



European Commission:
The Tacis Programme
Annual Report 1996

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Mongolia Russia Tajikistan Turkmenistan Ukraine Uzbekistan



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Commissioner's statement

1996 was a transitional year for the Tacis Programme, in which it extended and refined its capacity to achieve maximum results until the end of the century, clearly positioned within an evolving European Union policy towards the New Independent States and Mongolia.

This Report highlights some of the ways in which Tacis, as a pivotal tool in the ongoing process of EU-NIS economic and political dialogue, continued to move into new and important territory in 1996.

The approval of a new Tacis Regulation in June 1996 secured the future of the Programme until the end of 1999, and gave a strong indication as to the way in which it could continue after that date. In particular, I would like to highlight the importance of the introduction of an investment support element to the Programme. Like the Phare Programme for the countries of central and eastern Europe, Tacis is acknowledging the need to build upon the current focus on the provision of know-how, by providing or attracting investment to maintain the momentum of economic development. Quite clearly these initiatives remain in their early days, but the new commitment to fund investment support for EU-NIS small and medium-sized enterprise joint ventures, and for small-scale infrastructure projects in border areas, represents a significant new departure for the Programme.

The process in which we are concluding Partnership and Cooperation Agreements with our partner countries continued during the year. Ten are now signed, with nine Interim Agreements already in operation to bring into force the aspects of trade cooperation set out in the PCAs. Tacis can only be seen in the context of these wide-ranging and far-sighted Agreements, which are the embodiment of the joint commitment between the European Community and its Member States and the countries of the NIS, to promote partnership for mutual benefit. The importance of the PCAs for Tacis is shown by the gradual shift in the Programme's character, from being purely a demand-driven Programme in its early years, to being a PCA- and policy-driven Programme now. In essence, there is now a contractual relationship between two parties, in which actions are designed to fulfil common aims. 1996 was also the year in which Action Plans for the EU's relations with Russia and Ukraine were officially approved by the European Council of Ministers, in April and November respectively.

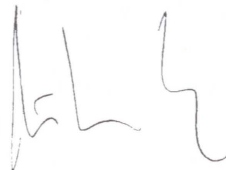
In consolidating this framework for the Programme's future, some of the continuity of our activities suffered in 1996. This Report summarises the way in which the launch of a new programming cycle delayed operations during the year.

New Indicative Programmes, providing an updated four-year framework for Tacis support, were negotiated, before individual country Action Programmes were approved. This affected our commitment and contracting performance, and payments also fell behind schedule. The Report sets out the way in which we are addressing these issues. Writing now in 1997, I am confident that measures are in place to secure the future logistical operations of the Programme. New measures, conceived in 1996 and now a reality in 1997, have also been implemented to enhance project tendering, evaluation and contracting procedures. In general, these ensure both transparency and rigour in the wise and proper use of Tacis funds.

Tacis is a major programme, by far the largest of its kind, which is under constant scrutiny both in Europe and the NIS. Reinforced emphasis on evaluation of the Programme was another feature of 1996. This is an essential element in sharpening the focus of the Programme, and, where necessary, in further adjusting its priorities.

The effects of the Programme can be quantified: in six years Tacis has launched over 2,500 projects and committed almost ECU 2.8 billion. Yet its most valuable effects are more difficult to quantify: Tacis is a people-to-people programme, which has involved the interaction of tens of thousands of individuals from the EU and the NIS.

I therefore commend this Annual Report to you, and the Programme which it describes. As ever, I salute all the people who with their enthusiasm and determination contribute to the successful implementation of the Programme. I would like to mention the staff of the Directorate in the European Commission in Brussels which runs the Programme, and those on the ground in the partner countries in national Coordinating Units, EC Delegations and Technical Offices, Tacis Monitoring and Evaluation teams, and of course those working directly on the projects themselves. They have worked tirelessly under extremely pressurised conditions, and the results justify their efforts. I look forward to reporting further progress in our next Report.



Hans van den Broek

Tacis in 1996 – creating a platform for renewed vigour

The performance of the Tacis Programme in 1996 should be measured against two main criteria. Firstly, the ability to deliver technical know-how within the framework of the Programme and its international context, subject to constraints and opportunities. Secondly, the successful conduct of individual projects. Moreover, the Tacis Programme should always be seen in its proper context. The provision of expertise through Tacis should complement the European Community's other instruments of cooperation, which are intended to promote a closer, deeper and more fruitful political and economic dialogue with the New Independent States and Mongolia. These instruments include the Partnership and Cooperation Agreements (PCAs), which have been negotiated with most Tacis partner countries, and which set out a blueprint for relations between the European Community and its Member States and the New Independent States (NIS) over the next years.

By the end of 1996, PCAs had been signed with ten partner countries. However, all of the PCAs were still awaiting ratification by the parliaments of the Member States. Pending their entry into force, a start can be made by the implementation of a number of provisions in advance. In particular, the trade-related provisions, which do not require parliamentary ratification, will enter into force immediately through the so-called Interim Agreements. These agreements will automatically lapse once the PCAs have been ratified.

Ability to deliver

The objective of the Tacis Programme, to deliver support in a timely, effective and appropriate manner and at reasonable cost, is founded upon Council Regulation No. 1279/96, which was formally adopted in June 1996. This Regulation governs the provision of support for economic reform and recovery in the New Independent States (NIS) and Mongolia and replaces the two previous regulations of 1991 and 1993. On the basis of six years of operational experience, a series of revisions and refinements were introduced and adopted by the European Community in 1996. In essence, the scope of the Programme was broadened, to enhance its logistical capacity to deliver results.

These changes acknowledged the evolution of the needs of partner countries, and the extent of the changes experienced by these countries since the break-up of the former Soviet Union. They took into account the wishes of the European Parliament, which include the development of democracy and higher education, the protection of the environment and the promotion of cross-border cooperation. The proposals also took into account concerns voiced by the European Court of Auditors and by

the European companies and organisations which make up the Programme's bank of technical expertise, as to how the Programme could be better managed and implemented. The new Regulation, adopted on 25 June 1996, assures the future of the Tacis Programme until the end of the century.

The new Regulation continues the commitment of previous Regulations, by reemphasising the provision of grant finance for the transfer of know-how as the core activity of the Tacis Programme. The most significant changes are as follows:

- Multi-annual programming, which allows increased flexibility and project concentration. The new programming cycle is based upon four-year Indicative Programmes for each partner country. These are more substantial frameworks than before, which examine the needs and priorities for Tacis support and its context within the development of the country and the actions of other donors. These Indicative Programmes also identify four-year budget envelopes for each country. On the basis of the general priorities identified by the Indicative Programmes, Action Programmes are then developed for all partner countries. Budgets for each country are now proportionally larger, allowing a concentration of funds on larger projects. In June 1995, at the European Council in Cannes, a total of ECU 2,224 billion was earmarked for the Programme from 1996 up to and including 1999.
- An increase in the funding of investment support within the Tacis Programme, up to a maximum of 10 per cent of the total budget. This will be allocated through support for small-scale infrastructure projects in border areas, and through the provision of equity support for the establishment of joint ventures between small and medium-sized enterprises in the EU and those in the NIS.
- Enhancement of transparency. Those responsible for the Programme have accommodated the wishes of economic operators for a more transparent implementation of the Programme. This has led to a revision of some tendering procedures and the reduction of the ceiling for direct agreements (contracts without tender) from ECU 300,000 to ECU 200,000.
- Reinforced conditionality, which provides for the suspension of support or other appropriate measures to a partner country where a key component of cooperation, such as respect for human rights and democratic values, is not being met. Through this, the Programme can ensure that its activities are supportive of wider EU policy concerning the reforms to promote democratic societies in the NIS.

The reinforcement of the monitoring and evaluation function within the Tacis Programme has led to organisational changes in the Commission services, increasing the capacity to carry out effective evaluations at country and sector level. This complements the ongoing and separate monitoring carried out at project level, which is coordinated by monitoring staff in all 13 partner countries, reporting to regional offices in Moscow, Kyiv and Almaty.

The importance of the new Tacis Regulation, and the new framework that it creates, cannot be underestimated. Both the Member States and the European Parliament attach great importance to the laying down of the principles and rules governing the Community's technical assistance programmes, and consequently the decision-making process took longer than anticipated. Given that the Council Regulation No 2053/93 had expired at the end of 1995, the lack of a legal basis, together with other changes introduced in 1996, led to a slowing down of the Programme, in particular a reduction in the number of projects started and the amount of funds contracted. One of the challenges for Tacis in 1997 will be to recoup some of the time lost and to shorten the cycle from the identification of a project to its actual start-up date.

| Country | Indicative Programme | Action Programmes approved in 1996 (in ECU million) |
|--------------|----------------------|---|
| Armenia | Approved | National Programme - 8.65 Facilities - 5.35 |
| Azerbaijan | Approved | National Programme - 10.97 Facilities - 5.03 |
| Belarus | - | - |
| Georgia | Approved | National Programme - 11.42 Facilities - 4.58 |
| Kazakhstan | Approved | to be approved in 1997 |
| Kyrgyzstan | Approved | to be approved in 1997 |
| Moldova | Approved | to be approved in 1997 |
| Mongolia | Approved | National Programme - 6.6 Facilities - 2.9 |
| Russia | Approved | National Programme - 107 Facilities - 26.0 |
| Tajikistan | Approved | to be approved in 1997 |
| Turkmenistan | Approved | to be approved in 1997 |
| Ukraine | Approved | National Programme - 27.35 EU/G7 Action Plan for energy - 37.5 Facilities - 11.15 |
| Uzbekistan | Approved | National Programme - 22 Facilities - 6.0 |

Continued delivery

Notwithstanding delays, a significant amount of work was done throughout the year. Twelve new four-year Indicative Programmes were approved during the latter half of 1996, leaving only that of Belarus still pending. In addition, annual Action Programmes were approved for the Russian Federation and Ukraine, and biennial programmes for the period 1996-1997 were approved for Armenia, Azerbaijan, Georgia, Mongolia and Uzbekistan.

A total of ECU 536 million was committed during the year, and ECU 454.5 million was contracted. The programme for Belarus did not proceed, for reasons which are covered in detail in the Belarus country section of this Report.

Key regional programmes continued throughout 1996, as did significant donor coordination projects relating to work with other institutions, such as the European Bank for Reconstruction and Development (EBRD).

By any standards, and particularly by those of the major international aid donors, the Tacis Programme can be considered to be efficient. However, it is acknowledged that there is sometimes too great a delay between the adoption of a programme and the implementation of its individual projects. In 1996 discussions continued on how the different steps of the programming cycle could be made shorter.

Nevertheless, the overall conclusion was that in 1996, the Tacis Programme has confirmed its pedigree by continuing to provide essential know-how and assistance in many areas. At the same time, crucial decisions were taken in order to adapt the Programme to react more effectively to the changing needs and circumstances in the partner countries, in the light of the ongoing process of reform.

| Thematic and horizontal actions | ECU million |
|---|-------------|
| Inter-state programme | 42 |
| International Science and Technology Centre | 15 |
| Democracy programme | 11 |
| Nuclear Safety programme | 80 |
| Multi-disciplinary fund | 13.5 |
| EBRD - Bangkok facility | 20 |
| Monitoring and evaluation | 8.5 |
| Coordinating Units | 8.5 |
| Information | 7 |
| Cross-border cooperation | 30 |
| Partnership and Coordination programme | 8 |

Tacis and European Union policy - operating within the wider context

It is not always appreciated that the Tacis Programme is only one of a number of instruments helping to achieve the wider objectives of European Union policy. For certain partners, these include humanitarian aid, assistance in assuring the quality of food supplies, and exceptional financial support. They also incorporate the development of cooperation on wider aims such as, inter alia, industrial cooperation, the environment, and transport. The Tacis Programme is, however, the single most visible EC instrument, as a facilitator of the Partnership and Cooperation Agreements.

