trade and commercial provisions of the PCAs at the earliest possible moment.

Contractual relations with Russia moved forward, with the signature of the Interim Agreement in July 1995. This took place after a difficult period in EU-Russian relations which was prompted by the events in Chechnya. Out of serious concern for the situation there, the Commission initially froze procedures for the entering into force of the Interim Agreement, until conditions agreed by the EU were met by the Russian government.

The Interim Agreement with Ukraine was signed in June 1995 and entered into force in February 1996. Throughout the year, the European Union developed a close and structured dialogue with Ukraine. Meetings at a ministerial level have become a regular means of facilitating this dialogue. Ukraine also joined the Council of Europe in November 1995.

In March 1995 Belarus signed a Partnership and Cooperation Agreement with the European Community and its Member States and initialled an Interim Agreement. However, given the difficulties involving the Belarussian parliamentary processes, and the fact that Parliament was only constituted late in the year, in 1995 Belarus did not meet the requisite political conditions for the signature of the Interim Agreement.

Moldova signed an Interim Agreement with the European Community in October 1995, while the Partnership and Cooperation Agreement is pending ratification. Moldova was the first of the New Independent States to join the Council of Europe, in July 1995.

## A new integrated regional approach

In 1995 the Commission considered that the time had come to bring together the experience, the instruments, and the possibilities offered by the contractual arrangements of the Partnership and Cooperation Agreements, into a set of comprehensive strategy documents covering the full range of relations with each partner and region.

It therefore prepared three individual Communications on relations with Russia, the states of the Caucasus, and those of Central Asia. These proposed to the Council the basis for an integrated policy for each area, as had been done for Ukraine in 1994.

## From strategy to implementation

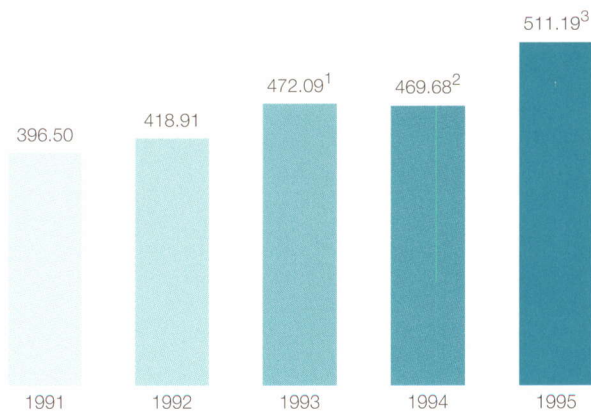
The debate over the Commission Communications on the Transcaucasus and Central Asia continues. However, in November 1995 the Council of Ministers adopted a set of strategic principles for the European Union's relations with Russia. These covered economic transformation, support to democratization, security, foreign affairs, and issues related to home affairs and justice. The strategy elements were confirmed by the European Council at the Madrid summit in December. At the same time the Ministers also agreed that the Union should develop an Action Plan for Russia, identifying short- and medium-term actions in all the different areas of the relationship, and drawing on the experience and potential of Tacis for many of its components.

# Tacis financial overview

In 1995, the Tacis Programme committed a total of ECU 511.19 million, including ECU 10 million for the Tacis Democracy Programme. The total Tacis commitments over the five years of the Programme's life now stand at ECU 2,268.37 million.

During 1995, Tacis launched projects and contracted funds to a value of ECU 527 million. This compares to a total of ECU 557.2 million contracted from 1991-1993.

### Tacis funds committed from 1991 to 1995 ECU 2,268.37 million



The Tacis Programme paid out ECU 374.5 million, an increase of 24.7 per cent from the previous year and 76 per cent more than the amount that was paid out during the first three years of the Programme combined.

This means that of the total Tacis commitments, 70.5 per cent has now been contracted, and of the amount contracted 55.5 per cent has been paid.

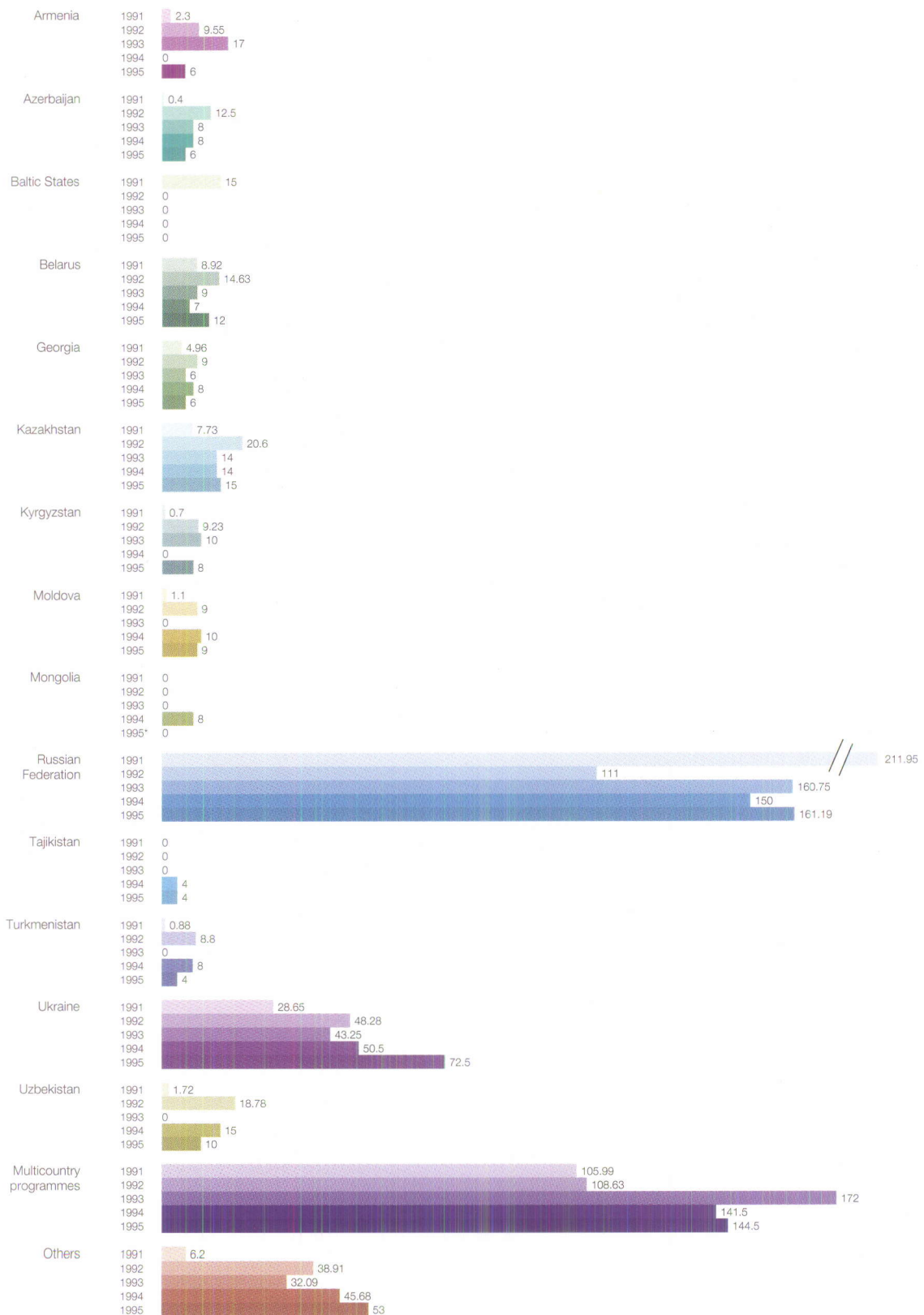
The time lag between commitment and payment is normal for a programme of this type. After five years of operation, Tacis has disbursed 82.9 per cent of its initial 1991 budget.

<sup>1</sup> For 1993, figures include ECU 22 million for humanitarian aid to Armenia, Azerbaijan and Georgia (managed by Tacis)

<sup>2</sup> For 1994, figures include ECU 10 million for the Tacis Democracy Programme (managed by Tacis under a separate budget line)

<sup>3</sup> For 1995, figures include ECU 10 million for the Tacis Democracy Programme (managed by Tacis under a separate budget line).

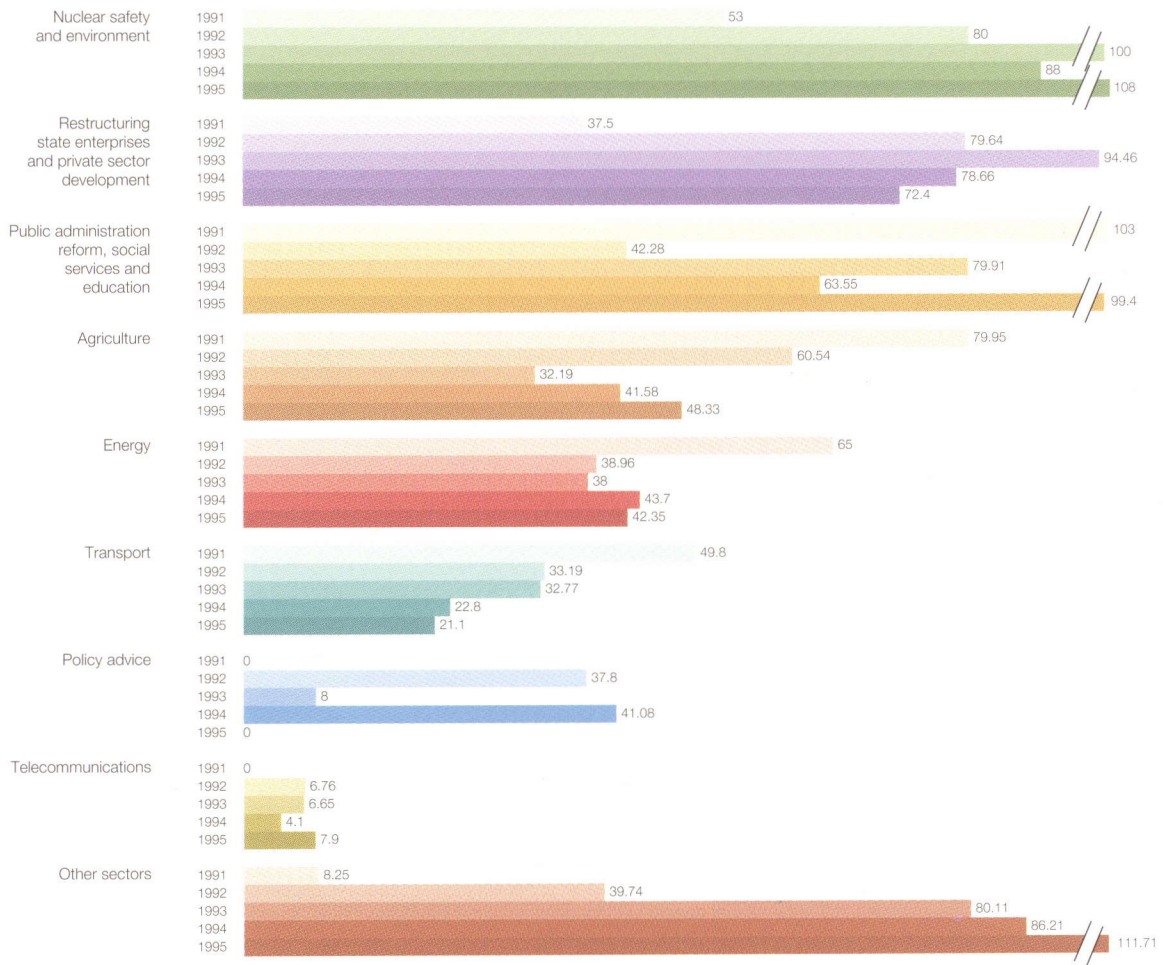
### 1991-1995 funds committed by country (in ECU million)



\* 1994 budget also covered activities in 1995



**1991-1995 funds allocated by sector (in ECU million)**



# Operational management of the Tacis Programme

In 1995 the structure of the operational management of Tacis was adapted to respond to the new geographical approach within the Commission in the area of external relations. Tacis also reviewed its programming and planning procedures and restructured its monitoring and evaluation teams, while strengthening its presence in the partner countries and continuing a broad-based communications programme to inform all those working with and interested in the Programme.

## Reorganisation of the NIS/Tacis Directorate

The NIS/Tacis Directorate, which manages the Tacis Programme within Directorate General IA (Europe and the New Independent States, Common Foreign and Security Policy and External Missions) was reorganised in 1995.

The reorganisation reflects the role of the Tacis Programme within the wider context of relations between the European Community, its Member States and the New Independent States. It acknowledges the importance of Tacis' experience on the ground in the development and implementation of the Union's policy towards the NIS. The new organisational structure integrates the management of the Tacis Programme with all other areas of EC-NIS relations, including political, economic and trade areas. This is designed to enhance policy consistency and overall efficiency.

As a consequence, the original sectoral split of responsibilities has been replaced along geographical lines. The new unit C2 is responsible for Russia, unit C3 covers relations with Ukraine, Belarus and Moldova, and C4 with the countries of central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan and Mongolia) and the Transcaucasus (Armenia, Azerbaijan and Georgia). Within their geographical competence, each of these units is responsible for

- preparation, negotiation and implementation of Partnership and Cooperation Agreements and Interim Agreements
- management of political, security, economic and trade relations
- programming and implementation of the Tacis Programme.

This new structure allows for the development of an integrated approach for each country. The creation of one contact point for each partner country facilitates direct relations with that country and with the desk officers of other donor organisations.

Each geographical unit is now responsible for all Tacis activities relevant to a given country, with the exception of nuclear safety which covers Phare and Tacis countries. Nuclear safety programmes are managed by unit C5, which is also responsible for related horizontal activities and donor coordination.

A new unit C6 defines the policy for monitoring and evaluation, and determines Tacis sectoral strategies. It also manages the majority of Tacis framework programmes, including those for policy advice, democracy and cofinancing with non-governmental organisations. Unit C7 is responsible for Tacis financial and administrative management, including budget, contracts, accounting and payments. It supports the other units in the preparation of tenders and contracts, and is also in charge of liaison with the Court of Auditors and the Tacis Committee.

Meanwhile unit C1 is dedicated to the development and pursuit of a coherent policy approach towards the New Independent States. The unit also manages the overall Tacis programming, and takes responsibility for the coordination both of multi-country programmes and of relations with Member States and other donor organisations, and for the management of those framework programmes which work closely with other international donors.

## Multi-annual planning

In order to improve Tacis performance and to reduce time spent planning the actions in different partner countries, Tacis started its first multi-annual programming cycle in 1993. This meant that the Indicative Programmes outlining the basic objectives and strategy for Tacis in each individual country were established for a three-year period instead of a one-year period. This allowed the earlier framing of annual Action Programmes, which identify the individual projects and activities to be undertaken, and the speedier selection and implementation of Tacis projects.

In 1995, Tacis carried out an internal review of its programming procedures. The review showed that the multi-annual planning process had significantly accelerated the implementation of Tacis projects, which has been reflected in the increasing number of contracts and payments. Multi-annual planning also gave the Programme a more strategic focus, as well as motivating the partner countries to assess their long-term needs.

However, the review also concluded that there was a need to enhance the strategic orientation of the Programme by further promoting the multi-annual approach. This is to be done by concentrating Tacis activities on those areas where the Programme can most effectively assist reform, and increasing the size of projects where possible. In this way, Tacis will serve as a more integral and effective component in the Commission's overall relations with partner countries.

To enhance the efficiency of the Tacis Programme, Indicative Programmes will become four-year instruments (rather than three as before) and the majority of Action Programmes will become biannual instruments (rather than annual as before). For Russia and Ukraine annual Action Programmes will be retained. This multi-annual approach is reflected in the Commission proposal for the new Tacis Regulation.

The new Indicative Programmes will be more substantial documents than their predecessors, giving a coherent view of Tacis' intended role in a restricted number of priority sectors over a number of years. They will also bind the partner countries to committing to political and economic reform on a long-term basis, as a condition for the provision of Tacis support.

In addition, and as proposed under the new Tacis Regulation, four-year financial estimates will be included in each Indicative Programme, even though the overall Tacis budget remains subject to the standard annual budget cycle of the European Commission.

In order to implement this new programming methodology, the Commission developed operational guidelines setting out procedures by which programming will take place. The guidelines will support the efficient management of the Programme in Brussels in rationalising the procedures, while leading to a more systematic approach throughout all the partner countries.

### **Strengthening structures in the partner countries**

The Coordinating Units represent the governments of the partner countries and play an important role in defining the objectives of the Tacis Programme in their country. They have an important role in ensuring close cooperation with partner governments and partner organisations.

Coordinating Units are run by national representatives supported by national experts, supplemented by a small number of experts from Member States financed by Tacis. In 1995, the contracts for all experts in Coordinating Units were renewed. The exceptions were Mongolia, where Tacis only started in 1994, and Tajikistan, where the operations of the Coordinating Unit were delayed because of the civil war in that country.

In 1995, the Mongolian Coordinating Unit was strengthened with an additional expert and is now working with two experts. The Coordinating Unit in Dushanbe was reopened in 1995 after the relaunch of Tacis in Tajikistan in late 1994. The unit is now fully operational with two Tacis experts. Tenders have been launched for the running of both units in order to ensure continuity.

### **Increased monitoring and evaluation**

The monitoring and evaluation process, which was initiated in 1994, continued in 1995. Following four years of Tacis activity, there were now a sufficient number of completed Tacis projects which could be evaluated. The monitoring and evaluation teams, composed of independent experts from both the partner countries and the European Community, completed their reports in mid-1995.

The Moscow team evaluated 49 completed projects of which 45 were related to 1991 Tacis funds, and four to 1992. Although these results are promising, Tacis will continue to improve its performance and will increase the sample of projects to be evaluated in 1996.

The evaluators indicated that the following factors are crucial for the successful implementation of Tacis projects

- real partnership between the western experts and the local partners
- advance preparation of the experts
- the right combination of experienced people and appropriate activities
- a set of clearly defined objectives that reflect the local context.

The evaluation report also underlines that Tacis needs to put more weight on the long-term sustainability of projects, as the scores given for sustainability are generally not as high as those given for other key criteria, relating to project implementation.

## **New evaluation teams**

The original structure of the Tacis evaluation teams was replaced in 1995. Instead of a core team for Russia and several sector teams, country teams have been established in Russia, Ukraine and Kazakhstan. The team in Kiev evaluates Tacis projects in Ukraine, Moldova and Belarus, and the team in Almaty covers the evaluation in the central Asian and the Caucasian countries.

In addition, the new teams now cover all the financial aspects of Tacis projects. Projects in the nuclear safety sector, which had been excluded thus far due to their technical complexity, are now evaluated. The same applies to Tacis framework programmes.

The new approach to monitoring and evaluation complements the reorganisation of the NIS/Tacis Directorate and will ensure a better country coherence. Projects can be more effectively tailored according to the conditions of the relevant partner country. The new monitoring and evaluation structure is also consistent with the Commission's overall priorities for the evaluation of all external aid.

The setting-up of the new monitoring and evaluation teams started in mid-1995 and the contract for the first country team was signed in November 1995.

## **Tacis communications programme**

Since 1993, the Commission has responded actively to the increased interest that the European Community institutions and advisory bodies, Member States and partner countries have shown in the activities and the development of the Programme. The implementation of the Tacis communications programme (ECU 3 million) was continued in 1995.

Over the course of the year, a substantial publications programme has continued, aimed at explaining the nature and activities of the Tacis Programme, and giving guidance to all those interested in participating in it, both in Europe and the NIS. Tacis has now published over 80 titles in 12 languages and has distributed over 940,000 copies through its database alone, which holds the names of some 30,000 individuals and organisations interested in Tacis. A quarter of these titles are produced in Russian and distributed to targeted audiences in the NIS.

The review of the Tacis written and visual identity, as the key tool in raising the visibility and understanding of Tacis in the EC, its Member States and the NIS, has now been completed. Its introduction to the Commission Services, Delegations, Coordinating Units and contractors has started, including a presentation at the EC Moscow Delegation in November 1995.

The Information Unit - Tacis yearly provides speakers and supporting material for about 160 conferences, seminars and background briefings throughout the Member States, and supports Delegations and Coordinating Units with material to organise events for about 60 Tacis projects in Russia and Ukraine. It responds to some 25,000 telephone and fax enquiries each year, and receives over 4,000 visitors. The Information Unit - Tacis is also preparing to make information available through an on-line service.

In Russia, the implementation of a specific in-country communications programme is underway. Its main elements are a range of publications, targetted at existing and potential partner organisations, media, and Tacis contractors. Tacis now produces a quarterly newsletter in Russian.

In addition, ECU 2 million of Tacis funds were used for the implementation of activities to raise the profile of the EU within the NIS, and to provide information of a more general nature on the European Union. This was carried out by the Commission's Directorate General for Information, in collaboration with the Delegations in Russia, Ukraine, Kazakhstan and Georgia. Principal activities include a fortnightly TV programme broadcast across the NIS from Russia, and a monthly TV programme on Ukrainian Television. In 1995, each programme was watched by an average of 4 million Ukrainians and 8.5 million Russians. Furthermore, publication of the bi-monthly *Evropa* - a 44-page colour magazine in Russian with a 16-page insert in EU languages - continued in 1995 with a print run of 100,000.