On the basis of official Communications from the European Commission, the European Union has developed Action Plans for the Russian Federation and Ukraine, which were approved in April and November 1996 respectively. The Action Plans were designed to focus and prioritise EU policy in relation to these two countries within the context of the issues raised in their respective PCAs. Many of these are addressed in the Tacis Programme and cover all the main areas of cooperation, such as economic transformation, support for democratisation, security, foreign affairs, justice and home affairs.

In reinforcing general European Policy, the Tacis Programme has encouraged:

- pluralism, through the Facilities programme
- regional cooperation, in particular through the Tacis Inter-state programme, which includes initiatives such as TRACECA (Transport corridor through the Caucasus and central Asia) and the INOGATE (Inter-State Oil and Gas to Europe) pipeline management project
- the development of trade and investment links and the integration of Tacis partners into the global economy. For example, Tacis is becoming increasingly active in supporting the eventual accession of partners to the World Trade Organisation (WTO).

A new avenue of Tacis support is the development of projects which aim to assist the enforcement of law and order. International crime is as much a threat to the EU as it is to the NIS. The 1996 Inter-state programme approved the funding of a crime prevention study, commencing early 1997, identifying where funds should in future be channelled to combat crime in the region. It was agreed that the study should address areas such as drug trafficking, the smuggling of nuclear materials and organised crime. Regional cooperation is indispensable for this purpose.

| Country | PCA | Interim Agreement |
|--------------|-------------------------------------|-----------------------------|
| Armenia | Signed 22.04.96 | Signed 10.12.96 |
| Azerbaijan | Signed 22.04.96 | Initialled 20.09.96 |
| Belarus | Signed 06.03.95 | Signed 25.03.96 |
| Georgia | Signed 22.04.96 | Signed 05.10.96 |
| Kazakhstan | Signed 23.01.95 | Signed 05.12.95 |
| Kyrgyzstan | European Parliament assent 30.11.95 | Signed 28.11.96 |
| Moldova | European Parliament assent 30.11.95 | Entered into force 01.05.96 |
| Russia | European Parliament assent 30.11.95 | Entered into force 01.02.96 |
| Turkmenistan | - | - |
| Tajikistan | - | - |
| Ukraine | European Parliament assent 30.11.95 | Entered into force 01.02.96 |
| Uzbekistan | Signed 21.06.96 | Signed 14.11.96 |

Note: at end 1996

Tacis, therefore, is driven by ideas aligned to policy. The success of Tacis projects depends to a large extent upon the wider political context in which they operate, and political developments within each partner country can change the context of the partnership with that country.

For instance, concern at the democratic development of Belarus, particularly since November 1996, has had a negative impact on EU-Belarus relations in general, and on the Tacis Programme in particular. Consequently, it was not appropriate to negotiate an Indicative Programme 1996-1999 for Belarus, or to agree an Action Programme for the 1996-1997 period. Even before then, in July 1996, the 1995 Belarus Action Programme had had to be substantially revised, particularly in the enterprise support and agriculture sectors. Some projects, whose objectives had become unrealistic, had to be cancelled altogether. Other projects

had to be scaled down considerably. The consequent reallocation of funds to other areas such as the Tempus Programme, meant that the EC could nevertheless continue to provide support for the reform process, albeit in a reduced and more decentralised form.

Likewise, the comparative instability and lack of economic reform in Tajikistan is reflected by a relatively small amount of projected Tacis support. No PCA is envisaged for the time being. An Indicative Programme for 1996-1999 has budgeted for ECU 14 million, although finalisation of the Action Programme was deferred until 1997.

In effect, a conceptual framework was confirmed during 1996, identifying aims and objectives. The Indicative Programmes reflect these objectives. They are diverse and respect the needs of individual partner countries, but they have a commonality of intent.

Financial overview

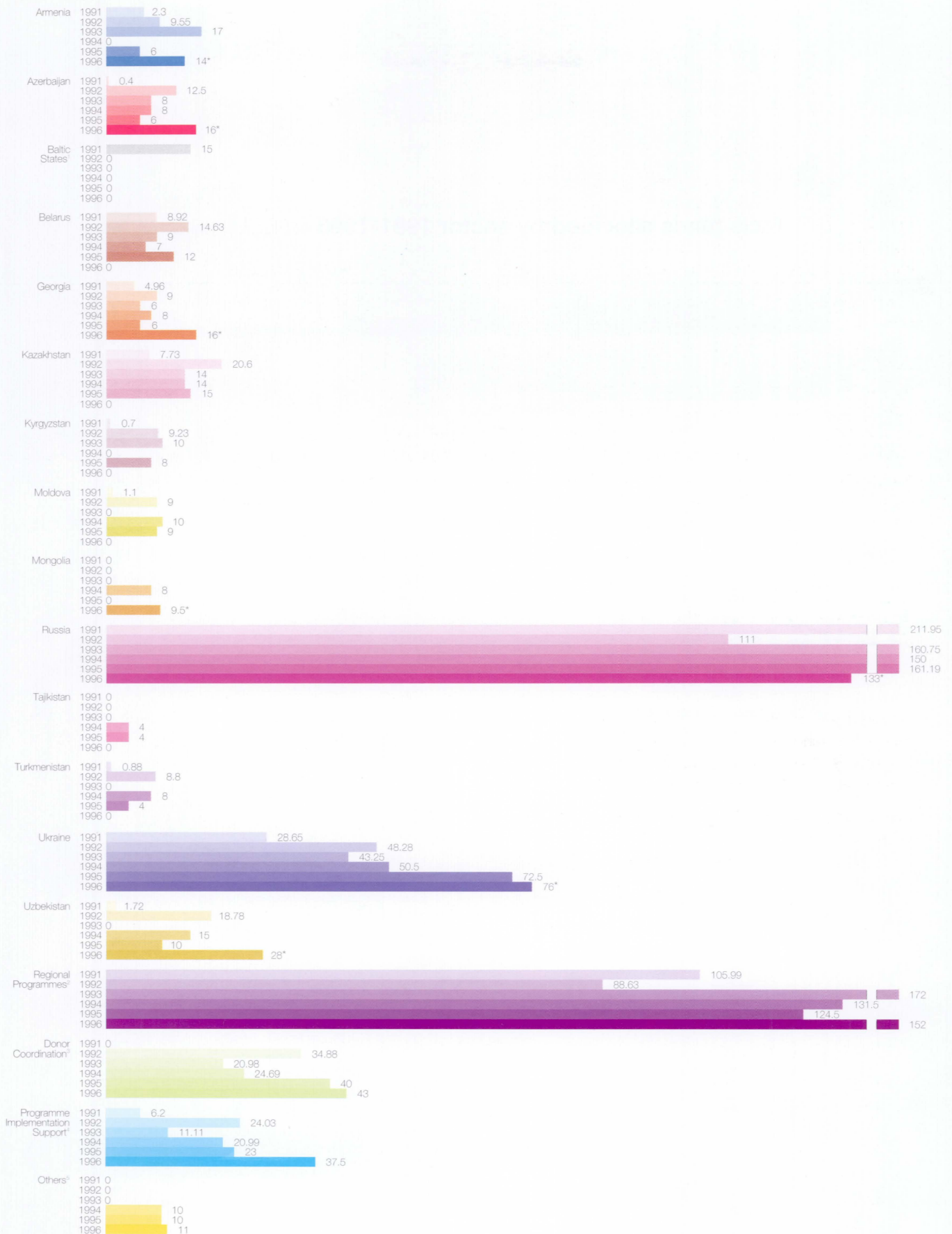
In 1996, the Tacis Programme committed a total of ECU 536 million, including ECU 11 million for the Tacis Democracy Programme. The total funding commitment over the six years of the Programme's life now stands at ECU 2,804.37 million.

During 1996, the Tacis Programme launched projects and contracted funds with a value of ECU 454.5 million, a decrease of nearly 14 per cent on 1995 figures.

The European Commission paid out ECU 376 million of Tacis funds, a minute increase (less than 1 per cent) over the previous year.

This means that of the total of Tacis commitments, 73.2 per cent has been contracted, and of this amount, 61.5 per cent has been paid.

Tacis funds committed by country 1991-1996 (in ECU million)



* includes facilities

¹ The Baltic States only received funding under the 1991 programme.

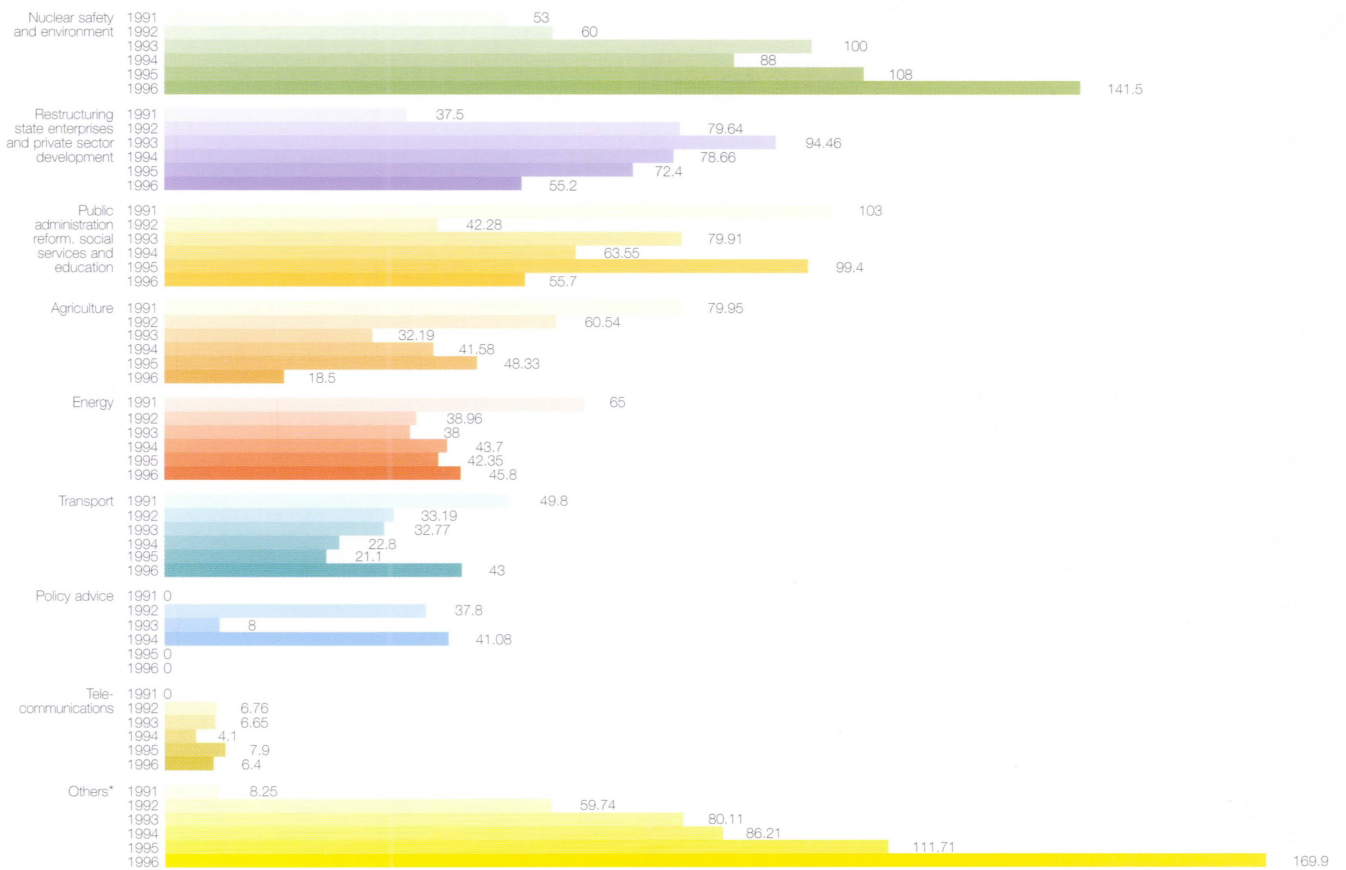
² Includes the Inter-state, Nuclear Safety and Cross-border Cooperation (1996 only) and Tempus (1993/1994) Programmes.

³ Includes International Science and Technology Centre, Partnership and Coordination Programme, EBRD Bangkok Facility.

⁴ Includes coordinating units, multidisciplinary fund, information, monitoring and evaluation.

⁵ The Democracy Programme.

Tacis funds allocated by sector 1991-1996 (in ECU million)



* Includes: Donor Coordination (International Science and Technology Centre, Partnership and Coordination Programme, EBRD Bangkok Facility), Programme Implementation Support (Coordinating Units, multidisciplinary fund, information, monitoring and evaluation) Democracy Programme and Facilities (1996 only)

Operational management of the Tacis Programme

Reorganisation in 1995 and a new Directorate

The reorganisation of the Tacis Programme, previously described in the 1995 Annual Report, focuses on two key areas: organisational structure and programming approaches. The structural reorganisation was developed further during 1996 through the creation of a new Directorate within DG IA (External Relations, Europe and the New Independent States, Common Foreign and Security Policy, External Service). This new Directorate will work alongside the Directorate for relations with the NIS and Mongolia. It has overall responsibility for financial and administrative management, including budgets, contract control, accounting and payments. In addition, the new Directorate is responsible for information and the evaluation of the Directorate General's operational programmes. One effect of this development is to put in place an independent internal audit structure, removed from the operational Directorates, that reflects the aims of the new Regulation to improve transparency and accountability.

These changes, and those of 1995, were achieved at a cost. The movement of personnel and the introduction of new working practices led to time losses, and the changes were therefore a contributory factor to the delays experienced in early 1996.

Multi-annual programming

The development of a new strategic approach to programming was also reported last year and has again been referred to elsewhere in this Report. The multi-annual approach facilitates cooperation between the Tacis Programme, other Commission services and other donors. This is particularly important as the Tacis Programme seeks to increase the value of projects by cooperating with others or by preparing the way for others to invest.

Tacis information programme

The information programme followed the twin track strategy whereby Directorate General IA promotes the Tacis Programme and EU-NIS relations in the EU and the NIS, and Directorate General X (Information and Culture) promotes the policy and practice of the European Community in the NIS. The task is carried out through Brussels and the four Delegations of the European Commission in the Tacis partner countries. The Tacis information programme continued to respond to the growing needs of the Programme's many audiences. A significant development was the creation of the Tacis Web pages on the Directorate General IA internet site on the Commission's Europa Server. The number of monthly visits

to the pages had doubled by the year end owing to the fact that Contract Information was available on the Internet almost immediately following its approval, and was updated weekly. This Annual Report is also an important communication channel. In particular, the Russian translation of the Report is widely disseminated throughout the NIS.

Monitoring and evaluation

The changes to monitoring and evaluation merit further explanation. Projects will continue to be monitored by the NIS/Tacis Directorate, using external contractors. Their remit is to assess how well contractors are performing and to evaluate the success of project implementation. Within the horizontal financial and administrative directorate, a new form of evaluation will be used to assess the overall success of individual projects, the activities in a particular sector or geographic region, and long-term sustainability. Meanwhile, the Tacis project monitoring teams work from bases in Kyiv, Moscow and Almaty. These teams monitored more than 600 projects across the NIS in 1996. Their ratings confirm that Tacis delivers support in an effective manner.

Their findings will contribute to the work of the special evaluation team within the new Directorate created in October 1996. The activities of the latter included country evaluations of Moldova and Belarus, and an evaluation of the Tacis Democracy programme is being prepared. Most importantly, an overall evaluation of the entire Tacis Programme is also under way.

Through these activities, the Tacis Programme is responding to the repeated demands of the European Parliament, the Member States and the Court of Auditors to ensure proper monitoring and evaluation. The results are used to improve the quality of technical assistance and the design and targeting of projects.

Partner country presence

Some of the potential drawbacks of managing projects from Brussels were addressed during 1996 by reinforcing the network of Technical Offices, which assist the Tacis services with the preparation and implementation of the programmes in Belarus, the Russian Federation and Ukraine. Their presence was increased in the Russian Federation with the opening of five more offices in 1996 in Krasnodar, Petrozavodsk, Novosibirsk, Irkutsk and Ekaterinburg, in addition to the existing office in St. Petersburg. These offices provide complementary support to the Coordinating Units in all Tacis partner countries and to the Tacis-related activities of the Delegations of the European Commission in the Russian Federation, Ukraine, Georgia and Kazakhstan.

| Programme implementation support Funds allocated per year 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---|-------------|--------------|--------------|--------------|-------------|-------------|---------------|
| Coordinating Units | 0 | 15 | 0 | 8 | 8 | 8.5 | 39.5 |
| Multidisciplinary fund | 6.2 | 9.03 | 9.11 | 9.99 | 10 | 13.5 | 57.83 |
| Monitoring and Evaluation | 0 | 0 | 0 | 0 | 0* | 8.5 | 8.5 |
| Information | 0 | 0 | 2 | 3 | 5 | 7 | 17 |
| Total | 6.2 | 24.03 | 11.11 | 20.99 | 23 | 37.5 | 122.83 |

* In 1995, funds for monitoring and evaluation were taken from the multidisciplinary fund allocation

The Tacis Programme and the European Community institutions

European Parliament

The European Parliament continued to observe the activities of Tacis in a critical but nonetheless constructive manner throughout 1996. Proposals that relate to the Commission's proposal for a new Tacis Regulation are reflected in the final text, which was adopted by the European Council.

Having recognised the lack of resources at the disposal of the European Commission for the implementation of the Tacis Programme, the Parliament supported the Commission in its proposal to set aside a small part of the Tacis budget for financing tasks related to the implementation and evaluation of the Programme.

A maximum of 3.5 per cent of both the 1996 and 1997 Tacis budgets may be used by the Commission for the purposes of project preparation, monitoring and evaluation. This enables the Commission, among others, to increase the number of technical staff in the Delegations, thus enhancing their capacity to manage the Programme locally.

Dialogue between the European Commission and the European Parliament was maintained throughout the year. Four key parliamentary committees (external relations, external economic relations, budget and budget control) held an important meeting in October, where views were exchanged on all aspects relating to the policy and

management of the Tacis and Phare programmes. The meeting has been followed up with the regular provision of information, such as making the decisions of the Tacis Committee known to the European Parliament.

The NIS country Delegations of the European Parliament visited a number of the partner countries in 1996 and during their visits had the opportunity to observe the operation of Tacis projects and to meet with and hear the opinions of the partner organisations.

Court of Auditors

The Court carries out an annual assessment of the Tacis Programme, as part of its overall assessment of the Community Programmes. Its 1996 report on the activities of the Programme during 1995 highlighted the danger that, in response to the scale and range of need that it addresses, the activities of the Programme might become too widely dispersed. This risk has been recognised and will be counteracted by the more focused approach adopted by the new programming guidelines introduced during 1996. In a complementary recommendation, the Court advised that hitherto unclear responsibilities for the identification, implementation and monitoring of projects should be more clearly defined. The Commission believes that the redistribution of responsibilities between

Headquarters and Delegations, as well as the reorganisation of project monitoring and evaluation, addresses this concern.

Finally, the Court repeated its request to the Commission to draw up a 'transparent and realistic proposal concerning the resources it needs to discharge its responsibilities', noting the impact that the lack of human resources has on the Programme.

The Court also paid a special visit to Ukraine in 1996 and provided detailed comments on three particular areas: programme management and cooperation with the Ukrainian authorities; the problems with the flagship project 'Retraining of demobilised military officers'; and the difficulties with the implementation of the Nuclear Safety programme.

In particular, the comments made by the Court on the last two subjects provide a good illustration of how difficult it can be to implement a programme, which is designed to have a major impact on society and depends heavily on the partner government's capacity to support the activities of such large projects. The Court's report and the Commission's replies will be published in 1997.

Cooperation with other Directorates General of the European Commission

Particular efforts were made in 1996 to broaden cooperation between the services of the NIS and Tacis Directorate with other Commission services and other institutions. These had the additional objectives of drawing upon expertise available elsewhere, and sharing the burden of implementing this Programme.

In general, many of the Commission's Directorates General are involved in the programming phase, in tender evaluation and in the supervision of projects. Quite a number of Directorates General have taken on an even more important role in the management of the Programme in various sectors.

This is notably the case in the field of standards and certification, which is very important for trade relations, where DG I (External Trade) and DG III (Industry) play a significant role. DG II (Economy) manages the ACE programme on a daily basis. DG II also takes the lead in managing the Joint Venture Programme (JVP) which was expanded in 1996. DG XXIII (Enterprise policy) provides support for the Tacis "Partenariats", which bring together SMEs from Europe and the NIS. DG VIII (Development) is extensively involved in the agricultural sector, where

technical assistance is combined with structural food aid programmes for the Caucasus and central Asia. DG XII (Research) is responsible for appraising and selecting the research and development projects for funding by the International Science and Technology Centre (ISTC). Cross-border activities and twinning projects between regions and cities are implemented in close cooperation with DG XVI (Regional Policy). In the field of cooperation in higher education, DG XXII is responsible for the management of the Tacis Tempus programme.

DG XVII (Energy) plays an active role in Tacis energy projects and nuclear safety activities aimed at upgrading the operational safety of nuclear power plants in the NIS. There was increased cooperation with DG VII (Transport) on transport project programming and tender evaluation, particularly in the area of Cross-border Cooperation. DG XI and the Joint Research Centres are also cooperating very closely with Tacis on nuclear activities.

Customs cooperation is implemented with the help of DG XXI (Customs and Indirect Taxation). Finally, the Statistical Office manages a Tacis-funded programme of cooperation with statistical offices in the NIS.

Cooperation with other institutions

During 1996 the Directorate General for External Relations has also made significant efforts to increase its cooperation with other institutions and to increase the efficiency and effectiveness of Tacis Programme implementation.

The European Training Foundation (ETF) in Turin has already successfully implemented the Tempus programme for the partner countries. During 1996, the Commission services prepared a framework agreement with ETF, which would allow projects in the field of vocational training to be handed over to ETF for implementation. Thus ETF's experience will be drawn upon to manage a more significant part of Tacis activities in this area.

Similarly, on the basis of the European Bank for Development and Reconstruction's (EBRD) experience with the Bangkok Facility (by which it manages Tacis money to carry out jointly approved feasibility studies prior to investment), a framework agreement was concluded with the Bank, which enables it to take on increased responsibility for managing and using this Facility. The EBRD continued to manage the Nuclear Safety Account set up by the G7, to which Tacis has contributed funds over the last few years.

Bilateral and international cooperation

Coordination with EU Member States

The new Regulation stresses the importance of developing and improving coordination with the EU Member States. The Tacis Committee held regular meetings in 1996. The Committee is composed of representatives of the Member States, who assist the Commission with the implementation of the Programme and give their opinion on the proposed programmes. Such meetings also provide opportunities for information exchange and coordination.

Within the Tacis Programme itself, the Partnership and Coordination Programme, managed within the framework of the Facilities programme, continued to cofinance projects developed between organisations from the EU Member States and Tacis partner countries. This programme entered its fourth year with a budget of ECU 8 million, making a total of ECU 28 million budgeted since its inception in 1993.