# Tacis and the European Community institutions

## Court of Auditors

In 1995, the Court of Auditors published its annual report on Tacis activities in 1994. This report's conclusions on Tacis' fourth year of operation illustrated significant achievements in the quality and implementation of the Programme. The Court emphasises that despite the criticisms levelled at Tacis in the past, the efforts made by the Commission to improve the overall operation of the Programme should be given proper recognition. The Court also acknowledges the difficulties which Tacis encounters with the constantly changing political and economic environment in the New Independent States.

The report outlined the improvements in Tacis' financial performance, and highlighted successful actions and projects. The Court also listed some areas which it considered would benefit from increased attention in order to improve project quality.

These issues were proposed for further attention

- the need for careful identification of projects and project partners
- the need for improved monitoring and setting-up of evaluation systems
- the need for better coordination between donors
- the need for more investment-orientation of projects.

## Responding to suggestions

Several of the issues raised by the Court of Auditors have been addressed by the Commission.

Tacis has built up a comprehensive monitoring and evaluation system which is now operational. Its monitoring and evaluation teams delivered their first results in 1995, which concluded that effective evaluation has contributed to better project identification on the ground. In addition, local partners are increasingly involved in the tender process which has helped to raise the quality of selected Tacis experts and project sustainability.

Tacis frequently works with other international donors on an individual project basis. In addition, progress was made in developing a framework for increased coordination of donor activities which facilitate contact with other donors across all Tacis sectors at country, local and central level.

While the current Tacis Regulation limits Tacis activities to the provision of technical assistance, the Court's remaining concerns will be addressed by the new Tacis Regulation. The proposed new Regulation offers the scope for small-scale infrastructure investments in the context of cross-border cooperation, and for the provision

of equity capital in the joint venture programme for small and medium-sized enterprises.

## European Parliament and the negotiations for a new Tacis Regulation

In 1995 the European Parliament again played a major role in monitoring the performance of the Programme, and formulating the Tacis budget.

At the beginning of 1995, the Commission adopted a proposal for a new Tacis Regulation for the period 1996-1999. The proposed Regulation was submitted to the Council of Ministers who consulted the European Parliament. A number of key amendments were proposed to the Regulation. However, by the end of the year no overall consensus had been reached in the Council of Ministers.

The new Tacis Regulation contains the main elements of previous Regulations, reemphasising the provision of grant finance for the transfer of know-how as the central activity of the Tacis Programme. The main themes of the new Regulation are as follows

- increased multi-annuality through four-year Indicative Programmes for each partner country
- reinforced conditionality: the possibility of suspending assistance to a partner country in the case of violation of a key component of cooperation, in particular the respect for democracy and human rights
- small-scale infrastructure projects at border areas, and small and medium-sized enterprise joint venture equity investment, not to exceed 10 per cent of Tacis funds
- combination of Tacis and INTERREG activities on the Russian-Finnish border
- identification of the environment (institutional strengthening, legislation, training) as a priority area
- reduced ceiling for Direct Agreements from ECU 300,000 to ECU 200,000
- an annex setting out the basic principles for the awarding of contracts, and in particular those awarded by restricted tendering, being revised by the Council with qualified majority on the proposal of the Commission
- the remaining implementation modalities (with regard to cross-border and industrial cooperation, contract information, monitoring and evaluation, programming, coordination and reporting) would make up an annex to be revised by the Tacis Committee.

In addition, in 1995 the European Parliament stipulated the following requirements for the execution of the 1996 Tacis budget:

- a separate ECU 30 million budget line for cross-border cooperation
- a 10 per cent ceiling on projects to promote cooperation in higher education, to include the Tempus programme
- a fixed allocation of ECU 50 million for projects designed to protect the environment
- fixed allocations of ECU 11 million and ECU 1 million for the Tacis Democracy programme, and specifically for the promotion of a free press, respectively.

The new Regulation is scheduled to come into force in 1996.

## Bilateral and international cooperation

The Commission plays an important role in the coordination of international assistance in the New Independent States. The organisational restructuring of Tacis on geographical lines facilitates easier coordination with counterparts from other organisations. It has become increasingly evident that effective coordination achieves better results than single initiatives by one donor. Where several donors have formulated a common response to issues, the impact on the partner countries has been greater.

### Improved coordination with Member States

The Tacis Partnership and Coordination programme, PCP, was in its second year of operation in 1995. With an ECU 5 million budget, it continued to cofinance projects developed through close cooperation between Member State organisations and the Tacis Programme, in pursuit of shared goals in the provision of assistance to the NIS. A decision was made to allocate a further ECU 10 million for the third round of the programme.

In 1995 Tacis also looked at the type of assistance programmes run by the Member States, in order to determine how to coordinate most effectively, to exchange information on existing activities and ideas for future programmes.

In addition there were regular meetings of the Tacis Committee, composed of representatives of Member States, which assists the Commission in the implementation of the Tacis Programme. These meetings provide an important forum for the exchange of views and the coordination of activities.

### Coordination with the United States

Informal working relations between the EU and the US, agreed in 1993 and implemented in 1994, were strengthened in 1995. The EU-US coordination meeting in Brussels in November 1995 sought to develop the current

relationship based on of informal information exchange. Sessions identified specific areas that would benefit from more closely coordinated activities, while Tacis also participated in meetings with USAID in 1995.

### Cooperation with the European Bank for Reconstruction and Development

The main arrangement for cooperation between Tacis and the European Bank for Reconstruction and Development (EBRD) remains the Bangkok facility. In 1995 this allowed for ECU 20 million of Tacis funds to be used to provide the necessary know-how to support EBRD equity and lending projects.

Additional cooperation has been assisted through a series of new operational arrangements agreed by the Commission and the EBRD. These improve the coordination of joint actions concerning country strategies and priorities between the Commission and the EBRD both centrally and at local field office level.

### Cooperation with the World Bank

Cooperation with the World Bank continued in 1995 with Tacis participating in a series of consultative group meetings for Moldova, Kazakhstan, Kyrgyzstan and Ukraine, and in follow-up meetings concerning Armenia and Georgia.

Coordination of activities remains most effective at task manager level, particularly with regard to the use of Tacis funds to support World Bank loan preparation activities.

### Cooperation with the International Monetary Fund

Increasingly Tacis grants are dependent on the International Monetary Fund (IMF) matching loans or assisting with balance of payments deficits. 1995 also saw the coordination of macro-economic loans to Ukraine and Moldova.

# Armenia

Dialogue between the European Community, its Member States and Armenia made significant advances with the initialling of a Partnership and Cooperation Agreement in December 1995. The Agreement recognises the independence, sovereignty and territorial integrity of Armenia and emphasises the need for cooperation between the states of the Transcaucasus in order to further the development of the region. An Interim Agreement is being negotiated so that the trade-related measures of the Agreement can be implemented as soon as possible, while the full PCA awaits ratification.

The political and economic situation in Armenia improved in 1995. In the legislative elections in June, the liberal democratic reform-minded government remained in power and a new constitution was passed in July. The cease fire in the conflict with Azerbaijan over Nagorno Karabakh is being respected, however progress in the Organisation for Security and Cooperation in Europe peace talks is slow.

The government continued its policy of radical economic reform and rapid privatisation. As a result, the Armenian economy was strengthened in 1995. Armenia was the only country of the New Independent States to experience positive GDP growth at 5 per cent. Inflation decreased drastically compared to the rate in 1994, and the new currency, the dram, remained relatively stable. Armenian exports to the European Community are also rising.

## Tacis support for reform

Tacis is supporting the Government in its reform efforts by focusing on the following sectors

- energy
- enterprise restructuring and development
- human resources development.

In 1995, Tacis committed ECU 6 million for the Armenian national programme. Armenia also benefited from funds committed to the Tacis Traceca programme which aims at increasing regional cooperation through more extensive transport links.

## Developing the energy sector

Armenia suffers from a serious lack of domestic energy sources and is dependent on imports of energy supplies. The main gas pipeline from Azerbaijan has been shut

down since 1992 and rail, road and pipeline transport of oil and gas products through Georgia is frequently disrupted. Armenia also suffers from an antiquated national energy distribution network.

In order to address these energy distribution problems in a comprehensive manner, Tacis has established a pipeline working group which includes representatives from ten New Independent States, including Armenia. The group aims to identify and solve regional energy distribution problems.

Tacis projects in 1995 were directed at the long-term goals of modernising the energy infrastructure and reorganising the energy sector in order to make it commercially efficient. With Tacis support worth ECU 1 million, an implementation unit for energy sector projects will be created within the Ministry of Energy. The unit is responsible for developing a long-term energy strategy and coordinating national energy projects and resources.

Following a successful 1993-1994 project, Tacis continued its efforts to restructure the gas sector in order to make it commercially viable. An ECU 1 million project focusses on an analysis of the integrity of the main gas pipelines, and on a rehabilitation plan for the national gas transport system and the distribution system in Yerevan. A second ECU 1 million project includes the reorganisation of Armgazprom, the state gas company, around its core business of supply and transmission as well as the restructuring and privatisation of non-strategic activities.

The Energy Centre established in Yerevan, as part of a network of Tacis Energy Centres in the NIS, continued its work in 1995. It provides information, training and technical support for various energy efficiency initiatives in industry and the public service sector. In 1995 the Energy Centre carried out energy audits in major Armenian industries, identifying wasteful procedures and formulating strategies for reduced energy consumption.

A project for the evaluation of Armenia's hydrocarbon deposits has now produced a technical dossier on the country's oil and gas potential, as well as a databank for the Ministry of Energy. Another project for the implementation of a national energy conservation programme continued, focussing on energy pricing, legislation and restructuring, district heating, industry, building, agriculture and transport. The government's top

priority is the system of billing and collection of payments. The project has developed a system for the calculation of electricity tariffs and for revenue collection. In two districts of Yerevan there have also been successful experiments in the creation of non-profit cooperatives dealing with the supply of electricity and the collection of customer payments.

### Enterprise development

As a result of the Government's ambitious privatisation programme, more than 1,500 enterprises were privatised in 1995 and 4,000 enterprises were in the pre-privatisation stage.

Tacis is supporting a project designed to assist the Privatisation Commission and Board with the launch of the voucher privatisation scheme. The ECU 1 million project includes advice to the government on a variety of privatisation related issues, the establishment of regional auction centres and the provision of advice to enterprises on the consequences and responsibilities of privatisation.

Tacis also continued to support the successful Business Communication Centre. The Centre and the Small and Medium Enterprise Development Agency merged so that business plan preparation and establishment of contacts with foreign partners became a single service provided by one agency. This has increased the Centre's prospects of becoming an independent consulting agency when Tacis support ends.

### Continuing human resource development

Armenia's large national budget deficit has led to reduced expenditure and investment, particularly in the human resources sector. The education system has been particularly affected. Many schools have been closed due to a lack of funding and training institutes have cut their costs drastically.

The 1995 Tacis initiatives in human resources development are geared at complementing the Government's plans for the reorganisation of the education sector. Following the generation of much useful

data by a previous Tacis policy advice project on education, a 1995 project with the Armenia State Pedagogical Institute has been reoriented towards assistance to the Ministry of Education in Armenia. It aims to contribute to the development of effective educational management and programming systems, in order to adapt the education system to the evolving needs of the labour market.

The 1995 Programme also continued to provide support for the Armenian School for Public Administration which was established under the 1992 budget. The school is a training institute which prepares local and central civil administrators for government service. Tacis' 1995 activities were aimed at implementing the school management plan in order to make it sustainable in the long term. The ECU 900,000 Tacis project includes support for a research unit which identifies and assists projects which will continue to develop modern public administration structures.

### Funds allocated by sector each year

	1991	1992	1993	1994	1995	Total
Nuclear safety and environment	0.3	0	0	0	0	0.3
Restructuring state enterprises and private sector development	0.7	3.54	2.3	0	2	8.54
Public administration reform, social services and education	0	1.5	1.8	0	1.5	4.8
Agriculture	0	1.66	0	0	0	1.66
Energy	1.3	0	4.1	0	2	7.4
Transport	0	0	0	0	0	0
Policy advice	0	2.85	0	0	0	2.85
Telecommunications	0	0	0	0	0	0
Humanitarian aid	0	0	8	0	0	8
Other sectors	0	0	0.8	0	0.5	1.3
<b>Total</b>	<b>2.3</b>	<b>9.55</b>	<b>17</b>	<b>0</b>	<b>6</b>	<b>34.85</b>

Note: Armenia did not receive funds under the 1994 budget.



# Azerbaijan

Azerbaijan and the European Community and its Member States formalised their relations with the initialling of a Partnership and Cooperation Agreement in December 1995. The Agreement establishes a framework for cooperation between the European Community, its Member States and Azerbaijan and emphasises the need for cooperation between the three Transcaucasian states in order to promote stability and prosperity in the region. An Interim Agreement is being negotiated to bring into force the trade-related measures of the Agreement.

The cease-fire concerning the conflict over Nagorno Karabakh held throughout 1995 but peace negotiations have not progressed markedly. The dispute over the region is draining Azerbaijan's resources and has further exacerbated economic instability. The refugees resulting from the conflict (some 1 million people) put an additional strain on government decision-making. The legislative elections in November illustrated the commitment to democratic reform, although they were criticised by observers.

In 1995 Azerbaijan's Government attempted to address the country's continuing economic decline. Measures to decrease the budget deficit were agreed and the Government embarked upon an economic reform programme. The privatisation process is slow and although the decrease in GDP has slowed, there was still no growth in 1995. Tacis advisers are working in close cooperation with the World Bank and the Government so that the privatisation process can continue, and Azerbaijan can fulfil the obligations of the recently signed World Bank Rehabilitation Loan.

## Tacis reform priorities

The Tacis Programme is backing Azerbaijan's reform process by concentrating on the following sectors

- energy
- enterprise restructuring and development
- human resources development.

Under the 1995 budget, Tacis committed ECU 6 million to the national programme and also committed funds through the Tacis Traceca programme aimed at increasing regional cooperation by developing transport networks.

## Developing energy potential

Access to Azerbaijan's oil resources remains an important factor in the continuation of the region's development. Tacis is supporting the pipeline network in the Transcaucasus, Central Asia, Ukraine and Moldova, through the newly created Tacis pipeline working group. This aims to encourage regional cooperation in energy supply distribution. Azerbaijan's vast oil deposits in the Caspian Sea can potentially provide the necessary impetus and finances to modernise and restructure the national economy.

At the end of 1995 the Government reached an agreement with a consortium of western oil companies to exploit the Azeri oil fields in the Caspian Sea. The agreement anticipates investment of ECU 6.3 billion for the development of the two main oil fields and foresees an annual output of 40 million tonnes of oil in fifteen years time. In 1995 the government of Azerbaijan decided to construct a dual pipeline network through both Georgia and Russia.

The Tacis Programme was actively involved in other areas concerning the development of the energy sector in Azerbaijan in 1995. A project was completed with the Azeri Government which included the development of a general energy policy, the drafting of an appropriate legal framework for energy, and studies aimed at the restructuring of the national electricity company Azerenerji and oil company SOCAR. The project also included energy saving initiatives, training of managers, audits of energy companies and development of electricity facilities.

Two projects were initiated under the 1995 Programme. An ECU 1.5 million feasibility study to upgrade and complete the Karadag gas storage facility was launched. The project's objective is to satisfy World Bank and EBRD investment requirements so that planned investment needed for the completion of the plant can be allocated.

The second project comprises support for the drafting of energy legislation, taxation and finance issues. The ECU 1 million project's objective is to facilitate the passing of new energy legislation, train SOCAR staff, provide training equipment and assist Azerenerji with the implementation of its restructuring programme.

### Investing in private enterprise

Privatisation has not started on a large scale in Azerbaijan. There has, however, been progress in developing the private sector through joint venture investment and other forms of foreign investment. As privatisation of a substantial number of small and medium-sized enterprises is planned in the future, there will be an increasing demand for financial auditors to fulfil the legal requirement of annual audits. Tacis has initiated an ECU 1.3 million project designed to train a large group of financial auditors and receivers and to develop a programme aimed at the creation of accepted professional standards for auditors and receivers.

Support for small and medium-sized enterprises was another priority in 1995. An ECU 500,000 extension project was launched with the Small and Medium Enterprise Development Agency, SMEDA. Tacis intends to support the three agencies through advice on how to develop, strengthen and organise their activities for the maximum benefit of small and medium-sized enterprises in Azerbaijan. A tutoring programme for businessmen in SMEs was also initiated, working through the SMEDA.

### Upgrading social services

An ECU 1.3 million Tacis project was launched in conjunction with the Azerbaijan Ministry of Labour and Social Protection. Support will be provided with a strategic review of current legislation and labour policies, with specific advice for the General Employment Department which provides short-term social support for the unemployed and assists them in finding jobs. The Department will also be assisted in the setting up of a staff training centre, and in developing a computerised system designed to match job seekers with current vacancies.

### Funds allocated by sector each year

	1991	1992	1993	1994	1995	Total
Nuclear safety and environment	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	2.6	0	1.9	1.8	6.3
Public administration reform, social services and education	0	3	0	1.8	1.3	6.1
Agriculture	0.4	2.5	0	0	0	2.9
Energy	0	0	0	3.6	2.5	6.1
Transport	0	0	0	0	0	0
Policy advice	0	4.4	0	0	0	4.4
Telecommunications	0	0	0	0	0	0
Humanitarian aid	0	0	8	0	0	8
Other sectors	0	0	0	0.7	0.4	1.1
<b>Total</b>	<b>0.4</b>	<b>12.5</b>	<b>8</b>	<b>8</b>	<b>6</b>	<b>34.9</b>

# Belarus

After the conclusion of negotiations, a Partnership and Cooperation Agreement with Belarus was signed in March 1995. The Agreement replaces the 1989 Trade and Cooperation Agreement between the European Community, the European Atomic Energy Community and the Soviet Union, and is concluded for an initial period of ten years. It foresees the establishment of intensive political dialogue and covers trade in goods, labour conditions, the establishment and operation of companies, cross-border supply of services, payments and capital, competition, intellectual, industrial and commercial property protection, legislative, economic, cultural and financial cooperation.

While the ratification of the Agreement is pending, an Interim Agreement covering the trade-related aspects of the Agreement was initialled in April 1995.

## Political impasse and mixed economic signals

Economic reform in Belarus slowed in 1995, particularly in the financial sector. This led to the suspension of the IMF programme and the postponement of the second instalment of the EC balance of payments loan.

In March 1995, the Belarussian government called for elections for a new Parliament. Due to the complicated voting system, a fully operational Parliament was only established at the end of 1995.

This inability to constitute a Parliament almost blocked the political system. It meant that there was no significant progress in the economic reform programme and that economic commitments were not met.

However, there were signs of stabilisation in Belarus in 1995, with the macro-economic programme on structural adjustment, adopted in October 1994, showing its first positive results. The negative growth of the GDP slowed down considerably and now stands at minus 11 per cent. Due to a strict monetary policy, the inflation rate was reduced to 703 per cent from 2,220 per cent at the end of 1994.

On the other hand, the privatisation of the 1,700 regional and national enterprises is progressing slowly, as a favourable environment for small and medium-sized enterprises has not yet been established and the legal framework and fiscal incentives are still lacking.

## Increased support - and conditionality

Tacis funding for Belarus in 1995 amounted to ECU 12 million. The priorities for the Tacis Programme are

- enterprise restructuring and development
- food production, processing and distribution
- energy
- transport.

The 1995 Action Programme was designed in February under the assumption that Belarus would progress rapidly with reform. In July the Tacis Committee gave a favourable opinion on the programme, with the stipulation that more conditionality would be introduced at the implementation stage. The European Commission agreed with the Member States that before the programme could be launched, Belarussian commitment to and achievement in reforming the relevant sectors would be closely reexamined.

Due to unsatisfactory progress in reforming the economy during the second semester, the launching of most of the programme has been delayed, with the energy sector and Tempus being the only areas where no major delays could be expected. However, projects from previous Action Programmes were continued or concluded successfully in 1995.

In 1995, a feasibility study for an equity investment fund in Belarus was completed. The report, commissioned under the 1993 Action Programme, drew positive conclusions about investment and joint-venture opportunities. The fundraising has started and the EBRD is expected to take a 30 per cent share in the equity provided that other investors are identified to ease the subscription. The fund, which should be created in 1996, will work closely with the network established throughout Belarus.

A parallel and related project concluded successfully in July 1995. The project, from the 1993 Action Programme, prepared three Minsk-based banks to meet the eligibility criteria set by the EBRD. The bank's technical skills were upgraded and the EBRD's US\$ 30 million credit line is successfully being disbursed to small and medium-sized enterprises.

Another project successfully completed in 1995 was the training of banking personnel in Minsk. The project, from the 1992 Action Programme, trained over 30 trainers in general and specialised banking skills. The Tacis project, based at a training centre in the business school linked to the Minsk State University, trained both professionals from the banking world and academics from the university. Seminars given by Tacis experts, and later local staff, taught general and specialised modern banking techniques. As the centre charges a fee for the training, it is intended that it may become financially self-sufficient by increasing the quantity of personnel trained.