Cooperation with the United States

Coordination with the United States continued to develop within the wider context of transatlantic dialogue. US policy towards the NIS was reinforced in the course of 1996 by means of the new "Partnership for Freedom" programme, which is expected to lead to a significant increase in available resources for the NIS. This created grounds for new opportunities for EC/US coordination. Meanwhile, EC/US donor coordination, notably at grass roots level, has enabled both sides to focus more effectively on their assistance programmes, enabling them to avoid overlaps. Political dialogue with the United States allowed the two sides to exchange views on issues relevant to the NIS, such as the situation in Belarus and its impact on assistance to that country, all of which has contributed to a coherent international response.

The European Bank for Reconstruction and Development

The Bangkok Facility (see Facilities) is still the cornerstone of cooperation with the EBRD, which acts as an agent for Tacis for ECU 20 million of funding. The EBRD also invested a total of some ECU 146 million in ports and roads along the TRACECA route, to support that particular Tacis programme.

Close dialogue continued with the EBRD regarding all aspects of the overall "partnership and cooperation" relationship between the European Community and its Member States, and the NIS. There was particularly close coordination over actions concerning Ukraine.

Coordination with the World Bank

Examples of cooperation with the World Bank include commitments by the latter to roads in Armenia and Georgia totalling some ECU 27 million, for projects related to the TRACECA programme and in support of environmental projects. These include a project to develop common NIS environmental policies, as well as the continuation of the Caspian and Black Sea programmes. Further cooperation is anticipated, possibly in conjunction with the European Bank for Reconstruction and Development, to assist with the identification of future projects. In the Russian Federation, close coordination with the World Bank will focus on efforts to improve working conditions.

G7 cooperation

G7 cooperation continues after the 1995 Memorandum of Understanding for Ukraine's energy sector, with its particular focus on the closure of the Chernobyl Nuclear Power Plant by the year 2000, while at the same time promoting and developing other efficient sources of energy.

The International Science and Technology Centre

The United States, Japan, the Russian Federation and the European Community are cooperating in support of the International Science and Technology Centre (ISTC) in Moscow. The objective of the ISTC is to redirect the skills of weapons scientists in the former Soviet Union towards peaceful activities. Apart from Russia, five other NIS have joined since 1992, including Armenia, Belarus, Georgia, Kazakhstan and Kyrgyzstan. The Tacis Programme plays a very important role in this initiative, not least by its financial contribution, which almost matches that of the United States. Tacis has committed some ECU 45 million to the Centre since 1994, including the 1996 commitment of ECU 15 million.

| Donor Coordination Funds allocated per year 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---|-------------|--------------|--------------|--------------|-------------|-------------|---------------|
| Partnership and Coordination Programme | 0 | 0 | 5 | 5 | 10 | 8 | 28 |
| EBRD- Bangkok Facility | 0 | 14.88 | 15.98 | 19.69 | 20 | 20 | 90.55 |
| International Science and Technology Centre | 0 | 20 | 0 | 0 | 10 | 15 | 45 |
| Total | 0 | 34.88 | 20.98 | 24.69 | 40 | 43 | 163.55 |

Armenia

1996 was a year of consolidation for the Tacis Programme in Armenia. Economic growth had already been achieved during the previous year, so Armenia was able to reap the benefits of its commitment to early and far-reaching reforms, particularly with regard to the privatisation of enterprises and land. The main tasks still outstanding are the provision of adequate support to private enterprises and the continuing development of Armenia's human resources.

An Indicative Programme was also developed in 1996. This established a strategy for the implementation of the Tacis Programme for the years 1996-1999 and set out a two-year Action Programme for 1996-1997, funded by a grant of ECU 14 million. The Action Programme will be structured around further development of the legislative infrastructure governing private business and, in particular, the implementation of international commitments such as credit mechanisms for private businesses in the agricultural sector, and accountancy training. At the same time, projects targeting reform of the health sector and the social security system will continue. Both of these operations are based on previous projects. The first projects under the Action Programme will come on stream in the second half of 1997.

Credit to small-scale private farmers

One of the most successful Tacis projects in Armenia in 1996 was the Agricultural Cooperative Bank of Armenia (ACBA). Designed on the mutual credit principle and intended to provide credit to small-scale private farmers, it began disbursing seasonal credits in the spring of 1996. More than

1,500 loans, ranging from between ECU 500 to ECU 1,000, were granted. The Bank has proved to be a sound financial institution. Its viability has been increased further owing to an important injection of capital from the Counterpart Funds established with the proceeds earned from the sale of food supplies provided free of charge by the European Community under the 1995-1996 food aid operation. The ACBA is the only institution which provides small-scale rural credits in Armenia. The impact of these has fully lived up to expectations; cultivated land in villages where farmers have been included in the ACBA scheme has increased thirty-fold in some cases. The activities of ACBA have continued to expand, so that new farmers are benefiting progressively from the Bank's operations.

Securing food supplies

ACBA also plays an important role in forming strategies to secure food supplies. As the economic situation in general, and the food supply situation in particular, have improved, the European Community is no longer supplying food aid to Armenia. The country is now able to secure alone, or with limited external support, its necessary grain requirements. Here, the Regional Agricultural Reform Project (RARP), which is an Inter-state project, has complemented the activities of Tacis under the national programme. It has concentrated on developing a strategy and restructuring the grain sector, and on the privatisation of the milling industry and bakeries.

| Funds allocated by sector 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Nuclear safety and environment | 0.3 | 0 | 0 | 0 | 0 | 0 | 0.3 |
| Restructuring state enterprises and private sector development | 0.7 | 3.54 | 2.3 | 0 | 2 | 5.7 | 14.24 |
| Public administration reform, social services and education | 0 | 1.5 | 1.8 | 0 | 1.5 | 2 | 6.8 |
| Agriculture | 0 | 1.66 | 0 | 0 | 0 | 0 | 1.66 |
| Energy | 1.3 | 0 | 4.1 | 0 | 2 | 0 | 7.4 |
| Transport | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Policy advice | 0 | 2.85 | 0 | 0 | 0 | 0 | 2.85 |
| Telecommunications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 5.35 | 5.35 |
| Other | 0 | 0 | 8.8 | 0 | 0.5 | 0.95 | 10.25 |
| Total | 2.3 | 9.55 | 17 | 0 | 6 | 14 | 48.85 |

Note: Armenia did not receive funds under the 1994 budget

The Armenian Business Support Centre

Another important example of Tacis support for the developing private sector has been the Armenian Business Support Centre (ABSC), whose aim is to provide consultancy services for Armenian small and medium-sized enterprises to prepare business plans, develop training programmes, and identify foreign partners and markets. It is hoped that ABSC will be able to continue its future activities on a profit basis.

Alleviating the energy crisis

Tacis projects in the energy field have been targeted towards assisting Armenia in reducing the crisis in the energy sector: to save energy, to diversify supply and to develop domestic resources. Among the most promising projects have been those concerning the restructuring of the gas sector, rehabilitating the gas transmission network and promoting Armenia's domestic oil and gas potential. This last project has resulted in the signing of a production sharing agreement between the Government of Armenia and a foreign company, establishing an Energy Implementation Unit to enable the results of Tacis and other donors' projects to be converted into real improvements in policy output. An Energy Centre aimed in particular at energy-saving and conservation has been established. All together, 25 energy projects have been implemented by Tacis in Armenia, some of which have now been completed. They include a very successful project on gas tariffication, metering and billing. They also include coordination programmes (which fall under the Partnership and Coordination Programme operated by the European Community and its Member States) and projects under the Tacis nuclear safety programme which are aimed at increasing the safety standards at the Medzamor nuclear power plant.

Public administration

In the field of public administration, the Armenian School of Public Administration (ASPA) is perhaps the most visible example of a successful human resources project. It is aimed at the upgrading and requalification of civil servants and the training of new public servants.

| | |
|---|---|
| Partnership & Cooperation Agreement | Initialled 15.12.95 Signed 22.04.96 |
| Interim Agreement | Initialled 23.05.96 Signed 10.12.96 |
| EC trade balance* (exports to EC - imports from EC) | ECU (-98.1) million |
| Total Tacis funding 1991-1996 | ECU 48.85 million |
| Tacis Indicative Programme 1996-1999 | Approved 25.07.96 Funding envelope ECU 28.0 million |
| Tacis Action Programme approved during 1996 | Approved 21.11.96 ECU 8.65 million (6 projects) Facilities ECU 5.35 million |

* at end 1995

Azerbaijan

Political and economic conditions in Azerbaijan continued to be difficult in 1996, with no prospects for a resolution of the Nagorno-Karabakh conflict in sight. This conflict has led to the occupation of about one fifth of Azerbaijan's territory and to the creation of a massive refugee problem. However, political changes in the course of the year and the intensification of reform programmes have helped Tacis to move closer towards meeting the Azeri Government's strategic economic objectives.

In 1996, an Indicative Programme for 1996-1999 and an Action Programme for the two years 1996-1997 were developed. The Action Programme will be funded through a grant of ECU 16 million. Exceptionally, and for the first time, Tacis will help fund rehabilitation activities, in this case in the Fizuli district. Other projects in the field of infrastructure will aim at the rehabilitation of the energy distribution system, at energy-saving, and at the restructuring of the telecommunications sector. A small amount of funding will be reserved for private sector development, largely devoted to regional agro-support units.

Restructuring the energy sector

In the energy field, which is of crucial importance to Azerbaijan's future both as a producer and a consumer, ongoing projects have assisted in the improvement of consumer services in the gas and electricity industries, with an emphasis on energy sector restructuring and management. Tacis has been assisting the company Azneftekhimmash, the former monopoly supplier of oil equipment to the Soviet Union, to transfer their standards

to API level to enable them to meet the anticipated demand for equipment as oil production in Azerbaijan increases.

An important project aimed at helping companies in the energy sector (SOCAR, Azerenergy) to formulate a number of aspects of energy policy was completed in 1996. This has included advice on legal questions relating to the country's oil resources. A plan was also drawn up for the conversion of the state electricity company into a joint stock company. A project, carried out in cooperation with the EBRD, has been drawing up a feasibility study for the rehabilitation of underground gas storage facilities (Kalmas and Karadag). Further projects focus on energy legislation, in particular on oil and gas taxation and finance, including the transfer of know-how on these issues.

Two projects of particular interest to Azerbaijan are the Inter-State project on oil and gas pipelines (INOGATE), and a project intended to assist in connecting the electricity grid to that of Turkey.

Enterprise restructuring

The first step in the implementation of the government's strategy for restructuring large enterprises, notably assisting them to attract foreign investors, was taken with the completion of the project on the Bakkonditioner plant in Baku. The aim of this project, mounted in cooperation with the EBRD, was to restructure the plant.

Tacis has also made a start in supporting the provision of services to small and medium-sized enterprises.

| Funds allocated by sector 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Nuclear safety and environment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restructuring state enterprises and private sector development | 0 | 2.6 | 0 | 1.9 | 1.8 | 1.7 | 8 |
| Public administration reform, social services and education | 0 | 3 | 0 | 1.8 | 1.3 | 0 | 6.1 |
| Agriculture | 0.4 | 2.5 | 0 | 0 | 0 | 0 | 2.9 |
| Energy | 0 | 0 | 0 | 3.6 | 2.5 | 4.8 | 10.9 |
| Transport | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Policy advice | 0 | 4.4 | 0 | 0 | 0 | 0 | 4.4 |
| Telecommunications | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 5.03 | 5.03 |
| Other | 0 | 0 | 8 | 0.7 | 0.4 | 3.47 | 12.57 |
| Total | 0.4 | 12.5 | 8 | 8 | 6 | 16 | 50.9 |

The Kosia-SME Development Agency in Baku has been performing well. Businessmen who are interested in entering the market are receiving hands-on tutoring. In 1997, these efforts to support the relatively few fully privatised productive enterprises currently in existence, will be complemented through a project aimed at training auditors and insolvency practitioners.