#### Funds allocated by sector each year

	1991	1992	1993	1994	1995	Total
Nuclear safety and environment	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0.3	7.52	4	5	5	21.82
Public administration reform, social services and education	0.68	1	0	0	0	1.68
Agriculture	1.6	2.51	2	0	2	8.11
Energy	4.1	1.9	0	0	3	9
Transport	2.24	1	2	1.3	0	6.54
Policy advice	0	0.7	0	0	0	0.7
Telecommunications	0	0	0	0	0	0
Humanitarian aid	0	0	0	0	0	0
Other sectors	0	0	1	0.7	2	3.7
<b>Total</b>	<b>8.92</b>	<b>14.63</b>	<b>9</b>	<b>7</b>	<b>12</b>	<b>51.55</b>

# Georgia

Georgia and the European Community and its Member States initialled a Partnership and Cooperation Agreement in December 1995 and started Interim Agreement negotiations in order to bring into force the trade-related measures of the PCA as soon as possible. The Agreement provides a framework for the further development of political and economic relations between the European Community, its Member States and Georgia, and stresses the importance of regional cooperation between the three republics of the Transcaucasus. The closer relations formalised in the Agreement were furthered by the European Commission Delegation in Tbilisi, which was opened in 1994.

The Georgian political situation improved markedly in 1995. Georgia held both parliamentary and presidential elections in November 1995 which affirmed the country's commitment to the democratic process. Although improvements were registered in the economic field, the country continues to be disrupted by the civil conflict in Abkhazia.

The Georgian economy made modest progress in 1995. Tighter fiscal and monetary policy reduced inflation and the new currency, the lari, introduced in September, remained stable. The Government's policy for accelerating the reform process has also led to increased privatisation of small scale businesses.

## Maintaining the momentum for reform

Tacis is supporting the Government with its reform efforts by focusing on the following sectors

- energy
- enterprise restructuring and development
- human resources development.

Under the 1995 budget, Tacis made ECU 6 million available for the Georgian national programme. Georgia also benefited from funds committed through the Tacis Traceca programme (which is aimed at developing regional transport networks) and through the Democracy programme and the policy and legal advice service.

## Focus on energy

Tacis is working with national authorities to propose solutions for Georgia's energy problems. The lack of domestic energy resources and problems with external supply have contributed to the energy crisis. Georgia is dependent on oil, gas and electricity imports and external supply lines have been cut. The energy infrastructure was also inadequately maintained and the damage caused by the civil conflict added to the disruption. The serious energy shortages have obliged the Georgian authorities to request a reprioritisation of the Action Programme with a greater focus on the energy sector.

In 1995, an ECU 700,000 Tacis project to support the development of an energy policy was extended in order to focus on the implementation of the various measures identified in the energy policy exercise. A system of rational management has been highlighted for introduction in order to meet the energy demands of private consumers and future private enterprise, and to attract foreign investment. The recommendations for an integrated energy policy identified energy priorities and indicated which steps need to be taken in order to reduce waste and improve energy efficiency. The conclusions and recommendations were widely accepted by partner organisations. An important aspect of the project was the drafting of an investment plan which is to be presented to foreign investors and international financing institutions.

In 1995 two new energy sector projects were identified: Support for the energy Coordinating Unit (ECU 1.3 million); and Support at industry and consumer level (ECU 1 million). These projects focus on energy policy, pricing, legislation, energy efficiency, the promotion of the use of indigenous sources like peat and coal, and the assessment of wood fuel production. One of the projects' components is in training and advising the Preparation and Implementation Team preparing the Sakenergo utility company to meet the World Bank's and other donors' conditions for investment.

## Privatisation continues

Increasing economic stability in 1995 allowed great progress in privatisation, and a mass privatisation scheme started in 1995. Over 7,000 SMEs have been privatised to date. Tacis support is being given to the Ministry of State Property Management for the design and implementation of the privatisation programme. Tacis is also supporting the Small and Medium Enterprises Development Agency and two Business Communication Centres.

1995 saw the initiation of a post-privatisation programme offering support to firms directly following privatisation. An ECU 1.2 million Tacis project was put into place to provide this support through the Post-Privatisation Development Centre. It will assist firms in the assessment of their management needs, provide the necessary support in marketing and financial strategy, and provide national authorities with information concerning the needs of newly privatised firms.

Under the 1995 Programme ECU 700,000 was committed to assist in the creation of a securities exchange. The project also provides advice on legal and tax frameworks and the rules governing the internal organisation of the market.

## Research and development for growth

The Government has requested that the emphasis in 1995 be placed on strengthening research and development capabilities. In December 1994 the Georgian Parliament passed a law emphasising the need to gear research and development activities towards concrete results. The 1995 Tacis Programme initiated an ECU 1.3

million project aimed at assisting the Committee for Science and Technology in this endeavour. The project's objectives are to evaluate the potential of existing research and development programmes, to encourage research and development in small and medium-sized businesses and partnerships, to train management specialists and to encourage the Georgian scientific community to participate in international programmes and networks.

## Funds allocated by sector each year

	1991	1992	1993	1994	1995	Total
Nuclear safety and environment	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	3.5	0	3.6	1.9	9
Public administration reform, social services and education	1.18	1.25	0	1.8	1.3	5.53
Agriculture	2.65	1.5	0	1.8	0	5.95
Energy	0.4	0	0	0	2.3	2.7
Transport	0.73	0	0	0	0	0.73
Policy advice	0	2.75	0	0	0	2.75
Telecommunications	0	0	0	0	0	0
Humanitarian aid	0	0	6	0	0	6
Other sectors	0	0	0	0.8	0.5	1.3
<b>Total</b>	<b>4.96</b>	<b>9</b>	<b>6</b>	<b>8</b>	<b>6</b>	<b>33.96</b>

# Kazakhstan

The signing of the Partnership and Cooperation Agreement between Kazakhstan and the European Community and its Member States, in January 1995, was a conclusive step in formalising relations between the two parties. The Agreement provides a framework for the further development of political and economic relations between the European Community, its Member States and Kazakhstan, and stresses the importance of regional cooperation between the five republics of central Asia and Mongolia. An Interim Agreement covering the trade aspects of the Agreement has been negotiated, and procedures have started towards its entering into force. Separate agreements covering trade in steel and nuclear materials, and nuclear safety and thermonuclear fusion, are due to be negotiated. A textile agreement has already been drawn up.

Despite adopting structural reform programmes and an ambitious macro-economic stabilisation programme, the Kazakh economy has continued to decline. Inflation and unemployment rates have continued to rise, and the spiralling budgetary deficit remains difficult to control. The Government pledged to reduce the budget deficit by increasing taxes and restricting spending – including cuts in government staff at all levels.

The Kazakh government remained in favour of rapid transformation to a market economy. Following discussions with international donors, the Kazakh government focused on stimulating production and attracting foreign investment in 1995.

## Support for Kazakhstan

The prime sectors for Tacis action in 1995 were

- enterprise restructuring and development
- food production, processing and distribution
- human resources development.

Tacis committed ECU 15 million for the national programme in Kazakhstan under the 1995 budget. Kazakhstan also benefited from Tacis multi-country funds.

## Supporting the enterprise sector

Tacis helped to reinforce the Kazakh government's efforts to promote small business development at a local level, manage the privatisation process at a national and regional level, and to achieve a modern financial services framework. Many of Tacis' actions for 1995 complemented actions taken under the 1994 Programme.

Tacis funding worth ECU 5.9 million supported a number of initiatives. The establishment of a Business Communications Centre which offers advice to small businesses; and a small and medium-sized enterprise Development Agency planned for Aktyubinsk which offers expertise in developing financial expertise and long-term management and technical support for new enterprises. Tacis know-how also contributed to an institution-building programme and policy advice for the Kazakh government, the National Bank of Kazakhstan, and the National Congress of Entrepreneurs.

Tacis also supported the Kazakh government's commitment to move forward with a privatisation programme. Continued assistance has been given to the State Committee for State Property and the State Privatisation Fund. Tacis offered policy advice and planning to enhance competition and develop long-term strategies. Both Tacis' and the partner organisation's main concern was the development of the energy sector with particular reference to the oil and gas sector. An evaluation of the tourism sector was also pursued. Practical advice was also given to the new National Association of Investment Funds.

## Reshaping the agricultural sector

Tacis' objectives in this area focused on supporting the development of the farming sector in an increasingly competitive market. In particular, Tacis supported efforts to increase exportable produce, to promote investment in agro-industries and to create commercial networks for commodities.

Following Tacis' experience in the Almaty region, a Tacis project worth ECU 3 million proposed the development of an Agricultural Management Information System in 1995. Tacis and the Kazakh authorities aimed at creating an Agricultural Marketing and Management Information Centre which would provide data on prices and availability of inputs. In addition, the project aims to establish a pilot wholesale market for fresh produce in the Almaty region.

Tacis supported the Kazakh authorities in attempts to ensure the production and supply of food to the local domestic market and also to develop the agricultural sector so that future privatisation is an attractive option and an economically viable choice for investors. Activities in Akmola (the new capital) and Aktyubinsk have been started, in order to enhance the food production sector.

Additional investment is essential in order to develop production techniques and to improve efficiency and increase production. Tacis know-how supported local initiatives in the Almaty and Taldy Kurgan regions to train commercial operators in business and accounting principles to ensure that resources were used to their best advantage.

### Upgrading Kazakhstan's human resources

Tacis support to this sector has focused primarily on providing training to the public administration services working with new regulations, and on social protection restructuring in an initiative to respond to the increasing social consequences of economic reform.

A project worth ECU 2.9 million helped upgrade the management and economics skills base in Kazakhstan.

Tacis also helped to develop the new MBA programme at the Kazakhstan Institute of Management and Economics. Additional Tacis resources will allow KIMEP to strengthen its MBA faculty and administration in order to support the long-term viability and sustainability of the programme, and to enable the faculty to become involved in a network of European Business Schools and Universities. Specific training has also been provided for the local banking system through the courses of the Almaty Bank Training Centre and the Banking Advisory Service.

### Funds allocated by sector each year

	1991	1992	1993	1994	1995	Total
Nuclear safety and environment	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	6.54	6.3	6.3	5.9	25.04
Public administration reform, social services and education	4.87	1.4	3.15	1.8	2.9	14.12
Agriculture	2.16	3.06	3.15	3.15	3	14.52
Energy	0.7	3.2	0	0	0	3.9
Transport	0	0	0	0	0	0
Policy advice	0	6.4	0	1.63	0	8.03
Telecommunications	0	0	0	0	0	0
Humanitarian aid	0	0	0	0	0	0
Other sectors	0	0	1.4	1.12	3.2	5.72
<b>Total</b>	<b>7.73</b>	<b>20.6</b>	<b>14</b>	<b>14</b>	<b>15</b>	<b>71.33</b>



# Kyrgyzstan

Kyrgyzstan and the European Community and its Member States signed a Partnership and Cooperation Agreement in February 1995. The Agreement provides a framework for future relations in political, economic, trade and related areas. An Interim Agreement was finalised in 1995 which will bring the trade-related measures of the Agreement into force.

The government of Kyrgyzstan has consistently illustrated its commitment to market-oriented reform and market liberalisation, and has experienced a more rapid progression than many of the other New Independent States.

Legislative elections in February 1995 established a new bi-cameral parliament and a new constitution was accepted in October 1995 via national referendum.

Kyrgyzstan has been ambitious in its economic reform efforts and in 1995 began to reap the benefits of this approach. The three year reform programme launched in 1994 to reduce state interference in the economy and increase the rate of privatisation is currently being enacted. Tight monetary and fiscal policy have resulted in greater control of inflation, currency stability and a growth of GDP of 2 per cent. None the less, Kyrgyzstan remains one of the poorest of the New Independent States, and standards of living are low. The European Community has provided food aid to Kyrgyzstan for two years running, and it has also received humanitarian aid through ECHO. The country is also critically short of energy and depends on neighbouring Uzbekistan for its supplies of natural gas. Foreign trade is low and the privatisation rate is slow.

## Stimulating reform in Kyrgyzstan

Tacis is supporting Kyrgyzstan's reform programme with ECU 8 million committed in 1995. The Programme focusses on the following sectors

- food production, processing and distribution
- energy
- human resources development.

In 1995 the European Community also addressed humanitarian needs with humanitarian and food aid projects in conjunction with the ECHO programme.

## Restructuring the agricultural sector

Kyrgyzstan has suffered a substantial decline in food production since independence, yet the reversal of this trend has started. In 1995, Tacis initiated two new projects, building on the successes of the 1992 Tacis project which formulated a strategic master plan for the agriculture and food sector.

Tacis launched an ECU 1.3 million project with the Policy and Agro-business Support Unit in the Ministry of Food and Agriculture. The project aims to accelerate the restructuring of the food and agricultural sector through a variety of measures. Through policy advice and development, Tacis advisors help to initiate the creation of new legislation necessary for a smooth transition to private farming and restructuring of the food industry. The project supports the development of private farming by training farmers, disseminating the benefits of land reform to both private farmers and local administrators, and providing all involved with information about agricultural markets, pricing and distribution alternatives.

Business management services are being set up to support both the newly privatised and soon-to-be-privatised food processing and distribution firms. The service provides training in accounting, marketing, finances and investment. Another aspect of the project is the definition and enforcement of standards for agricultural products and the upgrading of food standards.

Tacis launched a two year Agricultural and Food Development Programme in the Issyk-Kul oblast in 1995. The ECU 2.4 million project aims to interlink primary producers, the processing industries, and markets. It will function as a pilot project for similar programmes throughout Kyrgyzstan in the future. The main goal of the project is to improve the speed and efficiency of production, marketing and distribution of food products.

The private farm development programme includes on-farm management, the establishment of credit lines for businesses in the sector, training of key personnel, and product development. The project also offers quality and efficiency enhancement, market research, and supports the foundation of a local trade association to facilitate contact between all those in the food production and processing business.

### Modernising the energy sector

Kyrgyzstan has signed the European Energy Charter and the Energy Charter Treaty. This is an important step in facilitating much needed foreign investment for the country's energy sector. The Kyrgyz National Energy Holding Company and Tacis are working together to address a number of energy issues and to develop a strategy for the sector for the next ten years. The ECU 1.1 million project includes the following issues: support for the drafting of energy and electricity laws, advice on energy strategies, the promotion of energy saving, training of managers in the energy sector and supply of energy equipment.

In 1995, Tacis also initiated a project valued at ECU 600,000 to support the State National Coal Company Kyrgyz Komur with high level policy advice and training.

### Strengthening the civil service

Kyrgyzstan and Tacis are working to strengthen the structure of the civil service and to facilitate the enactment

of policies throughout the administration. Through an ECU 1.6 million project, Tacis is providing advice on the management and development of service and staff management issues such as selection criteria, recruitment and career development. The programme also includes in-service training and supply of equipment as well as a monitoring plan to establish whether policy is enforced across all levels of the administration.

### Funds allocated by sector each year

	1991	1992	1993	1994	1995	Total
Nuclear safety and environment	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	0.82	0	0	0	0.82
Public administration reform, social services and education	0	0	2.6	0	1.6	4.2
Agriculture	0	2.71	4	0	3.7	10.41
Energy	0.7	0	2.4	0	1.7	4.8
Transport	0	0	0	0	0	0
Policy advice	0	5.7	0	0	0	5.7
Telecommunications	0	0	0	0	0	0
Humanitarian aid	0	0	0	0	0	0
Other sectors	0	0	1	0	1	2
<b>Total</b>	<b>0.7</b>	<b>9.23</b>	<b>10</b>	<b>0</b>	<b>8</b>	<b>27.93</b>

Note: Kyrgyzstan did not receive funds under the 1994 budget.

# Moldova

Relations between Moldova and the European Community and its Member States are formally based on a Partnership and Cooperation Agreement which was signed in November 1994. The Agreement provides a framework for political, economic, trade and cultural relations. In order to bring into effect the trade-related measures of the Agreement, an Interim Agreement was signed in October 1995.

1995 saw a stabilisation of the political situation in Moldova. In January 1995 the Gagauz region was given autonomous status, removing a potentially destabilising issue from the political agenda. The separatist tendencies of the trans-Dniester region continued to disrupt the country's development. Negotiations to find a settlement did not reach solid conclusions in 1995.

The Government's reform efforts in 1995 resulted in a GDP growth of 1.5 per cent, the first rise since independence. A rigorous monetary policy has reduced inflation to 2 per cent and the currency, the leu, remained stable. Moldovan exports increased substantially in 1995, especially to the European Community where exports almost doubled.

In December 1995, the Government successfully concluded a mass privatisation campaign which auctioned off 1,132 large enterprises. The lack of foreign investment remains a problem which the Moldovan authorities hope to address by continuing with a stabilising monetary policy and increasing the privatisation of firms.

## Tacis priority sectors

In order to support Moldova in its reform efforts, the 1995 Tacis Programme committed ECU 9 million to the Moldovan national programme. The Programme focused on the following sectors in 1995

- food production, processing and distribution
- enterprise restructuring and development
- energy
- human resources development.

Moldova also benefited from Tacis multi-country funds.

## Modernising the food sector

An ECU 1.3 million project was agreed upon in 1995, aimed at improving the marketing of agricultural products. The project, run in conjunction with the Ministry of Agriculture and Food and the Export Promotion Centre, aims to improve the operation of private sales of agricultural products. It also helps to create pilot marketing operations with tradesmen and encourages the creation of independent professional federations. Following the break-up of the Soviet Union, Moldova lost much of its traditional export market. The Tacis project assists the Moldovan agricultural community to regain these export markets, to develop new export opportunities and to improve domestic marketing.

Two other projects were developed in 1995: the improvement of seed quality (ECU 400,000) with the Moldovan agricultural firm Semintse, and the development of credit to private farmers (ECU 800,000). The first project's aim is to modernise production and improve the quality of vegetable seeds by introducing new varieties and encouraging contact between seed producers in and outside Moldova. The second project addresses the growing demand at private banks for credits. Tacis is helping to increase the capacity of the credit institutions to handle the rising credit demands of private farmers by providing training and advice at the Agroindbank and training of private operators in credit management.

## Privatising enterprise

Moldova's privatisation programme has set a target of privatising an additional one-third of state companies under its 1995-1996 programme. If these plans are successfully implemented a total of two-thirds of state property will have been privatised. Tacis supported the privatisation drive through two projects. Firstly, support continued for the successful 1994 Business Centre of Moldova project in Chisinau. In order to disseminate information about various aspects of privatisation, the Centre has created affiliated centres throughout Moldova. An ECU 500,000 Tacis project aims to reinforce the expert team at the Centre and develop relationships between local and international institutions in order to attract financial support and assist enterprises to devise and implement business strategies.

A second project, the ECU 1 million Tacis enterprise isolation programme, will commence in 1996. It will help identify insolvent enterprises and provide advice either to restructure them, liquidate them, or support them through loans systems.

### Conserving energy - a priority

In the energy sector, Tacis committed support worth ECU 1.25 million for the national Energy Efficiency Office, which was set up under the 1992 Tacis Programme. The office ran two projects on energy conservation in 1995, both of which were directed at the development and implementation of conservation policy.

Another project launched in 1995 provides policy advice to the State Department of Energy concerning the costs and benefits of possible alternative sources of energy supply.

### Developing Moldova's skills base

In the human resources sector, two projects were completed in 1995 and two new ones identified. The employment services project (ECU 1 million), aimed at reinforcing the labour market and strengthening the employment programme at the Ministry of Labour and Social Protection, was successfully completed. The ECU 1.25 million management training project at the Academy of Economic Sciences was completed successfully and some 30 of the trained managers are now working at the Academy.

In 1995 two projects were launched: the reform of the social protection system (ECU 1.5 million), and support to the health sector (ECU 500,000). The first project aims to develop a new social protection system and an accompanying legal framework through advice to the Moldovan government. The second project is designed to support the Moldovan health authorities to address primary health care systems and the reform of health management.

### Funds allocated by sector each year

	1991	1992	1993	1994	1995	Total
Nuclear safety and environment	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	1.73	0	1.45	1.5	4.68
Public administration reform, social services and education	0.13	2	0	1.9	2	6.03
Agriculture	0.97	2.27	0	4.7	2.5	10.44
Energy	0	2	0	0.6	1.5	4.1
Transport	0	0	0	0.6	0	0.6
Policy advice	0	1	0	0	0	1
Telecommunications	0	0	0	0	0	0
Humanitarian aid	0	0	0	0	0	0
Other sectors	0	0	0	0.75	1.5	2.25
<b>Total</b>	<b>1.1</b>	<b>9</b>	<b>0</b>	<b>10</b>	<b>9</b>	<b>29.1</b>

Note: Moldova did not receive funds under the 1993 budget.

# Mongolia

The dialogue between the European Community and Mongolia intensified during 1995, and included a visit to Brussels by President Ochirbat.

A priority for the Mongolian government is strengthening the national economy through increased industrial production. With up to 40 per cent of the state budget currently subsidising unprofitable state enterprises, future economic growth in Mongolia is largely dependent on developing the private sector. Important sectors in the economy, including services and agro-processing, have been fully privatised and large state-owned companies have been replaced with small and medium-sized enterprises.

## Maintaining support for Mongolia

The 1994-1995 Tacis Action Programme continued to build on the projects that were initiated during 1994. In that year a budget of ECU 8 million was allocated for Mongolia, which focused on the following activities

- human resources development
- enterprise restructuring and development
- energy.

## Developing human resources

The Tacis objectives for human resources development in Mongolia focus on developing the skills necessary for the effective implementation of social protection measures, and the operation of efficient new economic operators. A project for the reinforcement of employment services was allocated a budget of ECU 1.2 million for 1994-1995. The objective of this project is to support the Ministry of Labour and Population Policy and also to put in place policy elements concerning the management of unemployment.

The Tacis project Reform of economic education (ECU 2 million) has initiated the restructuring of the curricula and organisation of the Mongolian National University. The objective of this Tacis project has been to contribute to the adaptation of economic education to the needs of a free market economy.

## Optimising business development

Tacis support for small and medium-sized enterprises continued throughout 1995, particularly in the agro-processing sector. The objective for enterprise restructuring and development projects remains the

provision of high level policy advice to the Government in small and medium-sized enterprises development techniques.

The past four years have witnessed the establishment of 29,000 new firms and cooperatives. The current Tacis project has been building a framework for new business associations, which provide an important support function to the newly established companies.

## Improving energy supply

The availability of reliable and cost-effective energy is the key to the continued development of private businesses. Tacis has therefore initiated an energy project with the objective of improving the reliability of the power plants in Dharkhan and Choibalsan in rural Mongolia. The ECU 1 million project now works with both cities, and has been implemented to find cost-effective means to improve the efficiency and reliability of local energy supply. The Darkhan project is aimed at providing a cost/benefit analysis design for its upgrade. In Choibalsan the project is analysing how to extend the plant's life by a further 10 to 20 years.

## Funds allocated by sector each year

	1991	1992	1993	1994	1995	Total
Nuclear safety and environment	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	0	0	2.56	0	2.56
Public administration reform, social services and education	0	0	0	3.8	0	3.8
Agriculture	0	0	0	0	0	0
Energy	0	0	0	1	0	1
Transport	0	0	0	0	0	0
Policy advice	0	0	0	0	0	0
Telecommunications	0	0	0	0	0	0
Humanitarian aid	0	0	0	0	0	0
Other sectors	0	0	0	0.64	0	0.64
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>8</b>

Note: Mongolia did not receive funds under the 1991-1993 budgets. The 1994 budget also covered activities in 1995.

# Russian Federation

Russia's economy showed signs of further stability in 1995. Despite the overall macro-economic trends remaining negative, the main indicators illustrated that real improvements had been made in key areas.

Russia progressed further towards the establishment of a market economy in 1995. The real gross domestic product improved compared with 1994 figures, from minus 15 per cent to minus 4 per cent. Overall industrial production also increased from minus 21 per cent to minus 3 per cent, mainly due to gains made by traditional heavy industry.

The financial position of the Russian Federation improved slightly in 1995. The budget deficit improved by 6 per cent to minus 4 per cent of GDP. The inflation rate continued to fall, from 840 per cent in 1993, to 215 per cent in 1994, falling again to 131 per cent in 1995. Currency depreciation continued slowly in an attempt by the Central Bank to compensate for inflation. However, this largely stabilised the currency from mid-1995 onwards.

The Russian Federation's trade surplus increased further in 1995 to ECU 25 billion. This represents an increase of ECU 6.5 million on 1994's figure. Russian trade with the European Community has also improved, with the Community remaining Russia's largest trading partner.

## Social consequences of reform

Unemployment rose to 8.2 per cent of the work force in December 1995, from 7.1 per cent in 1994. A decline in real income by 12 per cent on 1994 figures also poses a considerable problem for the Russian authorities. Wages decreased by 31 per cent and pensions by 15 per cent. Delays and non-payment of wages is one of the more pressing problems and affected approximately 1 million people per month across Russia throughout 1995.

Meanwhile the avoidance of tax and social fund payments by not registering wages is an increasingly common feature of the Russian economy. As real living standards continue to decline, the reform programme is increasingly being questioned by the general populace, which led to increased strike action and collective labour disputes in 1995.

## Relations with the European Union

The entering into force of the Interim Agreement, designed to implement the trade and commercial aspects of the Partnership and Cooperation Agreement, was delayed in 1995 due to the European Union's concerns with respect to the conflict in Chechnya, and the repercussions connected with the human rights situation in that region.

The Interim Agreement was, however, signed in July 1995 and the procedures to bring it into force were launched. The Agreement will operate until the more comprehensive Partnership and Cooperation Agreement comes into force following the assent of the European Parliament, and the Parliaments of the Member States and of the Russian Federation.

## Duma elections

As part of a major programme involving 32 countries, the Tacis Democracy Programme supported the monitoring of the Russian elections for the Second House of the Duma, which were held in December 1995. It also carried out a voting awareness campaign specifically in the St Petersburg region.

The monitoring effort concluded that across 95,000 polling stations, involving a potential 105 million potential voters, democratic practices continue to improve with each election. Public interest in the Duma elections was high, as illustrated by a 64.4 per cent voter turnout. Russia's ability to hold elections in a free and democratic way is one of the signs that political reform remains on track. For the first time, the new Russian Federation successfully transferred constitutional power from one legislature to a successor.

## Tacis priority sectors and regions

Tacis priority sectors in the Russian Federation for 1995 were

- enterprise restructuring and development
- human resources development
- food production, processing and distribution
- energy
- transport
- telecommunications.

Tacis regional funding for 1995 concentrated on

- the Lake Baikal region
- north-west Russia.

The Tacis 1995 budget committed ECU 161.19 million for the national programme in Russia. Russia also benefited from Tacis multi-country funds, including ECU 38 million for the nuclear safety sector.

## Tacis priority sectors

### Restructuring and establishing enterprises

The privatisation process in Russia progresses, while the restructuring of privatised enterprises remains difficult to implement. Over two-thirds of newly privatised companies are still controlled by their former management, who slow the pace of change. Towards the end of the year the Prime Minister declared a reduction in the scale of privatisation so that Russia could move from quick, mass privatisation to individual sales designed to boost production efficiency.

In June 1995 the State Committee of the Russian Federation for the support of small businesses was created by presidential decree, and passed by the Duma in July. Along with numerous official endorsements on the role of private enterprise in Russia, this development has had a positive impact on the coordination of Tacis projects seeking to establish long-term institutions supporting enterprise development, particularly in the Russian regions.

Tacis' main priorities for 1995 complemented those of 1994, and covered training in corporate finance, enterprise restructuring, support to the second stage of privatisation, sectoral and small and medium-sized enterprise assistance and support for the national Russian agencies responsible for the development of the market economy. To help develop long-term strategic support, monitoring and forecasting of small and medium-sized enterprises development was added to the list of priorities.

In 1994, a commitment was made to support the privatisation process when a regional network of 13 post-privatisation consulting centres was planned. During 1995, six of these centres were fully established, of which three technical assistance centres in Novosibirsk, Barnaul and Kemerovo aim to help with problems of restructuring.

Three enterprise support centres in Perm, Ekaterinburg and Chelyabinsk prepare organisations for investment. Funding for these established centres and others in development for 1995 totalled just under ECU 30 million.

For smaller enterprises, a network of 23 Development Agencies was established in 1995. Between the Moscow and St Petersburg agencies alone, over 3,500 prospective entrepreneurs have been offered business development advice. In the autumn of 1995 an executive decree was signed making the Development Agency network an official element of the Government's privatisation programme.

In the financial sector, Tacis provided funding worth ECU 5 million to the Financial Institutions Development Project, which was established in partnership with the European Bank for Reconstruction and Development and the World Bank. The project aimed to provide twinning services for 36 Russian banks in order to improve and develop corporate financial services.

### Support for the agriculture sector

Overall agricultural output fell by 10 per cent in 1995. The Russian grain harvest hit a record low of 64 million tonnes in 1995 (from 81 million tonnes in 1994). This was partly due to a drought across the Volga region and central Russia in May-July 1995.

In addition to the low levels of agricultural output in 1995, the development of private and cooperative agriculture progressed far more slowly than the privatisation of industry and commerce – a continuation of 1994's trend.

The agricultural sector's legislative agenda changed little in 1995, primarily due to the failure of the Land Code to pass through the Duma. This code, which outlines the legal situation for private land ownership, has been pending ratification for two years. Without the Land Code being enforced, it is unclear how agricultural land can be sold. Legislation giving legal status to agricultural production cooperatives was however passed in December 1995.

Tacis' primary focus in 1995 was the identification of successful and complementary agricultural projects, the findings of which could benefit additional projects both locally and nationally. The development of wholesale marketing (in the Samara and Moscow regions) and farm

restructuring and support to private farmers (developed in the Leningradskaya region) were two of the key subjects for dissemination. Improvement of input supplies for agricultural producers, specifically of seeds and fertilisers, was included as a key focal area.

Fisheries and forestry development also merited special attention in 1995. An ECU 2.5 million Tacis project in Murmansk was established to improve fish distribution networks throughout Russia. This project complemented an existing ECU 1.5 million project improving fishing fleet and processing structures. In Karelia and Lake Baikal, reforestation initiatives were developed, following previous massive exports of timber. Training in forest management and harvesting methods was also started. In Baikal, studies were prepared developing environmentally preferable forms of animal husbandry.

Notable projects in 1995 were implemented in Kemerovo and Novosibirsk in Siberia, and Chelyabinsk and Perm in the Urals. The two former projects included the opening of a wholesale market and establishment of producer associations. The latter included the restructuring of two large collective farms, the improvement of the production of agricultural equipment and initiatives for increased equipment sales.

### **Capitalising on military conversion**

Tacis support aims to save the scientific and industrial potential of former defence production units and research and development institutes, by supporting their conversion plans. It supports new enterprise management and promotes the development of industrial partnerships and joint-ventures with European partners.

In St Petersburg, a Tacis enterprise restructuring project supported the restructuring of the Izhorsky power engineering plant. A holding company was established to promote the creation of new enterprises using the old plant's industrial assets. Tacis experts also provided expert support for approved projects in technical, legal, financial and human resources areas.

High-level policy advice was given to the State Committee of Defence Industry. Additional individual projects included assistance to the Institute of Aircraft Equipment, and support for the Russian Record Rocket engine programme. Total funding for the military conversion sector in Russia was ECU 7.2 million.

### **Human resources - a continuing priority**

Unemployment continued to rise in 1995. Extensive debates continued concerning the social consequences of privatisation. As in 1994, Tacis priorities in the sector addressed these issues. Tacis experts have provided training in business, economics and management; and advice on public administration, social protection and health care reform. Particular support was provided to regional administrations, reflecting the general focus on regional, rather than centralised, activities.

In the south-west (Stavropol, Krasnodar and Rostov) an ECU 3.4 million Tacis project was set up to strengthen business and economics teaching and research. In the Urals and western Siberia two projects, both with budgets of ECU 2.5 million, focused on strengthening public administration through policy advice and expanding training capacity.

Tacis experts worked alongside the State Committee of Higher Education and the Ministry of Education in 1995, on an ECU 2 million training and education project. This project aimed at developing the management and organisational aspects of education in a market economy.

One of Tacis' largest projects – the officer retraining project which started in 1994 (ECU 14 million) – reached its mid-term evaluation point in 1995. New elements such as mobile teaching units and training in job-seeking and application processes were introduced. The project will continue until the end of 1996.

### **Energy, environment and science**

Under-performance in gas, oil, electricity and coal production continued throughout 1995, whilst transportation methods, distribution and consumption levels remained inefficient. Energy prices stabilised to a certain extent but failed to be cost-effective, particularly in the domestic sector. By contrast, industrial prices approached cost-effectiveness. Developing this sector has always been a priority for Tacis in Russia.

Two new energy centres were established in 1995, in Ekaterinburg and Novosibirsk, bringing the total number of energy centres funded by Tacis in the Russian Federation to four. A fifth energy centre, in Tyumen, is funded by the European Union's Thermie Programme. These centres have been set up to provide a focus for a range of activities aimed at stimulating efficient energy production and use. It was agreed that the work of the existing Moscow and St Petersburg centres should be continued for two years.



Environmental activities in the Lake Baikal region demonstrated the effectiveness of cooperation in environmental protection. The comprehensive regional development plan took into account all the environmental issues in the area. However, despite cooperation achieving results for some small projects, Russia is still lacking a coherent approach for tackling more fundamental environmental problems.

The International Science and Technology Centre continued to develop in 1995 with the main objective of funding civilian research projects and thereby redirecting weapons scientists and engineers to peacetime activities. The centre is funded by the Russian Federation, the European Community, the European Atomic Energy Community, Japan, the United States and Sweden. By the end of 1995 the centre was supporting over 11,000 scientists from the New Independent States. Projects funded by the centre were valued at ECU 104 million.

#### **Broad support across the transport sector**

In 1995, ECU 12.5 million were allocated to the transport sector in Russia. Projects identified covered air transport, ports, road and rail, space navigation and transport economics, with a particular focus on North West Russia where the ports of Murmansk, Archangelsk and their hinterlands will receive assistance in the improvement and facilitation of the handling of goods, traffic forecasting and staff training. The port of St Petersburg will receive assistance to complete actions undertaken in 1992 and 1994. The approach to transport is now more integrated and multi-modal special attention is being given to the creation of institutional bodies and legal frameworks, and to assisting private operators.

#### **Tacis priority regions in 1995**

##### **North-west Russia - a gateway to Europe**

When Finland joined the European Union in January 1995, Russia's first border with the European Community was established. This was an important step to encourage trade relations between Russia and the European Community. Tacis' activities reflected this, with a majority of the regionally focused budget (ECU 27.5 million) spent in the Karelia, Archangelsk and Murmansk regions of north-west Russia. One-third of Tacis' transport budget for 1995 was allocated to encouraging the generation of a network of transport corridors for trade and specific projects for the ports of Archangelsk and Murmansk.

#### **Lake Baikal - environmental initiatives**

Industry in the region is increasingly threatening this unique lake's eco-system. Tacis projects concentrated on specific environmental objectives - decreasing the air pollution from the Angarsk oil-chemical company and Irkutsk thermo-electric power station, sewage disposal and the major reconstruction of the Baikalsk pulp and paper plant. Tacis committed ECU 14 million to sectoral investment and advice which included enterprise restructuring, human resources development, energy policy and efficiency, natural resource management and environmental information campaigns.

#### **Framework programmes**

Framework programmes package together projects on a smaller scale, or those of a similar type, under one umbrella so that services can be delivered quickly and efficiently. They complement the conventional Tacis programming process which sets up individual projects, usually of a much larger size. The following outlines the type of projects covered by some framework programmes in Russia.

##### **Bistro programme**

The Bistro programme is designed for the quick implementation of small projects with a brief life span. The average contract amount in 1995 was ECU 64,000. Managed by the Tacis section of the Delegation of the European Commission in Moscow, the most common Bistro projects are conferences, seminars, workshops, training and sector studies - some of the most visible aspects of the Programme. Some examples of activity in 1995 include the organisation of an Environment Week in the St Petersburg region (which has subsequently been adopted by the local administration as an annual event), and studies in areas such as Soya development in the Krasnodar region and an assessment of the basic needs of mentally handicapped children in Segesha district.

##### **Stimulating greater productivity**

The Productivity Initiative framework programme has generated positive responses from senior-level European and Russian participants. The programme aims to change Russian management methods in private and state-owned sectors through intensive training seminars and three-month work placements for Russian executives in western companies. In many ways the Productivity Initiative programme represents a reverse process from

the usual know-how structure, in that the know-how is not 'delivered' to partner organisations but has to be sought out by them. In 1994, 40 executives took part in the programme. In 1995, ECU 5.5 million was contracted and 200 work placements took place, with a further 100 arranged for 1996.

### The new monitoring and evaluation team

A new monitoring and evaluation team started work in September 1995. With a staff of twenty Moscow-based experts and a further eight local experts in the field, the team reflects the new geographical approach in Tacis. The team visits projects regularly and reports on a quarterly basis. Improvements were made on previous quarterly coverage, and for the first time all of Russia's 320 Tacis projects were evaluated. The European Commission's Delegation in Moscow concentrated on the supervision of projects in tandem with the monitoring and evaluation team. This will allow any potential difficulties to be identified and resolved earlier in the project cycle.

### Relationships with other donors

Tacis cooperates closely with other donors active in the Russian Federation, such as the World Bank and the G7.

The European Bank for Reconstruction and Development strengthened its local representation in Moscow, which has enabled Tacis to work even more closely with it in preparing projects for financing.

### Funds allocated by sector each year

	1991	1992	1993	1994	1995	Total
Nuclear safety and environment	12.89	0	0	0	0	12.89
Restructuring state enterprises and private sector development	27.2	29.76	54.5	43.4	40.6	195.46
Public administration reform, social services and education	46.64	24.57	44	18.85	52.8	186.86
Agriculture	50.85	21.49	12.5	16.3	17	118.14
Energy	41.5	16	21.1	19.5	18	116.1
Transport	32.87	14.25	13.55	13.9	12.6	87.17
Policy advice	0	0	0	18.95	0	18.95
Telecommunications	0	4.93	5.1	4.1	5.4	19.53
Humanitarian aid	0	0	0	0	0	0
Other sectors	0	0	10	15	14.79	39.79
<b>Total</b>	<b>211.95</b>	<b>111</b>	<b>160.75</b>	<b>150</b>	<b>161.19</b>	<b>794.89</b>



## Maximising resources and minimising waste: Tacis in the NIS energy sector

### NIS energy

The New Independent States - and Russia and the states of Central Asia in particular - are among the world's most important producers of energy. These countries have large reserves of oil and gas, with exports accounting for a large proportion of hard currency earnings.

However, across the NIS the energy sector faces a number of serious problems, largely due to the production of cheap energy, especially for industry, with little attention paid to energy efficiency, in supply and usage.

More recently, the sector has suffered from a lack of investment which has aggravated inefficiencies and wastage in supply, and from the postponement of new energy supply projects. Meanwhile the environmental implications of energy production and wastage are huge.

Each energy resource presents its own problems and challenges. Oil and gas production levels, for instance, need to be maintained and coupled with energy saving measures. Nuclear power, which accounts for some 12 per cent of electricity generation in Russia and 34 per cent in Ukraine, must be subject to intense scrutiny, especially regarding the safety of older reactors and the establishment and effective operation of independent regulatory authorities.

Meanwhile energy wastage is such that western experts have estimated that the NIS industrial sector should reduce its requirements by up to 40 per cent. In the longer term, the solution to this problem lies in the adoption of prices which are more closely related to the real costs of production and supply, and to the demand for specific energy carriers.

### Tacis initiates major energy reforms

The reform and modernisation of the energy sector is crucial to the process of building up a market economy, and for five years Tacis has been playing an important role in the sector, transferring know-how and promoting pilot and demonstration projects which are designed for replication.

It operates alongside and in close coordination with other donor organisations, particularly the World Bank and the European Bank for Reconstruction and Development. An important point of departure for its activities is the European Energy Charter, which aims to promote the development of a larger energy market throughout Europe, while improving the security of energy supply, efficiency and safety, and minimising environmental problems.

Over 150 Tacis energy projects have now been carried out - in Belarus, the three countries of the Caucasus, Kyrgyzstan, Moldova, Mongolia, Russia, and Ukraine. ECU 228.01 million have been allocated to the energy sector over the period 1991-1995, of which Russia has received ECU 116.1 million and Ukraine ECU 41.58 million. The remaining Tacis partner countries have all benefited from energy projects within the Tacis multi-country programme.

### Programme activities

Tacis activities in the NIS energy sector are at both operational and institutional level, and come under four broad headings

- energy efficiency and conservation
- rehabilitation and modernisation of oil, gas and electricity production, transmission and distribution
- support for legal and administrative frameworks
- coal sector restructuring.

Each of the Tacis partner countries poses very different problems and challenges in the energy sector. Situations range from that in Armenia - where water and electricity can at times be available for only an hour a day - to Uzbekistan and Kazakhstan, which are comparatively rich in resources. Tacis activities are oriented according to the quality and quantity of the energy resource, the efficiency of infrastructure, and the country's status as a net energy exporter or importer.

**Moldova**

As a pure importer of energy, Moldova has been badly hit by the rise in energy prices, and remains beholden to Russia for the bulk of its supplies. It can improve its own situation by promoting energy saving and efficiency in the industrial, commercial and domestic sectors.

**Ukraine**

Ukraine has an energy import dependence, worsened by the growing costs of imported energy following the break-up of the former Soviet Union. The G7 Action Plan required the restructuring of Ukraine's energy sector: viable options are to diversify both the energy mix and the supply countries, and to encourage energy saving and efficiency.

**Georgia**

Georgia's only significant indigenous source of energy is hydroelectric power, which has meant that it is now heavily dependent on imports, which are no longer subsidised. The country's energy infrastructure is old and in bad condition due to inadequate maintenance and inappropriate operational practices.