Training for banks

A regional project has also provided training for the central bank and for commercial banks on all aspects of modern banking systems and on the restructuring of the savings bank.

Human resources and job creation

Assistance in the field of human resources has been focused on the reform and strengthening of administration, with support for the School of Public Administration. The aims of two other important projects under way in 1996 were improving the performance of the State's employment services, with particular emphasis on job creation, and supporting the State Economics Institute and the Western University, which included the development of an MBA course.

Private ownership in the agricultural sector

Azerbaijan implemented some important policy measures in the agricultural sector in 1996. A new land law providing for the private ownership of land has been adopted by the parliament. A presidential decree for the restructuring and privatisation of the grain sector gave substantial impetus to improving grain production and distribution, and attracted private entrepreneurship into the sector. These policy decisions were prepared and have been implemented with Tacis support.

As elsewhere in the Caucasus, the Regional Agricultural Reform Programme (RARP), which is funded through the Inter-State programme, has been active in seeking to build on the food aid operations of the past in order to reinforce Azerbaijan's ability to feed itself. The new market-oriented policy for the grain sector has been prepared within the framework of this project. The project's focus is targeted at supporting the implementation of this policy. In addition, the project is looking at developing systems of agricultural credit, which will assist the farmers who will gain ownership of their land under the new privatisation programme.

Within the framework of a project for institutional support to the Ministry of Agriculture and Food, Tacis experts have provided significant support for the implementation of the new land law. A pilot land mapping and land distribution scheme has provided a model for land distribution activities under the new law. They have also contributed to the elaboration of other important policy decisions in the sector, such as the definition of the new functions and structure of the Ministry of Agriculture.

Addressing transport needs

The transport sector is of great importance to the Azerbaijan Government, given that in 1996 its relative isolation, due in part to conflicts within and outside the region, continued to impede economic growth. The TRACECA programme is the most significant Tacis initiative in the sector. During 1996, a number of Tacis projects addressed the restructuring needs of the Baku port, and the communications problems caused by the rising level of the Caspian Sea. A feasibility study is being prepared on the establishment of a possible joint venture for the Caucasian railways.

Besides TRACECA, projects have been mounted to examine the possible restructuring of the Caspian Sea shipping fleet, to study the national road and rail network, and to consider the modernisation of its air traffic control system. Most of these projects have now been completed.

Environmental support

Tacis is also providing assistance to Azerbaijan through the Tacis Environmental Support Facility and will shortly be launching an integrated programme for the Caspian Sea.

| | |
|---|--|
| Partnership & Cooperation Agreement | Initialled 18.12.95 Signed 22.04.96 |
| Interim Agreement | Initialled 20.09.96 |
| EC trade balance* (exports to EC - imports from EC) | ECU (-72.4) million |
| Total Tacis funding 1991-1996 | ECU 50.9 million |
| Tacis Indicative Programme 1996-1999 | Approved 25.07.96 Funding envelope ECU 32 million |
| Tacis Action Programme approved during 1996 | Approved 21.11.96 ECU 10.97 million (7 projects) Facilities ECU 5.03 million |

* at end 1995

Belarus

(Also discussed in "Tacis and European Union Policy")

Due to developments in Belarus, negotiations on an Indicative Programme for 1996-1999 and, as a consequence, the Action Programme, could not take place. In effect, all future assistance to Belarus under the national programme has been suspended.

By public pronouncement, the Council of Europe has made it clear that dialogue could begin immediately should the situation improve. Meanwhile, although there was no further negotiation of the Partnership and Cooperation Agreement in 1996, the EU offered technical assistance to the Belarussian authorities by focusing on specific areas such as constitutional reform to ensure a proper division of powers, the protection of human rights, and freedom of the media. Bilateral dialogue is ongoing to determine the willingness of the Belarussian Government to cooperate in these areas.

Limited support

In July 1996, the 1995 Action Programme had to be reviewed and planned activities were reoriented. The Tempus programme, which had proved successful in Belarus, received a further ECU 1.7 million, leading to an overall allocation of ECU 3.2 million for the 1995 programme. Out of the four projects in the enterprise support sector that encouraged continued decentralisation, one had to be cancelled, (the Integration of Research Institutes into Industry) while three were scaled down significantly. These were the Development of Export Activities for SMEs, the Restructuring and Privatisation of State-Owned Enterprises, and the Development of New Financial Instruments. Ultimately, these last two projects had to be suspended as the privatisation

process and economic reforms in Belarus had not been moving forward. Whilst there was no desire to indicate that business could continue with the EC as usual, equally there was no desire to isolate Belarus further. Consequently, current projects under the 1995 programme and previous national programmes continued, particularly where support was directed at non-governmental bodies or individuals. In a similar vein, the programming and implementation of the Inter-state and nuclear safety programmes, and the activities of the Facilities and Democracy Programme all continued, due to their contribution to regional, economic and social development, "bottom-up" approaches, and civil society advances. Combined, these represented most of the programme for 1995.

| | |
|---|--|
| Partnership & Cooperation Agreement | Initialled 22.12.94 Signed 06.03.95 |
| Interim Agreement | Initialled 07.04.95 Signed 25.03.96 |
| EC trade balance* (exports to EC - imports from EC) | ECU (-322.9) million |
| Total Tacis funding 1991-1996 | ECU 51.55 million |
| Tacis Indicative Programme 1996-1999 | — |
| Tacis Action Programme approved during 1996 | — |

* at end 1995

| Funds allocated by sector 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|--|-------------|--------------|----------|----------|-----------|----------|--------------|
| Nuclear safety and environment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restructuring state enterprises and private sector development | 0.3 | 7.52 | 4 | 5 | 5 | 0 | 21.82 |
| Public administration reform, social services and education | 0.68 | 1 | 0 | 0 | 0 | 0 | 1.68 |
| Agriculture | 1.6 | 2.51 | 2 | 0 | 2 | 0 | 8.11 |
| Energy | 4.1 | 1.9 | 0 | 0 | 3 | 0 | 9 |
| Transport | 2.24 | 1 | 2 | 1.3 | 0 | 0 | 6.54 |
| Policy advice | 0 | 0.7 | 0 | 0 | 0 | 0 | 0.7 |
| Telecommunications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 1 | 0.7 | 2 | 0 | 3.7 |
| Total | 8.92 | 14.63 | 9 | 7 | 12 | 0 | 51.55 |

Note: Belarus did not receive funds under the 1996 Tacis budget

Georgia

1996 saw the first year of positive growth in the Georgian economy after five years of sharp decline. Tacis assistance began to move its focus from institution-building towards support for economic growth.

The new Indicative Programme for 1996-1999 and the two-year Action Programme for 1996-1997, (funded through a grant of ECU 16 million) were approved in 1996. They place emphasis on the development of infrastructure, private sector development, including agriculture and assistance in implementing, through domestic legislation, the international commitments which Georgia has taken on. These include those contained in the Partnership and Cooperation Agreement which was signed in April 1996, and the obligations Georgia will assume when it accedes to the World Trade Organisation. In addition, important projects will be launched aimed at further strengthening the institutional capacity of the Georgian Parliament and supporting the reform of the Georgian civil service.

Energy policy

In 1996, in the energy sector, Tacis Inter-state projects have been analysing the prospects for improved oil and gas transmission infrastructure management (INOGATE) and the regional dimension of the energy supply and demand, in particular the interconnection of the electricity, oil and gas grids. At a national level, a completed project defining Georgia's energy policy will be followed in 1997 by support for the newly created Ministry of Fuel and Energy. Assistance will also be provided for the new Georgian

International Oil Corporation (GIOG) with a view to facilitating the transport of oil and gas from the Caspian Basin. Tacis was already involved with advising the GIOG on environmental matters related to the transport of oil and gas via its territory, and strengthening of its in-house management capacity.

The TRACECA programme

Given its strategic position in terms of transport networks, Georgia has been the focus of the Trans-Caucasus and Central Asia Transport programme (TRACECA). In parallel, other projects are examining the possibility of creating Trans-Caucasian Joint Ventures in the rail and, possibly, the airline sectors.

Agricultural support

1996 was a very important year for Georgia's agriculture sector and for the country's ability to feed its population without relying on massive external food aid.

The Ministry of Agriculture was restructured, following the recommendations of the Tacis project on Integrated Technical Assistance to Georgian Agriculture (ITAGA). It has become the principal institution generating reforms in the sector. The strategy for agricultural development in Georgia had been prepared by Georgian and Tacis experts in the framework of the ITAGA project.

Another project, which contributed to the implementation of important policy measures in the agricultural sector, was the Regional Agricultural Reform Project (RARP). It provided

| Funds allocated by sector 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Nuclear safety and environment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restructuring state enterprises and private sector development | 0 | 3.5 | 0 | 3.6 | 1.9 | 4.85 | 13.85 |
| Public administration reform, social services and education | 1.18 | 1.25 | 0 | 1.8 | 1.3 | 1.5 | 7.03 |
| Agriculture | 2.65 | 1.5 | 0 | 1.8 | 0 | 0 | 5.95 |
| Energy | 0.4 | 0 | 0 | 0 | 2.3 | 3.5 | 6.2 |
| Transport | 0.73 | 0 | 0 | 0 | 0 | 0 | 0.73 |
| Policy advice | 0 | 2.75 | 0 | 0 | 0 | 0 | 2.75 |
| Telecommunications | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 4.58 | 4.58 |
| Other | 0 | 0 | 6 | 0.8 | 0.5 | 0.57 | 7.87 |
| Total | 4.96 | 9 | 6 | 8 | 6 | 16 | 49.96 |

guidance on the preparation and implementation of the measures for the transformation of the grain sector. RARP has assisted both the public and the private sectors with advice on the establishment of the State Regulatory Board, which oversees the supply and demand of grain, the establishment of wheat and maize auctions, and provides marketing advice to private traders and farmers. 1996 marked an important achievement in the field of agricultural credit. For the first time, credit schemes using the counterpart funds generated from food aid were established, with the assistance of RARP. Credits worth 10 million lari were distributed to farmers and grain traders through commercial banks and credit unions. All loans have been repaid on time and distributed for a second time to the agricultural sector.

New banking systems

A successful Inter-state project, which has been operating in both Georgia and Armenia, is aimed at assisting with the introduction of a domestic payments system at inter-bank and intra-bank level. At the end of the first phase, a prototype system had been implemented and the time-scale required for inter-bank transfers had been dramatically reduced (from about six weeks to two days). The second phase of the project addressed the development of an automated inter-bank system to process the currently small number of high value transactions, for which real time gross settlement is required. A new project to establish a Post-Privatisation Development Centre (PPDC) was launched in 1996. It assists medium and large-sized privatised and private enterprises in assessing and improving their management and entrepreneurial skills, in finding necessary information on markets, and in improving their financial strategies.

Government and public sector reforms

Tacis has been advising the government on streamlining the civil service and has set up an in-service training centre for civil servants. The Public Administration College (PACT) had trained 800 civil servants by the end of 1996. The project has recently been extended and will provide training for a further 1,000 civil servants in 1997. The project has also worked closely with the State Chancellery Personnel Unit and Reform Unit and has undertaken reviews of the organisation, functions and tasks of six key ministries. An important contract was signed in late 1996 for a project aimed at contributing to Georgia's scientific and technological competitiveness in the global market economy.