**Armenia**

The main constraints for Armenia's economic growth lie in the limited availability of its natural resources, while obsolete technologies and inefficient practices make its industry energy-intensive. The country relies heavily on imports of energy products. As such, consumption has dropped rapidly. The country needs to develop its domestic hydrocarbon deposits to relieve some of the dependence on imports.

**Azerbaijan**

The country has proven oil reserves which may become the foundation for the restructuring of its economy. However, its production levels have fallen due to low investment levels and bad pipeline networks.

**Turkmenistan**

Turkmenistan boasts major oil and gas reserves. In the past it has focused on regional markets, but is now turning its attention to Europe and Asia.



**Uzbekistan**

Endowed with large natural gas deposits and newly-discovered oil, the country is potentially self-sufficient in energy. However, expert advice is required to make the sector viable and to satisfy international financing criteria for investment.

**Kyrgyzstan**

The country has no significant oil or gas reserves. It is, however, rich in hydroelectric capacity and plays a role in the region's water distribution system.

## Belarus

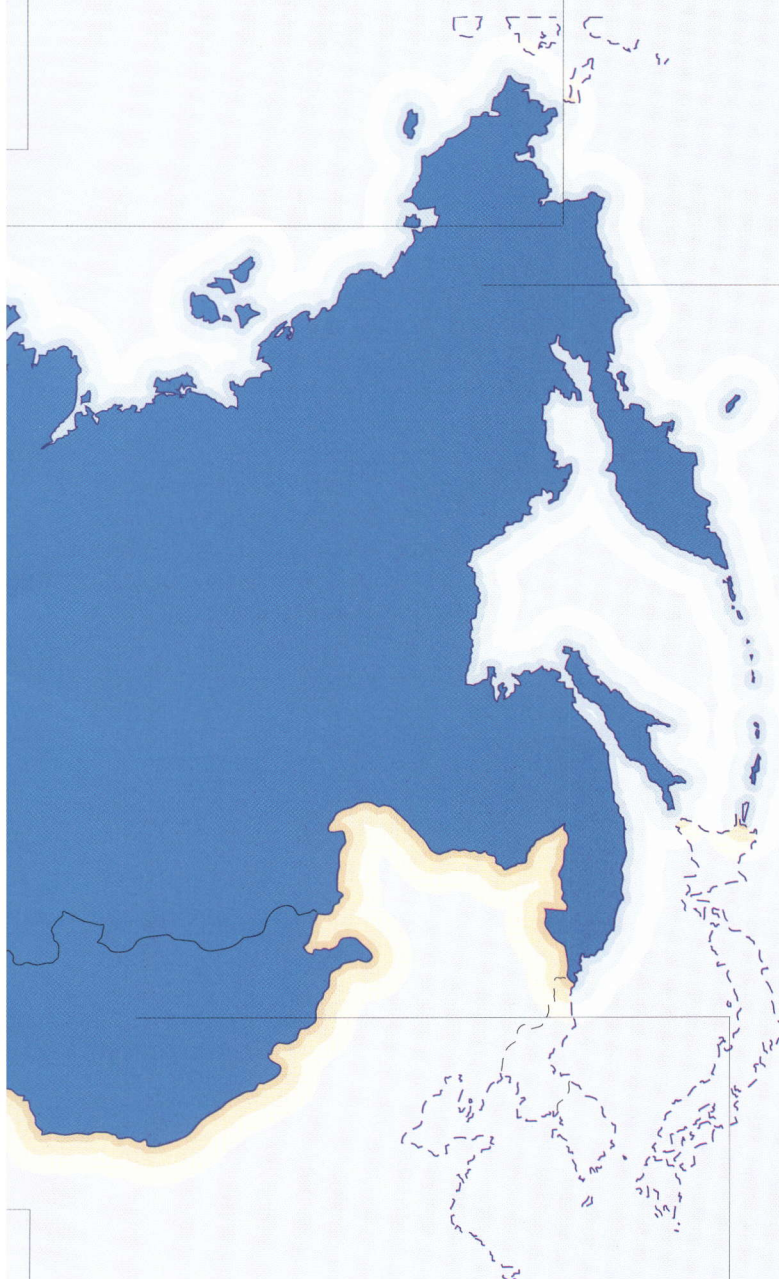
With few local energy resources, Belarus has suffered sharply from the high cost of importing its fuel. Energy is one of the key sectors affecting its balance of payments deficit. The government has taken steps to institute key reforms in the energy sector and recognises that there is, inter alia, great potential for improving energy efficiency.

## Kazakhstan

Kazakhstan has very significant oil and gas reserves, and is committed to promoting foreign investment in its energy sector.

## Russia

The energy sector constitutes an important basis for Russian economic restructuring, accounting for two-thirds of Russia's exports to the EU. The sector remains distorted by pricing policies, torn between the pressure to raise prices to economic levels and the political necessity of keeping energy prices affordable. There are natural monopolies in electricity and gas which need to be regulated, while the sector still suffers from excessive wastage.



## ● EC Energy centre

### Total expenditure

#### Budgets committed by the Tacis Programme to the NIS energy sector in ECU million

	1991	1992	1993	1994	1995	Total
Armenia	1.3	0	4.1	0	2	7.4
Azerbaijan	0	0	0	3.6	2.5	6.1
Baltic States	3	0	0	0	0	3
Belarus	4.1	1.9	0	0	3	9
Georgia	0.4	0	0	0	2.3	2.7
Kazakhstan	0.7	3.2	0	0	0	3.9
Kyrgyzstan	0.7	0	2.4	0	1.7	4.8
Moldova	0	2	0	0.6	1.5	4.1
Mongolia	0	0	0	1	0	1
Russia	41.5	16	21.1	19.5	18	116.1
Tajikistan	0	0	0	1	0.95	1.95
Turkmenistan	0	1	0	0	0	1
Ukraine	6.2	8.08	5.4	15	6.9	41.58
Uzbekistan	0.4	5.28	0	0	0	5.68
Multi-country	6.7	1.5	5	3	3.5	19.7
<b>Total</b>	<b>65</b>	<b>38.96</b>	<b>38</b>	<b>43.7</b>	<b>42.35</b>	<b>228.01</b>

## Tajikistan

A large hydro-electric power potential has been only partially exploited, and the availability of abundant water resources allows the country to increase its electricity production both for local consumption and export, alleviating the pressure caused by the need for imported oil, gas and coal.

## Mongolia

In Mongolia's harsh climate, the energy supply has an immediate impact on living conditions. Much of the energy-generating infrastructure is ageing and in need of replacement or refurbishment.

## The range of Tacis energy activities

Tacis runs a wide range of energy projects. Its most common activities include

- providing information on energy saving methods together with pilot projects which put conservation theory into practice
- supporting the reorganisation of oil sector administration at national level; including the development of the laws and regulations necessary to encourage foreign investment in the oil industry
- assisting the modernisation of heating units at oil refineries
- cooperating with city authorities to evaluate the urban heating sub-sector
- providing know-how on prospecting and production in the gas sector
- providing know-how and training on the modernisation of energy production facilities
- supporting improvements in the functioning and efficiency of the power generation, transmission and distribution system
- introducing modern computer-based automatic power distribution billing and settlement systems
- fostering technology transfer for the modernisation of existing and new design power stations.

## Project focus

### Tacis' energy-saving initiatives in Ukraine

Tacis evaluation teams have been working closely with the Ukrainian government to ensure that realistic solutions to the overriding problems in the country's energy sector can be put into practice. This process began with an extensive quantitative research survey carried out in tandem with the Ministry of Energy and Electrification, the State Committee of Oil and Gas, the State Committee of Coal, and the State Committee for Communal Services.

Project findings indicate the need for establishing a pricing policy and set tariffs for energy use, and the creation of a national energy agency. This agency would rationalise energy use and assume overall responsibility for energy policy (including tariffs and pricing). It would also ensure that individual energy saving projects are implemented as part of a larger strategy.

## Energy solutions

The Tacis Programme - in conjunction with the European Commission's Thermie Programme - has set up a network of ten energy centres in the NIS. These are designed to help provide solutions to energy conservation issues affecting local industry in its partner countries.

The centres' activities range from auditing boiler performance at industrial plants to launching consumer and legal information and environmental awareness campaigns. They conduct market and technology evaluations and organise exhibitions of energy technologies, workshops, training and site visits. They also set up contacts among equipment producers and buyers.

Initially, the centres are staffed with experts from western Europe who work with local experts, training them to analyse and solve problems on-site. Once the western experts' job is complete, they hand over responsibility to the now fully-trained local specialists.

EC energy buses, which operate from most energy centres, are the focal point of the efficiency drive. They are equipped with monitoring equipment and software, and visit major industrial zones and district heating plants to carry out on-the-spot audits and monitoring activities.

# Tajikistan

Domestic political instability has prevented the initiation of a Partnership and Cooperation Agreement between Tajikistan and the European Community and its Member States. Relations are based for the moment on the 1989 Trade and Cooperation Agreement with the former USSR.

Elections in February resulted in overwhelming parliamentary support for the president, and negotiations throughout 1995 made slow progress in resolving the civil war which started in 1992. Further internal disruption has led to the removal of the Prime Minister and his principal deputy.

Tajikistan was the last of the New Independent States to introduce its own currency in May 1995. The new Tajik government reiterated its commitment to progressing with an ambitious economic reform programme. However, inflation remains high, running at about 80 per cent a month. In 1995 Tajikistan embarked on several joint-venture mineral mining projects with western partners. Tajikistan is concentrating on market reform initiatives for its agricultural sector, particularly in land privatisation and the encouragement of increased private production and processing systems. Attention is now concentrating on the different negotiations with the International Monetary Fund on a reform programme which would justify a loan under the Fund's Structural Transformation Facility.

## Encouraging reform in Tajikistan

The 1995 Tacis budget committed ECU 4 million for the national programme in Tajikistan, concentrating on the following priority sectors

- food production, processing and distribution
- human resources development
- energy.

Tajikistan also benefited from European Community food aid and from humanitarian aid through ECHO.

## Improving food production

An earlier Tacis project helped establish a policy advisory unit within the Ministry of Agriculture. In 1995 Tacis continued to assist the Ministry to identify areas which would immediately benefit from Tacis know-how, to improve the overall efficiency of the sector and increase Tajikistan's level of self-sufficiency.

Tajikistan consistently produces high quality fruit and vegetables, but lacks a developed system for efficient processing and exporting. A Tacis project (ECU 1.75 million) supported Tajikistan's plans to develop the processing sector by encouraging stronger links between the organisations involved, and by working with individual plants

to improve processing techniques and management skills. The project also worked at developing support services for newly emerging private farmers and processors.

## Providing knowledge and skills

Tacis continued to strengthen the teaching of market economics and management in 1995 in the human resources sector – expanding and complementing activities undertaken in 1994. An ECU 1 million Tacis project supported the two training centres in Dushanbe and Khodzhand established in 1994. It included training for the trainers of these institutions and provision of know-how for the development of tailor-made curricula and for course development. Tacis involvement encourages both centres to continue on a commercial basis following the completion of the project.

## Energy – developing an essential resource

Hydro-electricity is the main source of energy in Tajikistan, although the country remains dependent on imports for its oil and gas requirements. Tacis has helped the Tajik energy authorities determine how best to utilise its available hydro-power resources and develop energy trade with neighbouring countries. A Tacis project worth ECU 950,000 contributed to the preparation of studies to determine the economic feasibility of completing certain unfinished and outdated hydro-electric plants. The project also examines cost and efficiency in energy supply, and overall awareness of energy efficiency questions.

## Funds allocated by sector each year

	1991	1992	1993	1994	1995	Total
Nuclear safety and environment	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	0	0	0	0	0
Public administration reform, social services and education	0	0	0	1	1	2
Agriculture	0	0	0	1.68	1.75	3.43
Energy	0	0	0	1	0.95	1.95
Transport	0	0	0	0	0	0
Policy advice	0	0	0	0	0	0
Telecommunications	0	0	0	0	0	0
Humanitarian aid	0	0	0	0	0	0
Other sectors	0	0	0	0.32	0.3	0.62
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>8</b>

Note: Tajikistan did not receive any funding 1991-1993.

# Turkmenistan

The Council of Ministers requested the Commission to carry out exploratory discussions with Turkmenistan, in view of a possible strengthening of contractual relations. As with Uzbekistan, the EU Presidency and the Commission had drawn up a report on the human rights situation in the country. Turkmenistan made an official request towards the end of 1995 to initiate negotiations for a Partnership and Cooperation Agreement. Meanwhile, Turkmenistan's priorities in 1995 continued to focus on maintaining economic and political stability.

Although rich in natural resources and export potential, Turkmenistan lacks the know-how fully to exploit its advantages. Economic performance has however in some respects improved. Inflation decreased from 649 per cent in 1994 to 150 per cent in 1995. Turkmenistan is still having difficulty in obtaining payment from its principal trading partners in the NIS for the natural gas which represents the largest portion of its exports. This has led to serious domestic economic problems and even to a shortage of grain. At present the country relies exclusively on the Russian network of pipelines for the export of its gas.

## Tacis supports development

The Tacis programme for Turkmenistan totalled ECU 4 million in 1995, focusing on three main areas in 1995

- food production, processing and distribution
- enterprise restructuring and development
- human resources development.

## Extending the agricultural sector

Tacis concentrated on assisting the Turkmen authorities to develop and improve the output and efficiency of the meat and milk processing sector. Tacis know-how was essential for the development of important financial feasibility studies for selected plants, concentrating on the development of long-term economically viable investment projects to attract joint venture partners. The project (ECU 930,000) also recommended privatisation strategies for the future.

A second Tacis project, worth ECU 750,000, initiated an unprecedented review of the Turkmen fisheries industry, determining future investment opportunities and assessing fresh-water fishery development. Tacis expertise concentrated on ensuring that the studies were of international standard, thus increasing chances of gaining further support from international agencies or joint-venture investors.

## Strengthening enterprise development

Tacis continued to offer the Turkmen authorities high level policy advice on enterprise development in 1995, concentrating on building on the achievements of earlier projects. The development of and support for the small but thriving small and medium-sized enterprise sector remains a priority, as does the implementation of an effective large-scale privatisation strategy. In 1995, both Tacis and the EBRD worked to promote joint-venture projects in the mineral, industrial and textile sectors.

## Human resources – an untapped resource

Recent Tacis support to human resources development in Turkmenistan has centred on civil servant training, culminating in the establishment of a public administration institute in 1995. Tacis know-how also assisted in the development of a legal and institutional framework for human resources management. The Tacis project (ECU 1 million) is also helping the Turkmen authorities to develop the public administration system to adapt to the changing needs of a market economy.

## Funds allocated by sector each year

	1991	1992	1993	1994	1995	Total
Nuclear safety and environment	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	0.57	0	1.8	1	3.37
Public administration reform, social services and education	0	1.05	0	1.8	1	3.85
Agriculture	0.88	3.68	0	3.6	1.68	9.84
Energy	0	1	0	0	0	1
Transport	0	0	0	0	0	0
Policy advice	0	2.5	0	0	0	2.5
Telecommunications	0	0	0	0	0	0
Humanitarian aid	0	0	0	0	0	0
Other sectors	0	0	0	0.8	0.32	1.12
<b>Total</b>	<b>0.88</b>	<b>8.8</b>	<b>0</b>	<b>8</b>	<b>4</b>	<b>21.68</b>

Note: Turkmenistan did not receive funds under the 1993 budget.



# Ukraine

The reform policy implemented by the Government produced significant results in 1995. However, while the need for reform is widely understood, the decline in living standards weakens the support for the difficult decisions which are necessary to implement the Government's programme. Nevertheless the policy implemented by the President has contributed to the rise in Ukraine's international standing in 1995.

During his visit to the European Commission in Brussels in June 1995, the Ukrainian President reiterated his support for closer links with the European Community and for the continuation of the reform process. He emphasised that a strong economy is vital for Ukraine's economic independence.

The operation of the Tacis Programme in Ukraine continued with notable achievements in 1995, particularly in energy sector reform and enterprise restructuring. 1995 also saw the decision by Ukraine to close the Chernobyl power plant, and the signature by the G7 and Ukraine of a Memorandum of Understanding, with a commitment by the G7 members to support this closure.

The recent establishment of a Tacis section in the European Commission Delegation in Kiev is leading to closer and more effective interaction and communication between Tacis and its partners in Ukraine.

## Interim Agreement signed

The Partnership and Cooperation Agreement signed in March 1994 was still in the process of being ratified in 1995. Political and economic dialogue is in place, with bi-annual ministerial meetings, and Tacis is helping Ukraine in the adaptation of its legislation to the standards of the PCA. Much still has to be achieved in the fields of non-discrimination against foreign companies, market access for foreign products, and access for foreign investments.

The Interim Agreement was signed in June 1995. It was given the positive opinion of the European Parliament in October 1995 and gave effect to the trade aspects of the Partnership and Cooperation Agreement.

As part of the Agreement, the European Community-Ukraine Joint Committee met in Brussels in March 1995 and developed 'a close and structured dialogue' concerning trade and economic relations.

Ukraine's accession to the Council of Europe was also seen as a clear indication of its long-term commitment to closer political relations with the European Union.

## Tacis – strengthening reform initiatives

Tacis supported Ukraine's reform efforts in 1995 by focusing on the following sectors

- energy
- enterprise restructuring and development
- nuclear safety and the environment
- human resources development
- food production, processing and distribution.

The Tacis budget for the national programme for Ukraine in 1995 totalled ECU 72.5 million, including ECU 35 million for the national programme and ECU 37.5 million as the Tacis contribution to the EU/G7 Action Plan for Ukraine's energy sector. Ukraine also benefited from ECU 18 million of Tacis multi-country funds in the nuclear sector, and from other multi-country funds covering policy and legal advice, democracy projects, and cooperation in statistics and customs.

## Energy – central to the Ukrainian challenge

The long-term economic prosperity of Ukraine depends on substantial reform of this sector. The high cost of energy imports continues to weigh heavily on Ukraine's balance of payments and budget deficit.

Many energy sector reform plans were initiated in 1994 with considerable involvement by Tacis, and its interest in this sector continued in 1995. In close cooperation with the Ukrainian administration, four priority areas were identified for Tacis action in 1995: assistance to national energy-saving institutions and actions, support to the oil and gas sub-sector, assistance in creating a unified Ministry of Fuel and Energy, and assistance in the rehabilitation of the Trypolye power station with an economic analysis of modern combustion technologies.

Tacis-funded studies completed in 1994 had already reviewed the demand and supply situation in Ukraine. Based on the conclusions of these studies, progress is being made in the identification and dismantling of inefficient monopolies. In addition, inefficient production techniques have gradually been replaced by more sophisticated production methods.

An ongoing priority is to ensure that the Ukrainian administration adopts an energy pricing policy that reflects the true cost of supplies and promotes energy saving. Gas metering projects for domestic and industrial users were initiated in the later part of 1995 and will continue in 1996. It is intended that industrial and domestic users should start to pay for their real energy consumption. Only by doing this will the overall demand and supply situation improve.

Steps have also been taken to reduce the numbers of unpaid gas bills. Until January 1996 outstanding payments were met by Government subsidies, which only added to the pressure on the state budget. With government subsidies for energy payments ending as of January 1996, companies will no longer receive energy credits until they have paid all outstanding bills.

The success of energy sector reform has however added to the problems faced by domestic users and small businesses unable to pay for the additional costs incurred. These problems are set to increase as government subsidies come to an end. Ukraine will focus on the development of fuel and energy systems in the future, aiming at introducing energy saving technologies for all users.

### **Enterprise restructuring and privatisation**

Enterprise restructuring and development remains a priority for Ukraine. Many actions in this sector were agreed or initiated in 1994, although their progress in 1995 was marred by continuing problems concerning the mass privatisation programme.

Tacis continued its support for the State Property Fund with an extended ECU 1 million grant in addition to 1994's ECU 3 million allocation. Tacis is also assisting the development of pilot share registries and is advising on techniques for streamlining procedures. However, despite much of the infrastructure for effective privatisation being in place, improvements are needed if established targets are to be met. Economic restructuring proves difficult to implement – transformation of industry through privatisation is not matched by reform of public administration and training.

International donors have requested the Ukrainian administration to redesign the privatisation process so that the pace of privatisation improves, the number of shares increases, and the confusion over unclear procedures is

reduced. Coordination meetings between international donors, instituted and hosted by Tacis, USAID and the World Bank, illustrate the commitment to establishing an effective and internationally accepted privatisation system. It is hoped that further Tacis action will focus on the redesign of the privatisation process. Working groups have been established by Tacis to address the most urgent problems.

Tacis support to the small and medium-sized enterprise sector continued in 1995 with real success. In both Kiev and Zaporozhye, SME Development Agencies and Business Communication Centres have been established, providing seminars and training consultancy. A network of Post-Privatisation Support Centres is being developed, providing much needed support to recently privatised enterprises. The Kiev centre has been operational for some months, and will be joined by centres in Lugansk and Zaporozhye in 1996. Additional centres are planned as a result of achievements in 1995.