Strategic objectives

In parallel, the Tacis Facilities have allowed the government to work with non-governmental organisations (NGOs), dealing with both the development of civil society (civilian confidence-building measures, the strengthening of youth organisations, training for television and radio journalists, the development of the NGO network, and assistance for trade union reorganisation) and with vulnerable social groups; a project with street children in Tbilisi, for example, has helped to establish a day centre and a night shelter. The work carried out by an NGO with Tacis funding, in bringing together some of the protagonists involved in the South Ossetia conflict, has contributed to efforts aimed at resolving this dispute.

| | |
|---|--|
| Partnership & Cooperation Agreement | Initialed 15.12.95 Signed 22.04.96 |
| Interim Agreement | Initialed 10.05.96 Signed 05.10.96 |
| EC trade balance* (exports to EC - imports from EC) | ECU (-77.9) million |
| Total Tacis funding 1991-1996 | ECU 49.96 million |
| Tacis Indicative Programme 1996-1999 | Approved 25.07.96 Funding envelope ECU 32 million |
| Tacis Action Programme approved during 1996 | Approved 21.11.96 ECU 11.42 million (10 projects) Facilities ECU 4.58 million |

* at end 1995

Kazakhstan

In 1992, Kazakhstan chose to take a gradual but steady approach to reform, despite facing a range of difficulties common to all the NIS. The aim was to maintain social and ethnic stability and avoid social disruption which would discredit market reforms. Structural changes started slowly but have substantially increased since 1993 when the Government undertook implementation of macroeconomic reform. In 1995 the first signs of progress were observed: the inflation rate had been curbed to an annual 55 per cent, the rate of decline in GDP had been reduced to 3 per cent, and a positive trade balance had been achieved. In 1996 real growth rates in GDP were 1.1 per cent and 9.3 per cent in exports. However, the persistently poor micro economy, the decrease of assistance in the social sphere, the increase in criminality and very serious environmental problems continue to cause great concern. Kazakhstan is undoubtedly an important partner for the EU, as the largest country in Central Asia, and with very high economic potential, especially in the field of energy.

The Partnership and Cooperation Agreement was signed in January 1995 and the Interim Agreement was signed at the end of 1995. Kazakhstan applied to join the WTO in January 1996 and is already a member of the IMF.

Against this background, an Indicative Programme for 1996-1999 has been approved, which identifies the following areas for support:

- structural and institutional reform
- agriculture and agro-industry development
- basic infrastructure, including energy, transport and telecommunications.

An indicative budget of ECU 57 million has been allocated to Kazakhstan for the period 1996-1999.

Enterprise support

Enterprise will be supported by legislation and policies which underpin privatisation, building on extensive assistance provided during 1996. Other actions will encourage foreign investment and assist accession to the WTO. The growth of SMEs will be encouraged under the new programme, as in the 1996 project to provide distance learning and post-restructuring support to a consumer cooperative. The emergence of a strong financial and insurance sector will be encouraged by support for suitable legislation and policies.

| Funds allocated by sector 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Nuclear safety and environment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restructuring state enterprises and private sector development | 0 | 6.54 | 6.3 | 6.3 | 5.9 | 0 | 25.04 |
| Public administration reform, social services and education | 4.87 | 1.4 | 3.15 | 1.8 | 2.9 | 0 | 14.12 |
| Agriculture | 2.16 | 3.06 | 3.15 | 3.15 | 3 | 0 | 14.52 |
| Energy | 0.7 | 3.2 | 0 | 0 | 0 | 0 | 3.9 |
| Transport | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Policy advice | 0 | 6.4 | 0 | 1.63 | 0 | 0 | 8.03 |
| Telecommunications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 1.4 | 1.12 | 3.2 | 0 | 5.72 |
| Total | 7.73 | 20.6 | 14 | 14 | 15 | 0 | 71.33 |

Note: The 1996-1997 Action Programme will be approved during 1997

In 1996, enterprise support projects built upon projects implemented in previous years. Tacis continued to provide support to the state agencies responsible for privatisation through the preparation of individual enterprises for privatisation. Recognising the desperate need for restructuring, Tacis set up a Post-Privatisation Centre in Almaty to assist privatised companies with their restructuring. Tacis also addressed the social impact of economic reforms and privatisation in the industrial region of Aktyubinsk and began pilot activities on employment services, education and health services.

Training

In 1996, the Tacis-sponsored MBA course at the Kazakhstan Institute of Management, Economics and Strategic research (KIMEP) confirmed its leading role in business teaching in central Asia. KIMEP boasts an output of more than 100 graduates per year since 1995, who go on to find employment in foreign and local firms. The State Academy of Management in Almaty reaped the benefits of Tacis support in the strengthening of its teaching capacity, based on the most advanced economics curricula in some of Europe's most prestigious business schools. Tacis experts also provided training for members of the Kazakh Parliament in oil and gas legislation, taxation and environment.

Exploiting agricultural resources

Agricultural activities in 1996 focused mainly on pilot activities at Oblast level, support to private farmers and to the food processing industry, and the creation of a marketing system and a pilot wholesale market to aid agricultural management. Within the framework of the support Tacis has been providing for the local Cooperative Union, a pilot food shop, with competitive prices and European standards, was opened in 1996. Private farmers organisations in the Almaty, Turgai and Taldy-Kurgan Oblasts also received support.

A consequence of reform is often an initial decline in social conditions; to offset this, the supply of adequate social support systems will be strengthened and positive help given to rural development.

Tapping into energy

Much of the economic potential of Kazakhstan lies in natural resources, in which there is considerable foreign interest. Despite this, energy has not previously been a priority of Indicative Programmes. This will now change and support will be given in order to exploit this potential, particularly through the promotion of internal and external trade in natural resources.

The Tacis Energy Management Training Centre was completed in 1996 and began serving the training needs for the strategic development of energy in Kazakhstan.

In 1996 Tacis agreed to address energy through helping to develop an appropriate fiscal, legal and financial framework, and to provide support to restructure and upgrade the current system of extraction, processing and transport of oil and gas.

| | |
|---|---|
| Partnership & Cooperation Agreement | Initialled 20.05.94 Signed 23.01.95 |
| Interim Agreement | Initialled 22.12.94 Signed 05.12.95 |
| EC trade balance* (exports to EC - imports from EC) | ECU (-89.9) million |
| Total Tacis funding 1991-1996 | ECU 71.33 million |
| Tacis Indicative Programme 1996-1999 | Approved 21.11.96 Funding envelope ECU 57 million |
| Tacis Action Programme approved during 1996 | — |

* at end 1995

Kyrgyzstan

With a GNP per capita of US\$ 610 in 1994, Kyrgyzstan is one of the poorest countries in the NIS. Agriculture is the principal economic activity, despite the fact that only 7 per cent of the country's land is arable. It is unable to exploit its significant natural resources because transport systems and infrastructure are inadequate, despite considerable support under the TRACECA and Inter-State Oil and Gas to Europe (INOGATE) projects. The other energy source with undeveloped potential is hydroelectric power. The republic is now at a critical juncture: it has made a bold start on far-reaching reforms, but this is not reflected by economic output. Short-term visible success from donor projects is therefore extremely important to retain public support for reform. The Partnership and Cooperation Agreement was signed in September 1995, and the Interim Agreement in January 1996, and the EC is actively supporting accession to the WTO.

The Indicative Programme for 1996-1999 has been approved, and identifies the following areas for support:

- structural and institutional reform
- agriculture and agro-industry development
- basic infrastructure, including energy, transport and telecommunications.

Institutional reform

Support for the first of these sectors addresses the imbalance between democratic reforms that are trailing economic

reforms, and the need to reduce the size of the state apparatus and move further towards market processes. In order to help achieve this, Tacis will concentrate upon a limited number of actions that are integrated and complementary. The first of these is support to the development and consolidation of institutions in order to reinforce democratic reform. The next is to modernise the state administration through training and support in legal and policy advice.

Enterprise will be supported by legislation and policies that underpin privatisation and encourage foreign investment, whilst cushioning those affected by reform. Support will also focus on accession to the WTO and encouraging the growth of SMEs. Emphasis will be given to mobilising investment for the productive sectors. Human resources will be nurtured through the development of education and through support for the integration of educators and students. Support will also be given to putting a social "safety net" in place. Such actions build on support to strengthen civil service reform, and a wide-ranging Tempus project in the previous year.

Developing the agricultural sector

Kyrgyzstan is now a net importer of food, having been a net supplier to the former Soviet Union. Primary production has been reduced substantially since independence. To reverse the decline in output, support will be given to a range of projects. Policy formulation, together with implementation at national and regional levels, will be a priority. In the

| Funds allocated by sector 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---|------------|-------------|-----------|----------|----------|----------|--------------|
| Nuclear safety and environment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restructuring state enterprises and private sector development | 0 | 0.82 | 0 | 0 | 0 | 0 | 0.82 |
| Public administration reform, social services and education | 0 | 0 | 2.6 | 0 | 1.6 | 0 | 4.2 |
| Agriculture | 0 | 2.71 | 4 | 0 | 3.7 | 0 | 10.41 |
| Energy | 0.7 | 0 | 2.4 | 0 | 1.7 | 0 | 4.8 |
| Transport | 0 | 5.7 | 0 | 0 | 0 | 0 | 5.7 |
| Policy advice | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Telecommunications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 1 | 0 | 1 | 0 | 2 |
| Total | 0.7 | 9.23 | 10 | 0 | 8 | 0 | 27.93 |

Note: The 1996-1997 Action Programme will be approved during 1997
Kyrgyzstan did not receive funds under the 1994 programme

agricultural sector, farm enterprises will receive training in various aspects of food production, processing and distribution, and support for the development of and investment in food processing and packaging will also be provided. Support to develop dealer and wholesaler networks will help ensure supply and access to markets. Access to finance for farming enterprise will also be encouraged. Rural development and the provision of adequate social support systems will receive support. Projects in this sector funded under the 1995 programme supported policy formulation for the sector and the development of marketing and management support services. A pilot project to enhance land management reform and improve output also received support.

Energy and natural resources

The objectives of basic infrastructure reform are to facilitate exploitation of natural resources, particularly energy, and increase internal and external accessibility to promote trade. A previous support programme which was in operation during 1996 is helping to develop a strategy for the electricity sector, including planning, technical development and modernisation support, and the development of management in the coal industry. In the future, support will be confined mainly to the provision of sectoral policy advice, capital investment appraisal, and environmental and related issues, together with the development of an appropriate fiscal, legal and financial framework. Help will be given to restructure and upgrade the current system of extraction, processing and transport of oil, gas and coal. In a concurrent, linked development, support will be given to upgrading the transport and communication sectors, not only to meet internal needs, but also as a key component of the TRACECA project. Management will be trained to exploit both sectors fully. Environmental protection will, as always, be an intrinsic part of any project.

The indicative budget for Tacis support for 1996-1999 is ECU 26 million.

| | |
|---|---|
| Partnership & Cooperation Agreement | Initialled 31.05.94 Signed 09.02.95 European Parliament assent 30.11.95 |
| Interim Agreement | Initialled 25.01.95 Signed 28.11.96 |
| EC trade balance* (exports to EC - imports from EC) | ECU (-18.7) million |
| Total Tacis funding 1991-1996 | ECU 27.93 million |
| Tacis Indicative Programme 1996-1999 | Approved 21.11.96 Funding envelope ECU 26 million |
| Tacis Action Programme approved during 1996 | — |

* at end 1995

Moldova

Moldova has pursued a policy of economic reform since independence. Considerable progress has been made and the corresponding benefits are now beginning to be enjoyed. The fall in GDP slowed to 8 per cent in 1996, inflation fell to an annual 15 per cent at the end of 1996, and the exchange rate has stabilised. Thus, at the macroeconomic level, Moldova has fared well. This is despite an economic dependence on agriculture, which is its primary economic activity. Mass privatisation has taken place, accompanied by some restructuring efforts, the liquidation of some enterprises and the revision of bankruptcy legislation. There is a moratorium on land sale until 2001. In all sectors, many enterprises are operating with very low use of production capacity, obsolete technology and high energy costs. Trade to countries other than the Russian Federation is on the increase, although Russia remains Moldova's dominant trading partner. Foreign direct investment into Moldova is low. The Interim Agreement came into force during the year, pending ratification of the Partnership and Cooperation Agreement (PCA). Accession to the World Trade Organisation (WTO) continues to receive EC support.