### **Improving nuclear safety and protecting the environment**

Nuclear safety and environmental projects remain an important priority for Ukraine, and the largest proportion of Tacis funding for Ukraine is allocated to this sector.

The decision to close the Chernobyl nuclear power plant by the year 2000 was taken in April 1995 by the governments of Ukraine, the G7 countries and the European Commission.

Ukraine faced problems securing international support for helping with this closure project. However, Tacis helped find solutions for the development of new technical processes for dealing with nuclear waste, although the project is further complicated by the difficulty in determining just how much the project will cost until the relevant feasibility studies are completed. One Tacis project, worth ECU 1.5 million, played an important role in devising a decommissioning strategy. Meanwhile the sarcophagus feasibility study focused on proposing techniques for dealing with the remaining damaged units.

In December 1995 Ukraine signed a Memorandum of Understanding with the members of the G7 and the European Commission, which pledged long term support for funding the project. (See also 'Multi-country programmes' section).

## Agriculture – an ongoing priority

Supporting the ailing agricultural sector is becoming an increasingly important priority for Ukraine. Since 1991 more than ECU 35 million have been spent by Tacis in the food and agriculture sector. However, at a political level the formulation and implementation of an agricultural policy is still at a comparatively early stage, although Tacis projects have been praised by the President for their quality and output.

The volume of agricultural output has continued to decrease. In all, average family expenditure on basic foodstuffs is more than half the monthly income. Now unable to depend on government subsidies, many farms are on the brink of collapse. There are continued uncertainties about land titles, there remains little security in market transactions, and institutional frameworks are ineffective. Even by the end of 1995, there was no consensus as to how to privatise this sector.

Tacis therefore supported the drafting of a land registration system, intended to establish regulations governing the transfer of land from state to private ownership. This will help to improve the likeliness of privatisation in the agricultural sector. Tacis also helped improve storage techniques for grain.

## Human resources

In 1995 a major project commenced to support the retraining and reemployment of military officers, designed to develop management training courses for officers and to promote their reintegration into active economic life. Another project was developed to assist the reform of the social protection system, while Tacis continues to support the evolution of public employment services and active labour market measures.

## Banking and finance – developing skills

Most of Tacis' support to Ukraine's banking sector has been in the provision of training. The Tacis European Banking Advisory Service has been an important tool for providing support to selected commercial banks. Individual training programmes have also been developed for Bank Ukraina and the Oschadny Bank. Tacis has also established a bank training school, and an insurance training school.

It has also been working with banks participating in the European Bank for Reconstruction and Development Line of Credit scheme. The project concentrates on giving

advice to banks' credit departments. Tacis' involvement has greatly improved the long-term effectiveness of this scheme.

## Bistro programme

The Bistro programme, designed for the quick implementation of small projects with a brief life span, was launched in Ukraine in 1995. The average contract amount in 1995 was ECU 58,000. Managed by the Tacis section of the Delegation of the European Commission in Kiev, Bistro projects cover all the priority sectors of the Indicative Programme. Support is also given to improve investment and trade conditions.

## Relations with other donors

There are many international organisations working with the Ukrainian administration in their efforts to restructure the economy. In 1995 Tacis played a central role in coordinating the international response to Ukraine's ailing privatisation programme and participated in the working groups established to answer the most urgent problems. In addition, it provided ECU 37.5 million for the EU/G7 Action Plan for the Ukrainian energy sector.

In December 1995, the International Monetary Fund suspended the Standby Arrangement for Ukraine because a number of performance criteria had not been met. Continued financial support from the European Community and its Member States is dependent on Ukraine retaining International Monetary Fund support.

## Funds allocated by sector each year

	1991	1992	1993	1994	1995	Total
Nuclear safety and environment	3.54	0	0	20.5	37.5	61.54
Restructuring state enterprises and private sector development	1.7	16.8	12.36	4.3	10.7	45.86
Public administration reform, social services and education	4.65	3	7.36	4	7	26.01
Agriculture	7.67	12.31	10.54	5	4	39.52
Energy	6.2	8.08	5.4	15	6.9	41.58
Transport	4.89	7.26	3.22	0		15.37
Policy advice	0	0	0	0	0	0
Telecommunications	0	0.83	0.55	0	0	1.38
Humanitarian aid	0	0	0	0	0	0
Other sectors	0	0	3.82	1.7	6.4	11.92
<b>Total</b>	<b>28.65</b>	<b>48.28</b>	<b>43.25</b>	<b>50.5</b>	<b>72.5</b>	<b>243.18</b>

# Uzbekistan

Relations between the European Community and Uzbekistan are based on the 1989 Trade and Cooperation Agreement with the former USSR. In 1995 Uzbekistan requested the opening of negotiations for a Partnership and Cooperation Agreement with the European Community and its Member States. Consequently, a first Joint Committee meeting between the Uzbek authorities and the European Commission was held in May and exploratory discussions for an Agreement were held in July in Tashkent. These centred on the situation in Uzbekistan regarding human rights and democratic reform. As with other partners, these are among the essential principles which underpin the PCAs. During the talks Uzbekistan agreed to accept know-how through Tacis in these areas, which has opened the door to the initiation of PCA negotiations in 1996.

Uzbekistan has benefited from high world prices for its principal export item, raw cotton. This has enabled it to achieve a trade surplus for the second year running. Gold, uranium and other minerals are also exported.

Uzbekistan's abundance in mineral resources (oil, gas and coal) has made it almost self-sufficient in the energy sector. The government's tight budgetary and monetary policies have led to a substantial reduction in the budget deficit and a fall in inflation of more than 500 per cent compared to 1994.

In 1995 the government accelerated the reform programme with the introduction of a plan demanding a major increase in privatisation. However, the economy is still constrained by high unemployment and a lack of foreign investment.

## Tacis focus on modernisation

Tacis supported the Government in its reform efforts by focusing on the following sectors

- human resources development
- enterprise restructuring and development
- food production, processing and distribution.

In 1995 Uzbekistan received ECU 10 million from the Tacis budget for the national programme and also benefited from Tacis multi-country programme funds.

## Training for future managers

One of the main problems in Uzbekistan is the lack of well-trained business professionals. The ongoing privatisation of industry and farmland requires future entrepreneurs to broaden their skills base and develop business techniques. In 1995, Tacis complemented its 1993 management training project in Tashkent with two projects in Ferghana Valley and Samarkand Oblast. The objectives of the two projects, each committing ECU 1 million, is to train teachers at the Ferghana State University and the State University of Samarkand in modern management and language skills. Among other things, the project includes English language courses, market economics and management, improvement of teaching programmes and materials, and advice to the faculties on how best to manage and organise curricula.

An important project worth ECU 2 million is now starting, in association with the State Committee for Forecasting and Statistics, the Ministry of Higher and Special Secondary Education, and the Ministry of Labour. The project aims to implement a labour statistics system of international standard, and to develop labour market oriented training programmes for the unemployed and school leavers.

## Preparing for private enterprise

The rapid development of new legislation and regulations necessitates the retraining of personnel in a variety of sectors. Tacis launched an ECU 1 million project with the Association of Accountants and Auditors to train personnel from private enterprises and the civil service. The project trains auditors in the latest methodology necessary for the new civil and business environment.

Tacis also supported Goskommimuchestvo, the national authority responsible for privatisation, with ECU 1 million.

## Support for agricultural training

The agricultural sector is key to the Uzbek economy - employing 30 per cent of the population and producing 43 per cent of the net product. The emerging private agricultural sector requires trained personnel with modern practical and commercial skills. The current educational system does not provide for adequate training in these skills.

To tackle this problem, an ECU 2.2 million project was initiated with the Tashkent State Agrarian University. The project's main aims are to train the trainers of the students at the University in a variety of subject areas, and to design and develop curricula and syllabi and produce the necessary teaching materials. An important aspect of the training is the emphasis which is being put on awareness of the effect that agricultural methods have on the environment. The project complements the Tacis advisory and training activities in the Ferghana and Syrdaria areas and will function as a pilot for additional agricultural training institutes.

## Protecting the Aral Sea area

As a result of the overuse of water supplies feeding the Aral Sea, the area around the Sea is experiencing disastrous environmental consequences. An interstate council of the five regional states was set up to address the ecological problem through an action plan.

Tacis has contributed ECU 4.75 million of multi-country funds to an international fund which manages the financial contributions for environmental projects. The Water Resources Management and Agricultural Production

project is a joint endeavour with the World Bank, which encompasses some 18 projects. In 1995, seven sub-projects were started in a number of areas, including studies of land and water resource use, crop irrigation systems, water management strategies as well as technical support concerning issues such as clean water, sanitation and health, and cost analyses.

## Funds allocated by sector each year

	1991	1992	1993	1994	1995	Total
Nuclear safety and environment	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	2.26	0	3.35	2	7.61
Public administration reform, social services and education	0	3.51	0	6.8	4	14.31
Agriculture	1.03	3.05	0	3.35	2.2	9.63
Energy	0.4	5.28	0	0	0	5.68
Transport	0.29	1.68	0	0	0	1.97
Policy advice	0	3	0	0	0	3
Telecommunications	0	0	0	0	0	0
Humanitarian aid	0	0	0	0	0	0
Other sectors	0	0	0	1.5	1.8	3.3
<b>Total</b>	<b>1.72</b>	<b>18.78</b>	<b>0</b>	<b>15</b>	<b>10</b>	<b>45.5</b>

Note: Uzbekistan did not receive funds under the 1993 budget.

# Multi-country programmes

Tacis has set up a number of multi-country programmes to enhance cooperation between the partner countries and to address problems that are common to all New Independent States. In multi-country programmes, either the solution to the problem is the same for each country, or groups of countries have to work together to achieve a significant impact.

The 1995 Tacis multi-country programme, worth a total of ECU 144.5 million, concentrated on the areas of nuclear safety, food aid, the environment and the building of networks. It also included support for the International Science and Technology Centre, ISTC (covered separately in the Russia country section), and for a number of framework programmes such as the Tacis Democracy programme.

Some major multi-country programmes are outlined below.

## **Nuclear safety programme**

Tacis allocated a sum of ECU 58.5 million for its nuclear safety programme in 1995. The programme aims to improve the safety of operating nuclear power plants and civilian nuclear fuel and waste management activities, to promote regional cooperation on nuclear safety in countries operating Soviet-built nuclear reactors, and to strengthen regulatory frameworks.

In addition to the ECU 58.5 million which was allocated by the European Commission to nuclear safety in 1995, ECU 37.5 million (from a total of ECU 100 million over 1994-1996) was also committed to the EU/G7 Action Plan for Ukraine's energy sector.

Memoranda of Understanding concerning the implementation of aspects of the nuclear safety programme were signed between the European Commission and Russia in February 1995, and between the Commission and Ukraine in October 1995. The Memoranda include nuclear indemnity statements, freeing Tacis contractors from the potential legal consequences of a nuclear incident. Since the start of the nuclear safety programme, Tacis experts have been reluctant to deliver equipment and important studies before a satisfactory legal framework was in place. Following the signing of the agreements, many of the projects can now go ahead.

## **On-site assistance**

A large percentage of Tacis funding under the nuclear safety programme is allocated for on-site operational assistance. An important mechanism used to achieve this is the development of partnerships between western operating companies and New Independent States plants. Through careful pairing, western operating plants provide specific technical assistance such as advice in the preparation of technical specifications when purchasing new safety equipment, advice on organisation and procedures, and on-the-job training. Tacis experts have been providing technical and operational advice to the following plants: Smolensk, Balakovo, Sosnovy Bor, Kola, Kalinin, Beloyarsk (in Russia), and Rovno, South-Ukraine and Zaporozhe (in Ukraine).

A number of equipment supply contracts were signed in 1995. Other aspects of the scheme include visits by eastern experts to plants in the European Community, support for joint-ventures and the identification, procurement and supply of spare parts.

## **Design safety studies**

Studies are the main instrument used to identify important safety related issues which need attention. In 1995, efforts continued to be directed at solving problems caused by design deficiencies in VVER and RBMK model reactors as well as fuel cycle operations and waste treatment.

## **Ukraine: the EU/G7 Action Plan**

In December 1995, a Memorandum of Understanding was signed by Ukraine, the G7 and the European Commission, which outlined a comprehensive approach to Ukraine's energy sector, including the closure of the Chernobyl nuclear power plant by the year 2000.

Tacis assisted with the preparations for closure of the plant. In July 1995, the sarcophagus feasibility study commissioned in 1994 was completed. The study designed a method for enclosing Unit 4, the remaining damaged unit of the plant. Another Tacis project assisted in the development of a decommissioning strategy. Under the 1995 programme, Tacis is supporting the creation of a solid waste retrieval facility and a solid waste processing plant. These two plants will provide the necessary facilities for the clean-up of solid nuclear waste arising from the decommissioning of Chernobyl Units 1-3.

Health and social issues related to the Chernobyl accident in 1986 have also warranted Tacis involvement. In addition to some medical assistance and equipment, Tacis is also involved with the United States and Ukraine in the definition of an action plan to cope with the social consequences of the Chernobyl closure.

Part of the EU/G7 Action Plan for Ukraine's energy sector is geared to ensuring that Ukraine will have sufficient energy sources following the closure of Chernobyl. In accordance with the plan, part of the funds were allocated to the ongoing preparatory work on the Rovno and Khmel'nitsky nuclear power plants. Engineering support is being provided so that the plants may be safely completed.

With energy shortages a major concern for Ukraine, the EU/G7 Action Plan is actively encouraging energy conservation through the development of a national energy saving programme, the establishment of a training centre, and the organisation of practical demonstrations to industry on the topic of energy efficiency.

#### **Advising the safety regulators**

In Russia and Ukraine, Tacis launched a three year plan in 1994 to transfer the methodology and practices of nuclear safety to their partners. Experts from safety authorities in the European Community continue to support the regulatory bodies through advice concerning surveillance, inspections and licensing of plants, drafting and implementation of regulations, and training. After a slow start-up period, effective cooperation is now progressing well between the authorities. Tacis also continued to provide technical safety equipment to these authorities.

#### **Environment**

The environment was a priority area for the 1995 programme and resources were substantially increased to ECU 12 million.

The broad objective of the 1995 Tacis environment programme was to support the development capacity of the New Independent States to address their environmental problems collectively.

Tacis is assisting the New Independent States to bridge the gap between the requirements for environmental action and the current capacities of national and inter-state bodies to develop feasible environmental strategies and policy instruments.

In 1995, the Tacis environment programme has focused on the following objectives

- to speed up the formulation of effective national environmental strategies
- to raise awareness and to provide environmental information
- to progress the Tacis Inland Seas programme (development of an interstate institutional capacity to address the unique environmental issues of the Caspian Sea, and continuation of the activities in the Aral and Black Seas launched under the 1992 and 1993 programmes).

In comparison with other Tacis sectors, the environment programme is characterised by a high level of activity at a multi-country level by international donors. Examples are the common approach on nuclear safety and the collaborative projects for the Black Sea and Aral Sea, which involve several major donors. Tacis has responded to this multilateral approach, building formal arrangements which allow cofinancing of actions wherever possible.

#### **Coordination of food aid initiatives**

1995 was the second year that Tacis played an important role in the coordination and operation of the European Community's food aid operations in the three Caucasian republics, Kyrgyzstan and Tajikistan. Tacis contributed to the overall food aid budget by providing funds for its management and operation, and by helping partner countries in the use of funds received from the sale of the food supplies. It did this in close cooperation with other international donors.

There have been two main food aid operations: one worth ECU 204 million which covered the winter period of 1994-1995; another worth ECU 197 million, covering the winter period 1995-1996. In addition to providing short-term alleviation of basic food deficits, the food aid operations are intended to build the foundations for long-term solutions to food production.

Unlike humanitarian aid where target groups are directly supplied with basic foodstuffs, food aid products are supplied free of charge from the European Community and sold in the partner countries at local prices previously agreed with the partner government. This price takes into consideration equivalent local costs and production methods. The revenue raised from the local sale of this food is used for the creation of 'counterpart funds'. The value of the counterpart funds remains in the local currency and is used by the partner country for social or agricultural initiatives.

### **Counterpart funds**

The uses for counterpart funds are agreed with partner governments, in line with the primary needs of the partner country. The counterpart funds are only derived approximately two months after the food supplies are delivered. Therefore funds from the 1994 operation were made available in early 1995. These funds were primarily used for social projects in such areas as pensions contributions, family allowances and health care. In the case of Armenia and Georgia counterpart funds made up a significant part of these countries' national budgets.

The 1995 funds, available in 1996, will be used to support agricultural projects and to encourage self-sufficiency in food production in the Caucasus, Kyrgyzstan and Tajikistan.

### **Food aid budgets**

As the transfer of know-how is increasingly needed in order to assist governments with the use of counterpart funds, Tacis' contribution has increased from ECU 4 million in 1994 to ECU 17 million in 1995.

The overall 1995 budget comprised funds from the European Agriculture Guidance and Guarantee Fund, the Directorate General for Development (DG VIII), ECHO (European Community Humanitarian Office) and Tacis.

### **Transport Corridor Europe Central Asia (Traceca)**

The Tacis Traceca programme is directed at building a transport corridor from Central Asia across the Caspian Sea, through the Caucasus to Europe. It covers all sectors from road, rail and maritime transport to trade. The 1995 Tacis budget for Traceca was ECU 2.5 million, with a total of ECU 18 million committed since 1992.

The initial implementation of the programme was slow, largely due to the political and military conflict in the region. However, in 1995 the implementation of the programme progressed significantly. In May 1995, a Traceca project management team brought together experts from eight Traceca states in Almaty to agree priorities and coordinate further actions. Greater emphasis was placed on trade facilitation aspects of the programme rather than only on the establishment of a transport infrastructure corridor.

Working groups were established which discussed issues such as legal and regulatory harmonisation, regional traffic forecasting models, simplification of customs procedures, feasibility studies for line upgrading and port management improvement. Projects launched in 1995 included the initiation of a feasibility study on the joint venture of the trans-Caucasian railway.

### **Tacis Tempus programme**

This programme, a cooperation scheme aiming to develop and restructure higher education institutions in the New Independent States, received a total of ECU 23 million in 1995, part of a total commitment of ECU 48.45 million from 1993 to 1995. The programme is based on networking of universities from the European Community and the New Independent States. In 1995 Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Ukraine and Uzbekistan participated in Tacis Tempus.

The main instruments of the programme are Joint European Projects. In these projects, higher education institutions from two or three different European Community countries cooperate with one university or teacher-training institution from the NIS to enable the latter to adapt its curricula, teaching methods and degrees to the challenges of democracy and the market economy. Funding is spent on communication equipment, textbooks, teaching assignments and mobility. In 1995, 59 full-scale and 87 preparatory projects were funded.

The main areas of cooperation are: economics, political science, European language teaching, social studies, history and university management.



## Tacis Democracy programme

The Tacis Democracy programme has been working on strengthening the pluralist society and the rule of law in the New Independent States since 1992. It supports the overall process of political and economic reform and gives concrete support to the democratic structures required by the Partnership and Cooperation Agreements. In 1995, it focused on continued political reform in the New Independent States, with emphasis on multi-party elections and the establishment of new institutions. It also worked on the introduction of new procedures and practices in many sections of government, and the analysis of legal systems, political parties and trade unions.

In 1995, the programme received a budget of ECU 10 million and concentrated on the

- transfer of know-how and techniques of parliamentary practice and organisation, to multi-party groups of parliamentarians and politicians
- strengthening of non-governmental organisations and associations
- transfer of expertise and skills to professional groups and associations, concerning democratic practices and the rule of law.

### Monitoring of elections

In 1995 the Tacis Democracy programme monitored media coverage of elections in Belarus, Armenia, Georgia, Azerbaijan and Russia, through the European Institute for Media.

In Russia, the Democracy programme assisted in and coordinated the work of all European organisations (Organisation for Security and Cooperation in Europe, European Parliament, Council of Europe, Member States) involved in monitoring the Russian elections. It set up a European Union Election Unit with six experts to facilitate cooperation between the institutions and to cover different areas such as the legal aspects, voting and counting methods, observers deployment and statistics. (See also 'Russia' section.)

## Joint programme for Ukraine

In November, the Commission signed an agreement with the Council of Europe to finance a joint programme for Ukraine (ECU 420,000). The programme aims at activities concerning legal systems, local government reform and the transformation of the Ukrainian law enforcement system, and furthers Ukraine's capacity to comply with the membership conditions set out by the Council of Europe.

### Training for Ukrainian parliamentarians

The project aims at training deputies of the Ukrainian Parliament in parliamentary techniques, and initiates permanent cooperation with the Parliaments of France, Germany, United Kingdom, Belgium and the European Parliament. The project started in December 1995 and will run for one year, organising training placements for 170 Ukrainian deputies in the above countries.