Tacis priority actions

The Indicative Programme 1996-1999 was developed and approved in the last quarter of 1996. A budget of ECU 36 million was earmarked for this programme, with the following priority sectors selected for concentrated support:

- food production, processing and distribution
- private sector development
- human resources development

While the first Action Programme within the framework of the new Indicative Programme will follow only in 1997, nonetheless, various activities commenced in 1996 in line with the ongoing Tacis support for these focal sectors.

Support for agriculture, rural development and the food industry

Tacis embarked upon three key projects in this sector in 1996: namely the development of rural credit for small farmers; improving the marketing of agricultural and agro-industrial produce; and improving the supply of quality vegetable and potato seed.

The first of these projects aims to create a flow of small to medium-sized credit facilities for the benefit of private operators, including small farms, transport and storage companies, wholesale businesses and import/export agents. Tacis is providing its local partner organisation (Agroindbank) with the necessary support to build its capacity for credit provision. Its potential clients, private farmers, will receive training in the presentation of applications for credit through the National Federation of Farmers' Federations (set up by Tacis in 1995).

| Funds allocated by sector 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Nuclear safety and environment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restructuring state enterprises and private sector development | 0 | 1.73 | 0 | 1.45 | 1.5 | 0 | 4.68 |
| Public administration reform, social services and education | 0.13 | 2 | 0 | 1.9 | 2 | 0 | 6.03 |
| Agriculture | 0.97 | 2.27 | 0 | 4.7 | 2.5 | 0 | 10.44 |
| Energy | 0 | 2 | 0 | 0.6 | 1.5 | 0 | 4.1 |
| Transport | 0 | 0 | 0 | 0.6 | 0 | 0 | 0.6 |
| Policy advice | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Telecommunications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0.75 | 1.5 | 0 | 2.25 |
| Total | 1.1 | 9 | 0 | 10 | 9 | 0 | 29.1 |

Note: The 1996-1997 Action Programme will be approved during 1997
Moldova did not receive funds under the 1993 budget

The second initiative builds on previous Tacis support for the strengthening of marketing structures, by supporting the development of a transparent marketing network. It aims to develop private commercial marketing, to regain lost markets in the NIS and to investigate and launch exports into new foreign markets, as well as improve domestic marketing. Finally, the third project is working at strengthening the management of private companies in the seed multiplication sector and will assist Moldovan authorities to meet international standards in seed legislation.

Private sector development

An important project commenced in 1996 to support the reorganisation of recently privatised companies in difficulty. Although privatisation has been carried out on a wide scale in Moldova, many newly privatised companies have negative equity and face bankruptcy, unless radical changes are made to the way in which they manage their production costs and cash flow. Against this background, Tacis launched a programme for identifying insolvent enterprises, with accompanying plans for their reorganisation or liquidation. Known as the Enterprise Isolation Programme (EIP), this project is creating a consistent and systematic approach for tightening the financial discipline of enterprises and is keenly supported by the World Bank and a number of bilateral donors. Tacis has selected five enterprises within the EIP, and began to support the preparation of their restructuring plans and the training of Moldovan experts to carry out similar restructuring plans with other companies.

In 1996 Tacis launched an initiative to provide continued support to the Business Centre of Moldova (BCM), with the goal of making it progressively self-sustainable. The BCM was set up by Tacis in 1994 to provide assistance to new enterprises and spin-offs from State Owned Enterprises. More than 50,000 new businesses have been set up since 1990, of whom many have received training and support for business plan development from the BCM.

Developing human resources

Tacis launched a major project in 1996 to provide support for the reform of the social protection system in Moldova. Tacis is focusing closely on the pensions system, which, with months of arrears in pensions payments, is in need of

urgent reform. The project addresses issues of policy, legislation and the administrative structures required to collect contributions and to deliver social protection benefits effectively. Collaboration with the World Bank is ongoing, in view of the related conditions within its second Structural Adjustment Loan (SAL II) now under development for Moldova. A further project in the field of social protection (a small initiative to support first steps toward health reform) was launched in 1996.

Energy and transport needs

Although the new Indicative Programme does not include either the energy or the transport sector as a priority for future intervention, critical ongoing activities received further elaboration in 1996. The National Energy Efficiency Office, which was created with Tacis assistance in 1993, will receive continued support. A new project will help it to implement various activities. These include the extension of its audits to other sectors such as agriculture and public buildings; the establishment of a demonstration project to illustrate efficient energy use; and the further dissemination of information on energy saving. Tacis is providing the Moldovan State Department of Energy with further policy assistance for the development of a national energy strategy.

| | |
|---|---|
| Partnership & Cooperation Agreement | Initialled 26.07.94 Signed 28.11.94 European Parliament assent 30.11.95 |
| Interim Agreement | Initialled 07.04.95 Signed 02.10.95 Entry into force 01.05.96 |
| EC trade balance* (exports to EC - imports from EC) | ECU (-53) million |
| Total Tacis funding 1991-1996 | ECU 29.1 million |
| Tacis Indicative Programme 1996-1999 | Approved 26.09.96 Funding envelope ECU 36 million |
| Tacis Action Programme approved during 1996 | — |

* at end 1995

Mongolia

The elections in the middle of the year resulted in fundamental political change in Mongolia. The Democratic Union Coalition achieved a substantial majority and the Mongolian People's Revolutionary Party, which had ruled for 75 years, was overturned. Mongolia also acceded to the WTO in January 1996. A Trade and Cooperation Agreement between Mongolia and the European Community and its Member States was signed in 1992, and entered into force in 1993. This agreement will be renewed in 1998.

The Indicative Programme for 1996-1999 identifies the following areas as needing support:

- structural and institutional reform
- enterprise and financial development
- infrastructure development

Supporting institutional reform

Support will be given to structural and institutional reform, both to achieve the broad objectives of reform common to the Tacis Programme and to address the new phenomenon of unemployment.

Action will be targeted at five areas. Modernisation of the state apparatus is crucial to the reform process, in which it plays a pivotal role. Continued support to higher education is important in order to sustain the transformation of society. The means to help achieve this

will include exchange activities through Tempus, and vocational training. Measures may include curriculum reform, retraining teachers, and the management and development of teaching materials.

The fostering of trade is essential to Mongolia if it is to exploit its membership of the WTO. Tacis may provide specific support to help Mongolia develop competitiveness and promote its international trade. Development of the tourism industry aims to exploit its enormous potential and establish a new revenue source. The first Tacis action, given in response to a specific request, will be to carry out a master plan study.

The Management Information System (MIS), which was developed under a previous Tacis project, has delivered training programmes to policy makers, university management and final MIS users. This will now be expanded to extend these benefits to the higher education sector, supporting planning, monitoring and control, administration and information exchange. Another project will prepare a master plan for the tourism industry, by preparing a development plan, strengthening the Tourism Policy Department, providing overseas training for staff, and supplying equipment and materials. A third project is intended to combat unemployment by strengthening the employment regulation offices and the implementation of employment promotion measures.

| Funds allocated by sector 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Nuclear safety and environment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restructuring state enterprises and private sector development | 0 | 0 | 0 | 2.56 | 0 | 1.4 | 3.96 |
| Public administration reform, social services and education | 0 | 0 | 0 | 3.0 | 0 | 2.9 | 6.7 |
| Agriculture | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Energy | 0 | 0 | 0 | 1 | 0 | 1.7 | 2.7 |
| Transport | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Policy advice | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Telecommunications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 2.9 | 2.9 |
| Other | 0 | 0 | 0 | 0.64 | 0 | 0.6 | 1.24 |
| Total | 0 | 0 | 0 | 8 | 0 | 9.5 | 17.5 |

Note: Mongolia became a Tacis partner country in 1994.
The 1994 budget also covers activities in 1995

Human resources

Three major projects were under implementation in this sector during 1996. The "Education Information System" project developed an effective and efficient management information system for the Mongolian Centre for Scientific and Technological Information in areas of higher education and market economy. Another Tacis initiative provided support for the Mongolian employment services through the development of labour market policy and to enhance the capabilities of the Department of Labour in implementing the policy through effective institutional building. Finally Tacis experts provided support to strengthen economics teaching and analytical research capacity of the Economics Institute of Mongolia.

Developing enterprise in Mongolia

In enterprise development, suitable legislation and policies to encourage foreign investment will be fostered, as will the institutions and legislation needed to promote and sustain trade and growth of SMEs. In the financial and insurance sector, the support will aim to develop a system to allocate savings to investment projects, enhance investment and enterprise expansion, and develop an insurance sector which would facilitate risk-taking but also provide protection to the risk.

During 1996, the SME Development Programme for Mongolia was seen to have had some very positive results. The Mongolian Business Development Agency, which was established by Tacis, provided advice, information and training, as well as partner search and investment plans, for local entrepreneurs. The Tacis Programme has had a positive impact on SME policy in Mongolia, through a series of discussion papers. These formed the basis for a draft SME law, which is currently passing through parliament. This law closely follows recommendations made by Tacis experts. In addition, a policy study tour to Europe was influential in changing the approach of staff from the National Development Board and the Ministry of Trade and Industry.

Reforming energy

As elsewhere, the poor state of the energy sector dominates infrastructure reform. Mongolia is one of the coldest nations in the world, industry is energy intensive and the reduced capacity to import threatens a supply already under pressure from the effects of the transition process. The transport and telecommunications networks are crucial to a country with a widely dispersed population. The objectives of the Indicative Programme seek to strengthen the infrastructure in respect of these weaknesses, to underpin economic development and to sustain minimum services for the population.

The energy programme reemphasises conservation and supply based on internal sources. This will be done by developing an Energy Conservation Master Plan, backed up by pilot projects, practical initiatives, and information provision. Support will include an analysis of the potential to produce mini-hydroelectric and renewable energy plants. Addressing energy needs in a rural region, including pilot initiatives in the use of renewable energy sources, will also receive support.

Following the forest fire disaster of spring 1996, Tacis provided ECU 150,000 in emergency aid for the purposes of fire fighting.

| | |
|---|---|
| Partnership & Cooperation Agreement | — |
| Interim Agreement | — |
| EC trade balance* (exports to EC - imports from EC) | — |
| Total Tacis funding 1991-1996 | ECU 17.5 million |
| Tacis Indicative Programme 1996-1999 | Approved 26.09.96 Funding envelope ECU 19 million |
| Tacis Action Programme approved during 1996 | Approved 21.11.96 ECU 6.6 million (5 projects) Facilities ECU 2.9 million |

* at end 1995

The Russian Federation

The size of the Russian Federation makes it quite different from any other NIS. The high cost of the transition towards a market economy, exemplified by the fall in output and decline in living standards, has led to considerable hardship for many of its people, although reform is generally accepted as irreversible.

An economy in transition

The economic situation in the Russian Federation is mixed, with impressive progress in some areas. More efforts are required to consolidate macro-economic stabilisation. Despite positive achievements so far, there is still a need to bring about further structural reform, restructure industry and reverse the huge decline in living standards. GDP continued to fall in 1996 (6 per cent). There was a substantial fall in interest rates, coupled with new opportunities to borrow on the international capital market.

Despite progress in privatisation, industrial restructuring remained disappointing. Russia's trade performance was similar to previous years, however, it is expected that economic recovery would lead to increased imports, and thus a reduction in Russia's comfortable balance of payments surplus.

Russia's overriding priority is to achieve fiscal consolidation to ensure a sustainable fiscal deficit and eliminate existing payment arrears. In addition, an increase in investments is needed in order to stimulate economic recovery. This will require additional reforms, which include development of capital markets, the strengthening of commercial banking systems, the introduction of more competition and a framework for the enforcement of contracts.

1996 saw the Duma and Presidential elections, which were monitored by Tacis through the Democracy programme. The Chechen war ended, peace negotiations began and the European Union continued to provide humanitarian assistance in the region.