### Funds allocated by sector each year

	1991	1992	1993	1994	1995	Total
Nuclear safety and environment	36.27	80	100	67.5	70.5	354.27
Restructuring state enterprises and private sector development	7.6	4	15	5	0	31.6
Public administration reform, social services and education	44.85	0	21	20	23	108.85
Agriculture	5.79	3.8	0	2	10.5	22.09
Energy	6.7	1.5	5	3	3.5	19.7
Transport	4.78	9	14	7	8.5	43.28
Policy advice	0	8.5	8	20.5	0	37
Telecommunications	0	1	1	0	2.5	4.5
Humanitarian aid	0	0	0	0	0	0
Other sectors	0	0.83	8	16.5	26	51.33
<b>Total</b>	<b>105.99</b>	<b>108.63</b>	<b>172</b>	<b>141.5</b>	<b>144.5</b>	<b>672.62</b>

# Future outlook

Tacis recognises that it operates in a rapidly evolving environment, with the consequent need for it to be a flexible and fluid instrument if it is to have maximum effect in its partner countries.

This Annual Report has highlighted a number of Tacis activities in 1995 which have prepared the ground for significant future developments in the Programme, demonstrating the Commission's approach to the challenge. Three new directions are of particular importance:

- the investment support clause in the new Tacis Regulation
- the cross-border cooperation clause in the new Tacis Regulation
- the preparation of an overall evaluation of the Tacis Programme

## Investment support

With the adoption of the new Regulation, Tacis will broaden its activities from providing know-how and expertise to include investment support, both for EU-NIS joint ventures between small and medium-sized enterprises, and for small-scale infrastructure projects at border areas. In so doing, it is following the Phare Programme for the countries of central and eastern Europe, in acknowledging the need to build upon the current provision of know-how by providing or attracting investment to maintain the momentum of economic development.

The new Regulation allows for up to 10 per cent of Tacis funds to be spent in this way. The Programme is committed to working closely with other donors who are investing directly in the NIS, such as the EBRD, the World Bank, the US and the individual Member States. Tacis will also continue to prepare the ground for investment by carrying out prefeasibility and feasibility studies to establish the worthiness of investment projects which can then be funded by other donors, and by providing support so that projects are able to meet the necessary investment criteria.

## Cross-border cooperation

With the accession of Finland in January 1995, the European Community acquired its first common border with a Tacis country. This Finnish-Russian border, from the Gulf of Finland almost to the shores of the Barents Sea, is some 1,000 kilometres long.

Border areas are of great significance in furthering communication and trade, and the new Tacis Regulation opens the way for cross-border cooperation at the Finnish-Russian border, at the borders shared by Tacis partner countries and the Baltic States, Poland, Slovakia, Hungary and Romania, and at borders between Tacis partner countries themselves.

A separate budget line has been created for this cross-border cooperation, which will focus both on small-scale infrastructural projects and the continued transfer of know-how. Emphasis will be placed on environmental protection measures, while Tacis will also build border crossing facilities, help to reduce traffic and customs bottlenecks, and train border personnel. Where possible this will proceed alongside the existing Phare cross-border cooperation programme, and the EC's INTERREG programme to develop its external border areas in Finland.

## Programme evaluation

For 1996, drawing on the legacy of its first five years of existence, Tacis management plans to launch an overall evaluation of the Programme. This will go ahead separately from the extensive monitoring and evaluation programme - focussing on individual projects and framework programmes - which is already under way.

Independent evaluators will look at all aspects of Tacis in its entirety, from the management, staffing and logistics in Brussels and in the partner countries, through to the political and economic impact of the Programme. This evaluation, which was prepared in 1995 and should be completed by the end of 1996, will make a major contribution to the ongoing assessment of Tacis priorities, funding and management.

# Tacis funds allocated by sector

## Nuclear safety and environment

### Funds committed by country each year

	1991	1992	1993	1994	1995	Total
Armenia	0.3	0	0	0	0	0.3
Kazakhstan	0	0	0	0	0	0
Russia	12.89	0	0	0	0	12.89
Ukraine	3.54	0	0	20.5	37.5	61.54
MCP Kazakhstan	0	0	0	0	2.5	2.5
MCP Russia	32.61	38	48.5	41	38	198.11
MCP Ukraine	3.66	22	30.5	24.5	18	98.66
MCP Regional	0	20	21	2	12	55
<b>Total</b>	<b>53</b>	<b>80</b>	<b>100</b>	<b>88</b>	<b>108</b>	<b>429</b>

Note: MCP = multi-country programmes

## Public administration reform, social services and education

### Funds committed by country each year

	1991	1992	1993	1994	1995	Total
Armenia	0	1.5	1.8	0	1.5	4.8
Azerbaijan	0	3	0	1.8	1.3	6.1
Baltic States	0	0	0	0	0	0
Belarus	0.68	1	0	0	0	1.68
Georgia	1.18	1.25	0	1.8	1.3	5.53
Kazakhstan	4.87	1.4	3.15	1.8	2.9	14.12
Kyrgyzstan	0	0	2.6	0	1.6	4.2
Moldova	0.13	2	0	1.9	2	6.03
Mongolia	0	0	0	3.8	0	3.8
Russia	46.64	24.57	44	18.85	52.8	186.86
Tajikistan	0	0	0	1	1	2
Turkmenistan	0	1.05	0	1.8	1	3.85
Ukraine	4.65	3	7.36	4	7	26.01
Uzbekistan	0	3.51	0	6.8	4	14.31
Multi-country programmes	44.85	0	21	20	23	108.85
<b>Total</b>	<b>103</b>	<b>42.28</b>	<b>79.91</b>	<b>63.55</b>	<b>99.4</b>	<b>388.14</b>

## Restructuring state enterprises and private sector development

### Funds committed by country each year

	1991	1992	1993	1994	1995	Total
Armenia	0.7	3.54	2.3	0	2	8.54
Azerbaijan	0	2.6	0	1.9	1.8	6.3
Baltic States	0	0	0	0	0	0
Belarus	0.3	7.52	4	5	5	21.82
Georgia	0	3.5	0	3.6	1.9	9
Kazakhstan	0	6.54	6.3	6.3	5.9	25.04
Kyrgyzstan	0	0.82	0	0	0	0.82
Moldova	0	1.73	0	1.45	1.5	4.68
Mongolia	0	0	0	2.56	0	2.56
Russia	27.2	29.76	54.5	43.4	40.6	195.46
Tajikistan	0	0	0	0	0	0
Turkmenistan	0	0.57	0	1.8	1	3.37
Ukraine	1.7	16.8	12.36	4.3	10.7	45.86
Uzbekistan	0	2.26	0	3.35	2	7.61
Multi-country programmes	7.6	4	15	5	0	31.6
<b>Total</b>	<b>37.5</b>	<b>79.64</b>	<b>94.46</b>	<b>78.66</b>	<b>72.4</b>	<b>362.66</b>

## Agriculture

### Funds committed by country each year

	1991	1992	1993	1994	1995	Total
Armenia	0	1.66	0	0	0	1.66
Azerbaijan	0.4	2.5	0	0	0	2.9
Baltic States	5.95	0	0	0	0	5.95
Belarus	1.6	2.51	2	0	2	8.11
Georgia	2.65	1.5	0	1.8	0	5.95
Kazakhstan	2.16	3.06	3.15	3.15	3	14.52
Kyrgyzstan	0	2.71	4	0	3.7	10.41
Moldova	0.97	2.27	0	4.7	2.5	10.44
Mongolia	0	0	0	0	0	0
Russia	50.85	21.49	12.5	16.3	17	118.14
Tajikistan	0	0	0	1.68	1.75	3.43
Turkmenistan	0.88	3.68	0	3.6	1.68	9.84
Ukraine	7.67	12.31	10.54	5	4	39.52
Uzbekistan	1.03	3.05	0	3.35	2.2	9.63
Multi-country programmes	5.79	3.8	0	2	10.5	22.09
<b>Total</b>	<b>79.95</b>	<b>60.54</b>	<b>32.19</b>	<b>41.58</b>	<b>48.33</b>	<b>262.59</b>

## Transport

### Funds committed by country each year

	1991	1992	1993	1994	1995	Total
Armenia	0	0	0	0	0	0
Azerbaijan	0	0	0	0	0	0
Baltic States	4	0	0	0	0	4
Belarus	2.24	1	2	1.3	0	6.54
Georgia	0.73	0	0	0	0	0.73
Kazakhstan	0	0	0	0	0	0
Kyrgyzstan	0	0	0	0	0	0
Moldova	0	0	0	0.6	0	0.6
Mongolia	0	0	0	0	0	0
Russia	32.87	14.25	13.55	13.9	12.6	87.17
Tajikistan	0	0	0	0	0	0
Turkmenistan	0	0	0	0	0	0
Ukraine	4.89	7.26	3.22	0	0	15.37
Uzbekistan	0.29	1.68	0	0	0	1.97
Multi-country programmes	4.78	9	14	7	8.5	43.28
<b>Total</b>	<b>49.8</b>	<b>33.19</b>	<b>32.77</b>	<b>22.8</b>	<b>21.1</b>	<b>159.66</b>

## Energy

### Funds committed by country each year

	1991	1992	1993	1994	1995	Total
Armenia	1.3	0	4.1	0	2	7.4
Azerbaijan	0	0	0	3.6	2.5	6.1
Baltic States	3	0	0	0	0	3
Belarus	4.1	1.9	0	0	3	9
Georgia	0.4	0	0	0	2.3	2.7
Kazakhstan	0.7	3.2	0	0	0	3.9
Kyrgyzstan	0.7	0	2.4	0	1.7	4.8
Moldova	0	2	0	0.6	1.5	4.1
Mongolia	0	0	0	1	0	1
Russia	41.5	16	21.1	19.5	18	116.1
Tajikistan	0	0	0	1	0.95	1.95
Turkmenistan	0	1	0	0	0	1
Ukraine	6.2	8.08	5.4	15	6.9	41.58
Uzbekistan	0.4	5.28	0	0	0	5.68
Multi-country programmes	6.7	1.5	5	3	3.5	19.7
<b>Total</b>	<b>65</b>	<b>38.96</b>	<b>38</b>	<b>43.7</b>	<b>42.35</b>	<b>228.01</b>

## Policy advice

### Funds committed by country each year

	1991	1992	1993	1994	1995	Total
Armenia	0	2.85	0	0	0	2.85
Azerbaijan	0	4.4	0	0	0	4.4
Baltic States	0	0	0	0	0	0
Belarus	0	0.7	0	0	0	0.7
Georgia	0	2.75	0	0	0	2.75
Kazakhstan	0	6.4	0	1.63	0	8.03
Kyrgyzstan	0	5.7	0	0	0	5.7
Moldova	0	1	0	0	0	1
Mongolia	0	0	0	0	0	0
Russia	0	0	0	18.95	0	18.95
Tajikistan	0	0	0	0	0	0
Turkmenistan	0	2.5	0	0	0	2.5
Ukraine	0	0	0	0	0	0
Uzbekistan	0	3	0	0	0	3
Multi-country programmes	0	8.5	8	20.5	0	37
<b>Total</b>	<b>0</b>	<b>37.8</b>	<b>8</b>	<b>41.08</b>	<b>0</b>	<b>86.88</b>

Note: No budgets were allocated for policy advice in 1991 and 1995.

## Telecommunications

### Funds committed by country each year

	1991	1992	1993	1994	1995	Total
Armenia	0	0	0	0	0	0
Azerbaijan	0	0	0	0	0	0
Baltic States	0	0	0	0	0	0
Belarus	0	0	0	0	0	0
Georgia	0	0	0	0	0	0
Kazakhstan	0	0	0	0	0	0
Kyrgyzstan	0	0	0	0	0	0
Moldova	0	0	0	0	0	0
Mongolia	0	0	0	0	0	0
Russia	0	4.93	5.1	4.1	5.4	19.53
Tajikistan	0	0	0	0	0	0
Turkmenistan	0	0	0	0	0	0
Ukraine	0	0.83	0.55	0	0	1.38
Uzbekistan	0	0	0	0	0	0
Multi-country programmes	0	1	1	0	2.5	4.5
<b>Total</b>	<b>0</b>	<b>6.76</b>	<b>6.65</b>	<b>4.1</b>	<b>7.9</b>	<b>25.41</b>

Note: The telecommunications sector did not receive any funding in 1991

## Other sectors

### Funds committed by country each year

	1991	1992	1993	1994	1995	Total
Armenia	0	0	0.8	0	0.5	1.3
Azerbaijan	0	0	0	0.7	0.4	1.1
Baltic States	2.05	0	0	0	0	2.05
Belarus	0	0	1	0.7	2	3.7
Georgia	0	0	0	0.8	0.5	1.3
Kazakhstan	0	0	1.4	1.12	3.2	5.72
Kyrgyzstan	0	0	1	0	1	2
Moldova	0	0	0	0.75	1.5	2.25
Mongolia	0	0	0	0.64	0	0.64
Russia	0	0	10	15	14.79	39.79
Tajikistan	0	0	0	0.32	0.3	0.62
Turkmenistan	0	0	0	0.8	0.32	1.12
Ukraine	0	0	3.82	1.7	6.4	11.92
Uzbekistan	0	0	0	1.5	1.8	3.3
Multi-country programmes	0	0.83	8	**16.5	**26	51.33
Humanitarian aid	0	0	22	0	0	22
Other*	6.2	38.91	32.09	45.68	53	175.88
<b>Total</b>	<b>8.25</b>	<b>39.74</b>	<b>80.11</b>	<b>86.21</b>	<b>111.71</b>	<b>326.02</b>

\* Including multidisciplinary funds (Tacis and EBRD), Coordinating Units, Information and Communication, Partnership and Coordination Programme.

\*\* Includes Tacis Democracy Programme.

# Tacis financial performance

In 1995, Tacis' financial performance continued to improve, consolidating the substantial progress which the Programme made in 1994.

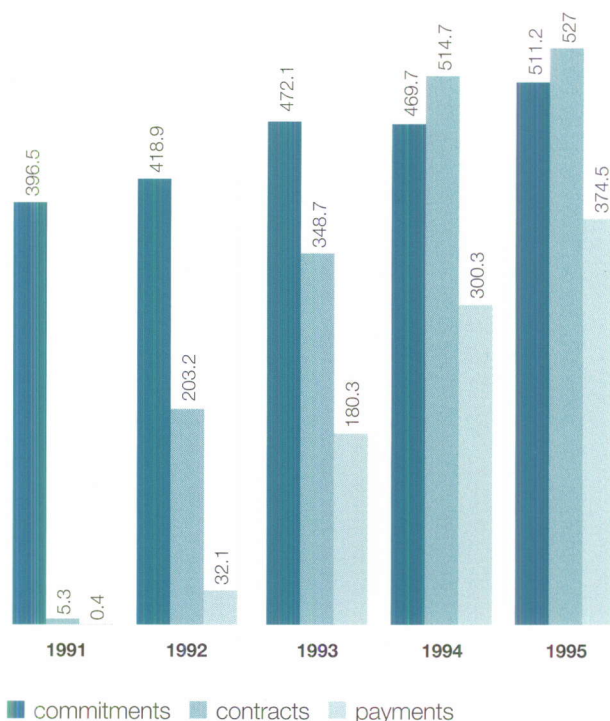
Tacis also focused on decreasing the accumulated backlog of uncontracted commitments. By the end of 1995, 70.5 per cent of Tacis overall commitments were contracted, compared to 61 per cent at the end of 1994.

Tacis financial performance is indicated by the level of funds committed, contracted and paid and the relationship between these three indicators.

## Commitment of the Tacis budget

Tacis continued to improve its level of budgetary commitment. The Programme committed 100 per cent of its funds in 1995. The actual amount of funds committed was higher in 1995 - ECU 511.19 million compared with 469.68 million in 1994. This raised the total commitment over Tacis' five years of operation to ECU 2,268.37 million.

**Fig. 1 – Funds committed, contracted and paid, 1991 to 1995 (in ECU million)**

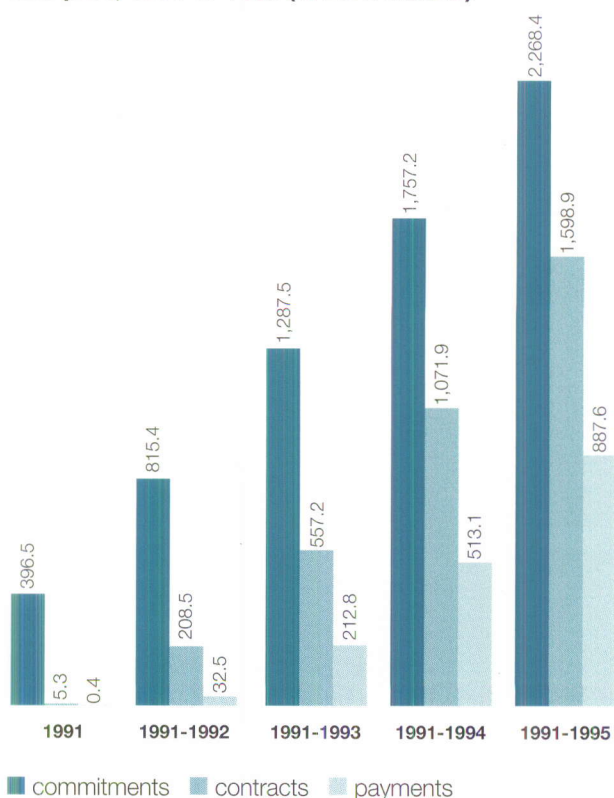


## Amount contracted

In 1995, Tacis contracted funds to a value of ECU 527 million. This is an increase of 2.4 per cent from 1994, when a total of ECU 514.7 million was contracted.

Tacis management set a number of targets for its contracting performance in 1995. It focused on contracting all 1992 programmes, and on contracting at least 90 per cent of the 1993 and 60 per cent of the 1994 programmes. While Tacis achieved these targets for 1992 and 1994, the implementation for 1993 is lagging slightly behind. In 1995, nearly 13 per cent of the programme was contracted. This is slightly lower than expected, due to delays in the nuclear safety and multi-country programmes.

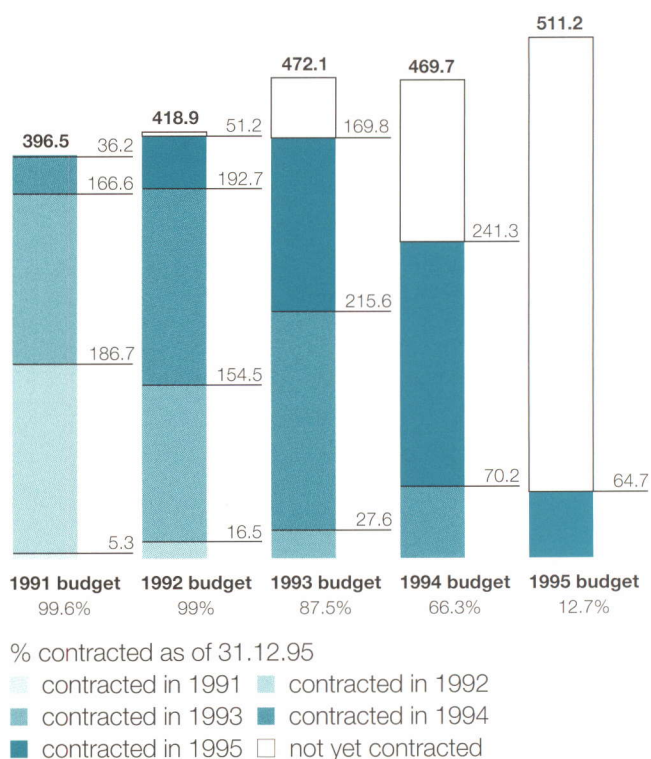
**Fig. 2 – Cumulative funds committed, contracted and paid, 1991 to 1995 (in ECU million)**



### Contracts by calendar year

Tacis signed 1,472 contracts in 1995. As a general rule, service contracts over ECU 300,000 are awarded through restricted tendering procedures. The average size of a Tacis contract was ECU 360,000. Figure 3 shows the year's budget to which the signed contracts relate.

**Fig. 3 – Contracts concluded by calendar year (in ECU million)**



### Funding procedure

As part of the Tacis programming process, there are three steps which take the annual budget approved by the budgetary authorities through to the point where projects are implemented and funds disbursed. Tacis has a financial management procedure which matches this process.

**Commitment** - Each year a Tacis budget is agreed, indicating the funds which the Commission is prepared to commit to the Tacis Programme. Operational programmes - the so-called Action Programmes - are then designed and financing proposals prepared on that basis. Once these financing proposals have received the favourable opinion of the Tacis Committee and been agreed by the Commission, the relevant funds associated with these proposals are said to have been 'committed'. Tacis must commit its entire annual budget within the year to which the budget applies. Uncommitted money is cancelled.

**Contracting** - Once funds have been committed, tenders are issued so that the activities outlined in the Action Programmes can be put into practice. As soon as a tender has been successfully completed and a contract signed, the relevant funds are said to have been 'contracted'. Contracting is the most important measure of the implementation of the Programme, as it is via the contracts that Tacis funding is unlocked and real implementation on the ground can start.

**Payment** - Payment is the final stage of the funding process. It takes place over the period of each contract, reflecting the completion of each component of the project. As projects may take several years, payments are often spread over the same time. It is for this reason that payments always lag behind the committed and contracted amounts.

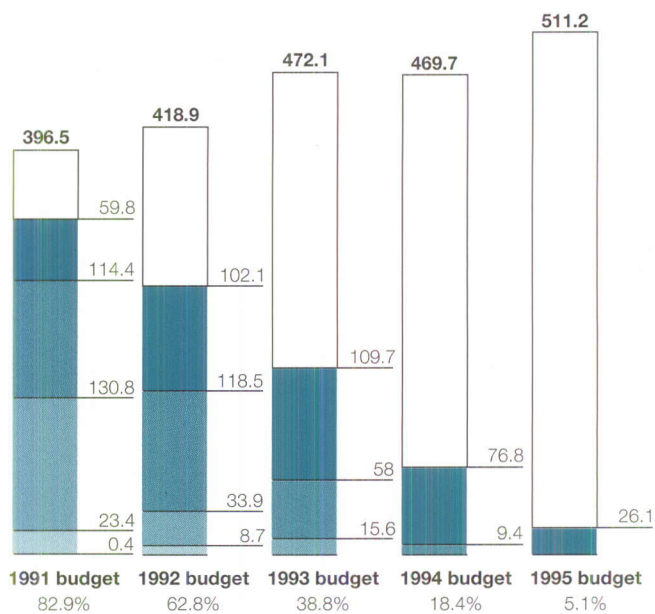
In 1995 Tacis made 3,347 payments, amounting to some ECU 374.5 million.

### Tacis payments

Tacis made particular efforts in 1995 to improve its payments performance. This resulted in an increase of 24.7 per cent of the total amount for payments to ECU 374.5 million, compared with ECU 300.3 million in 1994.

Tacis achieved a 100 per cent payment execution ratio in 1995, so that all of the payment appropriations available under the Tacis budget were disbursed during the course of the year.

**Fig. 4 – Payment in each budget year 1991-1995 (in ECU million)**



% paid as of 31.12.95

■ paid in 1991  
 ■ paid in 1992  
 ■ paid in 1993  
■ paid in 1994  
 ■ paid in 1995  
 □ not yet paid

### Cumulative contracts and payments

The ratios of cumulative contracts and payments have increased continuously since the beginning of the Tacis Programme in 1991. The cumulative contracts as a percentage of cumulative commitments has risen from 1.3 per cent in 1991 to 70.5 per cent in 1995. Figures for cumulative payments as a percentage of cumulative contracts show a considerable increase from 7.5 per cent in 1991 to 55.5 per cent in 1995.

**Fig. 5 - Cumulative contracts and payments 1991-1995 (%)**

	1991	1992	1993	1994	1995
Cumulative contracts as percentage of cumulative commitments	1.3%	25.6%	43.3%	61%	70.5%
Cumulative payments as percentage of cumulative contracts	7.5%	15.6%	38.2%	47.9%	55.5%



# List of major contracts signed in 1995

## Contracts under ECU 300,000 are not listed.

Individual projects may comprise several contracts. Likewise, one contract may cover more than one project. Values are given to the nearest ECU 100.

	Value in ECU
<b>Armenia</b>	
Policy advice programme for Armenia	472,100
Technical assistance for the development of the gas industry	1,599,600
Rehabilitation of Armenian Railways	500,000
<b>Azerbaijan</b>	
Advice to the Ministry of Communication	525,600
Improvement of consumer services in the gas and electricity industry	1,463,400
Business development for the oil equipment manufacturing industry	1,979,000
Support for the strengthening of management and training capabilities	1,252,700
Support for institutional development within the employment service	499,300
Rehabilitation of Azerbaijan Railways	1,500,000
Traceca: Technical assistance for the development of the Port of Baku	698,100
<b>Belarus</b>	
Technical assistance to Belarussian Railways	384,500
Strategy formulation for privatisation and demonopolisation	636,000
Creation of a transport advisory unit in Belarus	384,100
Technical reform of the road building industry	1,287,300
Development of marketing opportunities for former military enterprises	2,900,000
SME strategy for private sector development	1,898,000
Assistance and training for the Belarussian tax administration	399,400
Support for Belarus Belautostrada	1,695,000
Privatisation of the wood processing industry	644,000
Creation of a business development agency, Gomel Oblast	349,800
<b>Georgia</b>	
Policy advice programme for Georgia	448,000
Technical assistance for enterprise level assistance	1,800,000
1993-1994 Programme for SME development	2,351,400
Reform and training in the civil service	1,668,800
Rehabilitation of Georgian railways	3,000,000

## Kazakhstan

Support for public investment programme management	487,400
Advice to the Ministry of Communication	526,800
Support to the privatisation of enterprises	979,000
Strengthening of training capacity at Kazakhstan State University	2,330,600
Monitoring of the food and agriculture sector	544,900
1994 Programme for SME development	1,019,800
Support for commercial banking	589,700
Technical assistance for economic reforms in the food and agricultural sector	1,348,600
Support for the reorganisation of the food production sector, Aktiubinsk Oblast	1,799,900
Strengthening of public administration	1,458,500
Technical assistance for addressing the social impact of economic restructuring and privatisation	1,796,900
Assistance to the Ministry of Education for the reform of higher education	600,000
Traceca: Rolling stock maintenance, rail	695,300
General on-site assistance, nuclear safety	900,600

## Kyrgyzstan

Legal support for the Kyrgyzstan energy sector	619,200
--	---------

## Moldova

Support for the employment services	370,700
Pilot project for the privatisation of the Orhei region	2,394,700
Assistance to Private Farmers Association	1,395,300
Support for the promotion and development of investment opportunities	590,000
Strengthening of government and civil administration	1,899,800
Extension of energy saving programme for Moldovan industry	599,500
NGO co-financing project, for the elderly and children	300,000

## Mongolia

Programme for SME development	2,252,100
Reinforcement of employment services	1,199,900
Support for an education information system	594,100
Reform of economics education in Mongolia	1,997,500
Improvement of energy supply to Choibalsan and Darkhan	995,200
Support for the Coordinating Unit	535,900

## Russia

Restructuring of Soyouz Enterprise, Moscow	499,400	Petroleum engineering and related management training, Gubkin Institute	800,000
Development of energy saving actions, Samara	359,500	Assistance for development of new oil fields	2,932,500
Development and establishment of employment offices in Kaliningrad	1,347,100	Management and training of senior managers, Russian Railways	1,095,300
Regional support to non-governmental organisations in western and eastern Siberia	710,000	Multimodal freight terminals, Russia	354,500
Technical assistance to October Railways	338,700	Advice to the Ministry of Transport on planning regulations and standards	398,500
Support for a telecommunications training centre, Moscow	300,000	Centres for road transport operators	1,148,000
Technical assistance to Novosibirsk telecommunications training centre	696,000	Implementation of electronic data interchange system in the port of Novorossiysk	948,900
Follow-up project for business and telecommunications, Moscow	500,000	Assistance on the implications of institutional reforms on public transport	1,386,200
Feasibility study on the integration of GLONASS into the European Global Navigation Satellite System	1,000,000	New information technology - post offices	994,900
Secondary legislation in the field of telecommunications	1,030,400	Testing services for telecommunications equipment	1,228,600
Advisory services for the development of Russian Satellite Systems	300,000	Establishment of a telecommunications training centre for the Samara region	493,300
Training on-line maintenance and repair operation of Medium Volt Grid, Tula	690,000	Monitoring of transport sector projects in Russia	791,700
Energy policy advice to St Petersburg Communication management system, Lenenergo	489,200	Monitoring and evaluation, Russian Federation	583,900
Development of St Petersburg harbour	1,174,100	Technical assistance to centres for Medium Enterprises, Siberia	6,800,000
Modernisation of a training centre for flight personnel	986,800	Support to public administration, Novosibirsk and Tomsk	2,417,600
Strategic review of selected industries	799,200	Technical assistance for addressing the social impact of economic restructuring, western Siberia	846,900
Restructuring of the aluminium sector in Siberia	1,137,200	Establishment of an Energy Centre, western Siberia	2,097,100
Restructuring of the aluminium sector in the Urals	1,199,100	Training for coal managers in Kemerovo and Kuzbass	1,199,300
Strategic review of food packaging	580,900	Energy supply and environment programme for the Lake Baikal region	985,700
European Banking Advisory Service, Moscow	5,000,000	Monitoring of agriculture and food sector, western Siberia	994,500
Russian bank training	1,500,000	Technical assistance for addressing the social impact of economic restructuring and privatisation	406,100
Kamov helicopter study	1,271,500	Social impact of economic restructuring, Urals	953,000
Production support: Tupolev enterprise	700,000	Social impact of economic restructuring, Urals (addendum)	497,100
Support for health systems development	4,500,000	Improvement of farm input	2,497,500
City Twinning project in administration and services	1,601,800	Creation of Energy Centre, Ekaterinburg	2,456,500
Management planning of education in Russia	1,468,100	Technical assistance to the production of switching equipment - joint stock companies	1,886,200
Standards and certification in Russia and Ukraine	2,450,100	Support for restructuring of companies	1,839,800
Development of health and safety standards	699,000	Technical assistance centre for medium to large enterprises in Voronezh	1,999,700
Strategic audit of coal exploitation	1,599,300	Post-privatisation support to the Russian Federation	2,499,400
Valorisation of oil and gas streams, Tyumen Oblast	714,100	Support to the Vimpel Corporation in the field of civil telecommunications	1,496,500
Development, structuring and organisation of the Russian oil industry	1,457,100		
Modernisation of the gas distribution system for St Petersburg	1,279,800		

Atmosphere control in industrial areas	901,500
Support for the reorganisation of the Tupolev Company	1,221,500
Strengthening of an SME data network in the Russian Federation	1,954,900
Business promotion, Vladimir	1,879,800
Development and implementation of a migration policy	484,500
Preparation and implementation of basic legislation in occupational safety	1,499,900
Training and education in the Urals	303,900
Strengthening of management training	2,486,500
Procurement of printing equipment for the State Committee of Higher Education	300,000
Refurbishing of heater sections, Angars	2,296,400
Promotion of clean solid fuel combustion in Tula and Novgorod	999,900
Teacher training, Gazprom	3,840,300
Automated power consumption billing system	1,000,000
Support for energy saving in urban heating	1,482,900
Automatic power transmission and distribution control	2,336,300
Establishment of a north west regional telecommunications training centre	700,000
Development of teleports system in Moscow and St Petersburg	1,236,500
ACE programme management, 1994	3,953,200
Productivity Initiative programme	3,337,400
Productivity project, local management unit, Moscow	380,000
Monitoring and evaluation	3,298,600
Support centres for enterprises in Rostov and Krasnodar	6,972,700
Support for Beryev aviation complex	1,150,000
Social impact of privatisation	4,298,900
Development and strengthening of public administration in south west Russia	2,979,700
Enhancement of teaching capacity	3,233,900
Technical assistance to joint stock owned farms	2,497,600
Support to food processing industry	2,351,000
Support to fertilizer production	2,355,500
Support to individually operated farms	2,500,000
Support to agricultural machinery production	2,622,500
Modernisation of a sulphur production and gas processing plant	1,494,400
Improvement of power supply in the Rostovenergo area	1,806,900
Technical assistance to fish industry complex, Kaliningrad	1,346,300
Energy supply programme, Kaliningrad	988,900

## Tajikistan

Establishment of an agricultural strategy and planning unit	1,449,300
Governmental advice for a strategy plan for energy	964,900

## Turkmenistan

National capacity building in the field of economics and business management training	1,798,300
Business preparation for export oriented credit line	395,000

## Ukraine

Support to bank advisory services	596,300
Establishment of a heat metering system for international consumers	348,200
Training programme for electricity supply personnel	449,900
Training for the coal mining industry Ukraine	349,800
Training for oil refining industry personnel	404,700
Demonstration projects on energy efficiency	690,700
Integrated regional energy plan for the Odessa Region	572,200
Conversion of six enterprises in Ukraine	2,809,000
Advice and training for the use of waste anthracite	488,300
District heating network, Dnepropetrovsk	599,800
Feasibility study on gas turbine topping, Uglegors	399,400
Modernisation of the Lysychansk refinery	698,600
Restructuring of a mine in the Donbass coal field	398,800
Coal based methane production	399,300
Assistance for the creation of national electricity company for the Ukraine	900,000
Establishment of a transport training centre	341,200
National road network study	600,000
Technical assistance for the development and regulation of the aviation industry	524,200
Training maritime field, Odessa	359,800
Access to ports of Ismail and Reni	338,700
Retraining of former military officers	7,275,600
Monitoring and evaluation programme	583,400
Monitoring and evaluation programme	795,900
Ukraine nuclear electricity generator	876,700
Commercial development of the energy sector	1,683,400
Boiler and valve production for the energy sector	943,500
Study on the efficiency of power generation	2,635,400
Restructuring of the oil and gas entities	2,099,000
Cost and efficiency analysis of urban district heating systems	2,399,900
Post-privatisation support	3,298,300

Assistance to the Ukraine government on private enterprises	989,600	Small and medium-sized enterprises, regional programme	3,800,000
Pilot project for agricultural restructuring	4,797,300	Programme for the treatment of thyroid cancer	399,900
Establishment of a training centre for energy management	1,399,300	Rail transport feasibility study	496,600
Support to Zaporozhye 6, Rovno 4 and Khmelnytsky 2, nuclear power plants	2,953,600	Traceca: Rail freight traffic management	850,000
Support to Zaporozhye 6, Rovno 4 and Khmelnytsky 2, nuclear power plants	982,500	Regional traffic forecasting model	698,100
		Traceca: Legal regulatory framework	1,497,600
		Traceca: Implementation of pavement management	999,100
		Traceca: Infrastructure Maintenance 1	1,200,000
		Requirement for extended economy and security	1,639,800
		Improvement system for operational planning	1,083,000
		Improvement of electricity distribution in Central Asia	1,121,000
		Technical study on the interface of west European and east European power systems	402,700
		Regional oil and gas pipeline management in Asian and Caucasian republics	485,500
		Development Technicum (agriculture)	300,000
		Databases, dictionaries and social security for use in the energy sector	545,600
		Convention between DGIA and the European Training Foundation	602,400
		Technical development of statistical information in the NIS	1,500,000
		Customs training in Kazakhstan, Kyrgyzstan and Uzbekistan	400,000
		Support for the establishment of a Tacis technical data centre	892,700
		WER-213/1000 confinement cable penetration, nuclear safety	2,000,000
		RBMK safety assessment, Phase 2, nuclear safety	2,980,600
		Development of safety panel prototype	
		WER 1000, nuclear safety	1,989,800
		Reactors quality assurance programme	500,000
		Technical assistance to Rosenergoatom	994,600
		Support for licensing related assessments of primary circuit integrity	487,700
		Licensing related assessments of safety design and operational safety	781,700
		Licensing related assessments of safety associated modules	487,300
		Licensing related assessments of accident analysis	390,800
		Nuclear fuel cycle and waste sorting	616,600
		Management of radioactive waste, Moscow	678,300
		Container for WER reactor's spent fuel	449,600
		Local computer network for Beloyarsk nuclear power plant	547,300
<b>Uzbekistan</b>			
Support for industrial property protection	400,000		
Establishment of law centres for entrepreneurs	394,300		
Support for public sector reform	1,399,800		
Pilot integrated development programme, Samarkand	1,675,200		
Establishment of food and agricultural policy	1,549,800		
Assistance to the government of Uzbekistan	779,100		
Restructuring of commercial banks	824,200		
Advice to the Ministry of Communications	492,400		
Regional bank training in Central Asia	999,900		
<b>Multi-country programmes</b>			
Support for intellectual property protection	2,000,000		
On-site assistance for Kalingrad nuclear power plant, phase 2	319,200		
Procurement of equipment for nuclear power plants	2,173,500		
WER 1000 core analysis, nuclear safety	876,400		
Upgrade of service and maintenance centre, nuclear safety	1,435,300		
Non-destructive examination and in-service inspection of mechanical equipment in Russian nuclear power plants	1,294,700		
Twinning programme, engineering group	435,100		
Twinning programme, engineering group	320,000		
Trade and transport cooperation and working group	990,300		
Traceca: immediate training action	861,200		
Traceca: forwarding and freight operation	499,800		
Air traffic control and airports	609,200		
Policy advice programme	400,000		
Establishment of Tacis technical data centre	527,100		
Recruitment of a senior project manager for the ISTC	360,000		
Russia regional venture fund framework - EBRD	722,400		
Regional venture fund for Urals procurement agent	769,400		
Regional venture fund for western Siberian procurement agent	769,400		

Establishment of nuclear engineering procedures	877,800	On-site assistance, Zaparozhye, phase 2	1,299,100
Development plan for creating a regional training centre for nuclear safety	1,099,300	Procurement of office equipment, nuclear safety	1,100,000
Development plan for creating a national training plan for nuclear safety	1,199,500	Twinning Programme engineering group	502,300
Scheme for safety management for nuclear safety	680,100	Policy and legal advice programme	1,000,000
WER primary system training specialists	849,700	Policy and legal advice programme	6,800,000
Investigation of the impact of spent nuclear fuel	377,900	Policy and legal advice programme	1,000,000
Support to accident analysis, Ukraine Safety Authority	1,299,700	SME regional programme 1994, twinning	500,000
Urgent measures to remodel the uranium mining in the NIS	1,415,000	Development of SME, 1994 NIS Partenariat	1,300,000
Assistance for the transport of irradiated nuclear fuel	982,000	Study on the interconnection of the Caucasus	498,500
Food quality technical support	1,117,900	Support to the Agricultural Free Trade Area	1,854,300
Establishment of a Tacis Technical Office in Kiev	428,800	Courses on Joint Vienna Institute	457,500
Addendum to Technical Office in Kiev	409,100	NGO cofinancing programme; support to the disabled in the Russian Federation	300,000
Training in Tacis project cycle management	349,800	NGO cofinancing programme; support for the visually impaired in the Russian Federation	300,000
Russian Regional Venture Fund, Urals	1,000,000	Monitoring and evaluation; for west and south west Russia	2,499,600
Russian Regional Venture Fund, Urals	1,000,000	Europartenariat, Lisbon	300,000
Russian Regional Venture Fund, Siberia	1,000,000	Technical assistance to Georgian agriculture	300,000
Russian Regional Venture Fund, Urals	1,000,000	Moscow and St Petersburg, EBRD	480,000
Russian Regional Venture Fund, Smolensk	1,000,000	Russia Technopark management	838,400
Tacis information and communications programme	1,500,000	Development of Turkmenistan export line	990,400
On-Site assistance, Balokovo	994,900	Upgrading of air navigation system, Azerbaijan	300,000
On Site assistance, Leningrad	1,319,100	Credit advisers, Petrovsky	711,600
On-Site assistance, Kola	1,808,100	Russia business advisory services, EBRD	575,000
RMBK training centre, Smolensk	498,900	Technical assistance to Tacis Coordinating Units in Belarus, Ukraine and Moldova	1,773,800
Photogrammetrical equipment, soft adaptation nuclear power plant	762,300	Technical assistance to Tacis Coordinating Units in Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan	1,768,100
On-Site assistance, Kalinin 1993-94	2,611,500	Technical assistance to Tacis Coordinating Units in Armenia, Azerbaijan and Georgia	1,350,300
General on-site assistance, bn.600	701,500	Service contract for travel services for Coordinating Units	300,000
Dynamic calculations of nuclear power plant structures	791,900	Western expertise to the Coordinating Unit in Russia	1,144,500
Integrity assessment WER 1000 reactors	489,000	Tacis information and communication strategy	2,200,000
WER tightness assessment, improvement of seal configuration and equipment supply	1,199,100	Food aid in favour of Armenia, Azerbaijan, Georgia, Kyrgyzstan and Tajikistan	553,000
Preparation of an industrial fatigue diagnostic system, nuclear safety	498,800	Monitoring of food operation, Caucasus	2,065,800
Licensing related assessments of reactor vessel embrittlement	487,100	Assistance to managers of the NIS component of the Phare and Tacis Democracy programme	761,900
Assistance and management to severe nuclear accidents	973,300	Russian Elections: Support to EU Election Unit	349,700
Licensing related assessments of safety associated modules	488,700	Legal system reform, Ukraine	420,000
On-site activities, Ukraine south, phase 2	2,748,200	Democracy programmes, parliamentary training project for the Ukraine	949,300





ISSN 0254-1475 • Com (96) 345 final • DOCUMENTS • EN • Catalogue number: CB-CO-96-344-EN-C  
ISBN 92-78-06621-4 • Office for Official Publications of the European Communities L-2985 Luxembourg

**European Commission** • Directorate General for External Relations:  
Europe and the New Independent States, Common Foreign and Security Policy, External Missions (DG IA)  
Information Unit - Tacis

**Office Address** Montoyerstraat 34 3/88 Rue Montoyer B-1000 Brussels  
**Mailing Address** MO 34 3/88 Wetstraat 200 Rue de la Loi B-1049 Brussels  
**World Wide Web Address** <http://europa.eu.int/en/comm/dg1a/tacis/home.html>

**Tel** (+32-2) 295 25 85 / 296 60 65 / 296 64 94

**Fax** (+32-2) 296 80 24 / 231 04 41

**E-mail** [tacis.info@dg1a.cec.be](mailto:tacis.info@dg1a.cec.be)

English

T/EN/08.96/02/02/11/B