The Interim Agreement, pending ratification of the PCA, came into force in early 1996. The EC supports Russian accession to the WTO. The EC remains Russia's biggest customer, accounting for 40 per cent of total Russian trade, a proportion that has remained stable since 1991. There is a large trade surplus in Russia's favour, estimated at ECU 3 billion. The EU is also the dominant foreign investor, accounting for about half of all foreign investment.

Priorities in 1996

Following a European Commission communication in 1995 outlining future EU-Russian relations, cooperative goals were specified in the Action Plan approved in May 1996. These goals fall into five broad areas:

- democratic reform
- the economy
- security
- foreign policy
- justice and home affairs.

Tacis is identified as one of the main instruments to support implementation of the relevant actions outlined in the Action Plan.

At the beginning of 1996, of the 650 Tacis projects in the Russian Federation, approximately 240 were complete, 180 were in preparation and 230 were under way. A new programming cycle began in June 1996, when the 1996-1999 Indicative Programme was approved, earmarking ECU 600 million for Tacis support until the end of the century. This Programme pledges to build upon the support that was provided in its first five years of operation, and adds the environment sector to the group of priority sectors maintained from previous years. A total of ECU 107 million was committed to the 1996 Russia Action Programme and a further ECU 26 million was allocated to support through the Tacis Facilities.

Tacis in the regions

Tacis regional activity comprises 30 per cent of the budget and affects ten major regions; these are Moscow, St. Petersburg, Samara, Tyumen, Urals, western Siberia, Kaliningrad, south-west Russia, Lake Baikal, and north-west Russia. Further regional focus is not possible, unless minimum critical project mass is assured, and there will be no future separate regional programmes. But earlier successes will be reinforced. Due to its common border with the EU, north-west Russia will become an area of special interest to Tacis, with a number of projects ongoing from the 1995 Programme. Relevant programmes such as INTERREG and Cross-border Cooperation will dominate, as will regional cooperation in the Black Sea and Barents regions.

These principal objectives are incorporated into the Action Programme for 1996.

| Funds allocated by sector 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---|---------------|-------------|---------------|-------------|---------------|-------------|---------------|
| Nuclear safety and environment | 12.89 | 0 | 0 | 0 | 0 | 5.5 | 18.39 |
| Restructuring state enterprises and private sector development | 27.2 | 29.76 | 54.5 | 43.4 | 40.6 | 31.3 | 226.76 |
| Public administration reform, social services and education | 46.64 | 24.57 | 44 | 18.85 | 52.8 | 33.8 | 220.66 |
| Agriculture | 50.85 | 21.49 | 12.5 | 16.3 | 17 | 10.6 | 128.74 |
| Energy | 41.5 | 16 | 21.1 | 19.5 | 18 | 11.5 | 127.6 |
| Transport | 32.87 | 14.25 | 13.55 | 13.9 | 12.6 | 8.5 | 95.67 |
| Policy advice | 0 | 0 | 0 | 18.95 | 0 | 0 | 18.95 |
| Telecommunications | 0 | 4.93 | 5.1 | 4.1 | 5.4 | 3 | 22.53 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 26 | 26 |
| Other | 0 | 0 | 10 | 15 | 14.79 | 2.8 | 42.59 |
| Total | 211.95 | 111 | 160.75 | 150 | 161.19 | 133 | 927.89 |

Tacis action in 1996

Enterprise development

Enterprise support covers major areas and reform activities. Within the restructuring of enterprises, an important pilot programme will provide restructuring advisory services, helping privatised companies to adjust to market conditions. Unusually, this will be partially funded by the assisted enterprises themselves. A second project in this sector will build on the results achieved by seven Enterprise Support Centres (ESC), to ensure that transfer of know-how will be extended to a larger number of enterprises. The ESCs will be expanded to the north-west region where there is a strong demand for general counselling services. The project will also assist existing training structures to achieve financial sustainability. Assistance will be provided for Financial-Industrial Groups to ensure proper understanding of this type of group, and to structure an important industrial tool for economic recovery. Another project will help set up a framework for the restructuring process of the non-ferrous metals mining industrial sector in the Russian Federation, emphasising regional development and promotion of domestic consumption. In the framework of the Tacis Programme's assistance to the conversion of defence related enterprises, advice will be given to the chemical defence industries supporting their conversion to civil goods production.

Finally, preparation for the set up of a joint aviation centre to exploit skills and to promote EU-Russian industrial cooperation in this area will be supported.

In the financial services and the business environment sector, earlier Tacis action will be extended, providing advisory services to smaller, potentially viable banks in the area of business development and investment, and risk and credit assessment. Another extension activity will upgrade skills and know-how within the Central Bank, particularly in regard to supervision. A third project will build upon a 1991 project, to extend training efforts, by distance learning, to insurance practitioners throughout the country. This project will also assist the establishment of research and information centres in two of Russia's major cities. Tacis will also help attract foreign direct investment through support to the Foreign Investment Promotion Centre and State Registration Chamber, which promotes the Russian Federation as an attractive location for investment, advises potential and existing investors, and provides incorporation and registration services. Finally Tacis will continue training activities within the fields of accounting and auditing.

Support to small businesses comprises two projects. The first will support the SME Development Agencies through the provision of specific training to Russian trainers, and the establishment of Business Communication Centres, while

the second will help the Federal Fund for Small Business develop financing mechanisms for small businesses. The transfer of know-how to individual enterprises will also continue through the Facilities programme. A total budget of ECU 31.3 million was allocated to enterprise support in 1996.

Upgrading human resources

The second sector is human resources development, with a budget of ECU 22 million for 1996. In the first group, education and training, Tacis support will assist the reform of the education system, through improving management, addressing financing, becoming demand-driven with a long term perspective and improving quality control. A second project will strengthen the law preparation and conception process and legal training, starting with the recognition of the link between economic and law reforms. Support for economic and business teaching will help disseminate Tacis results in this domain and enhance teacher training and equipment.

The International Science and Technology Centre (ISTC) in Moscow is a practical example in this highly sensitive field. (See also "Bilateral and international cooperation".) A total of ECU 96 million has been invested in 324 projects, involving 15,000 former military scientists. Projects range from recycling military plutonium, to vaccine development by former biological warfare specialists, to methods of fire fighting in industrial plants and oil fields.

The second group of projects concerns public administration reform. The work of the Russian-European Centre for Economic Policy will continue, extending provision of policy advice to government bodies to help them embrace economic and social policy. Secondly, the Ministry of Nationalities and Federal Relations will receive support in developing policy to achieve more equilibrium in social developments. This project will also support the development of specific municipal towns and regions, such as St. Petersburg and the north-west.

Developing social services

Social protection projects will concentrate on improving management, developing health care and delivering support to social services provision. A system of preventive health care will support a long-term programme to reduce epidemiological problems, create an integrated social and health network, and improve health management in certain regions. A second project will contribute to the

management and conception of health and social funds insurance. The final project will help NGOs provide compensatory social welfare, through improved efficiency. The total budget for this sector is ECU 9.8 million.

Reforming agriculture

In the food and agricultural sector, farmers will receive advice regarding buying inputs and selling of products, with the aim of removing bottlenecks and solving problems. Another project will aim to increase dairy and cattle productivity, through pilot projects and advice. It should also reduce consumption of cereals and concentrates in favour of grass and roughage, and contribute to animal husbandry policy. The last project will assist cereal production in the Central Black Soil Region, by addressing restructuring, productivity and local policies. ECU 10.6 million has been allocated to this sector.

Support to the energy sector

Four new energy sector projects were approved for financing under the 1996 Action Programme. Support to Federal and Regional Energy Commissions will facilitate the development of the legal and regulatory framework, concentrating on restructuring the energy sector networks and establishing a rational tariff policy. The harmonisation of standards and certification procedures for oil equipment will help to remove a barrier to trade and allow Russian industry to compete in domestic and overseas markets. A third project will focus on restructuring the district heating sub-sector, where ambiguous divisions of responsibility exist. Finally, the success of the Energy Centres in previous years continued in 1996, and Tacis provided renewed support to the centres in the Urals and Western Siberia by concluding contracts for project extensions. Overall, ECU 11.5 million has been budgeted for these projects.

Developing the transport network

Transport and telecommunications needs will be addressed through five projects. An increased flow of goods along a Pan-European Networks corridor would assist trade, and a project seeks to stimulate this development, while introducing European standards and improved efficiency. Support will focus on railway infrastructure, signalling and rolling stock. Reform of the internal waterways will facilitate transport between Europe and the industrial heart of the Russian Federation; a second project will assist

modernisation of ports along the Volga. By establishing road haulage associations, transport broker organisations, transport insurance brokers and related training, the road haulage sector will be developed. Finally, improved radio spectrum management and monitoring, introducing European wireless telecommunication standards, and further support to training centres in modern telecommunications technologies, management and commerce will aid the development of telecommunications. A budget of ECU 11.5 million has been earmarked for these projects.

Support for the environment

Systematic action to overcome the problems of environmental damage has been the exception rather than the rule. The Indicative Programme now seeks to include environmental considerations in the design of all Tacis projects as well as to elaborate free-standing environmental actions to support a more concerted approach. Thus human resources projects now include environmental assessments in policy formulation and strategic planning, as do enterprise support and food and agriculture projects. Energy efficiency gains enable major environmental benefits. In the transport sector, improvements to the railway will include an environmental impact assessment, and internal waterways offer environmentally friendly transport. In addition, two free standing measures were approved for financing: support to institutions with environmental responsibilities, and the development of a corporate environmental policy within the oil industry. A total of ECU 5.5 million was allocated to environment specific actions in 1996.

| | |
|---|---|
| Partnership & Cooperation Agreement | Initialed 23.03.94 Signed 24.06.94 European Parliament assent 30.11.95 |
| Interim Agreement | Initialed 29.12.94 Signed 17.07.95 Entry into force 01.02.96 |
| EC trade balance* (exports to EC - imports from EC) | ECU 5,832.9 million |
| Total Tacis funding 1991-1996 | ECU 927.89 million |
| Tacis Indicative Programme 1996-1999 | Approved 26.06.96 Funding envelope ECU 600 million |
| Tacis Action Programme approved during 1996 | Approved 08.11.96 ECU 107 million (26 projects) Facilities ECU 26 million |

* at end 1995

Tacis at work in the environment in the NIS and Mongolia

There was a time, for both governments and the private sector, when the environment seemed to be a low level priority. Yet attitudes are changing and Tacis is encouraging this change. The 1996 Tacis Regulation has created a new focus on the environment, matching shifts in thinking in the EU and in the NIS. The environment is no longer just one aspect of energy or agriculture projects, or one component of the Inter-State programmes. The EU Member States have agreed to make it a priority sector, as confirmed by the European Union's 5th Environmental Action Plan, "Towards sustainability".

Consequently, environment projects will now account for around 10 per cent of Tacis funds for the Russian Federation (as much as ECU 50 million over 1996-1999). Projects with clear environmental benefits, such as pipeline maintenance or combating oil spills, will account for 15 per cent of funding. Two-thirds of energy projects will contain an energy efficiency component. In Ukraine and Belarus, 10 per cent of programmes cover the environment. For Moldova the figure is closer to 15 per cent.

Tacis tackles environmental problems in the NIS and Mongolia through:

- individual country Action Programmes
- the horizontal integration of environmental concerns in all Tacis projects
- actions on an inter-state level where Tacis brings together partner organisations from different Tacis countries to cooperate in addressing common environmental concerns
- cross-border cooperation programmes, focusing on EU-NIS common borders.

Environment to the fore

From biodiversity in Mongolia to energy-saving in Kyrgyzstan, via eco-tourism in Georgia to clean production in Ukraine, waste treatment in St Petersburg, water supply in Karelia, and sewage disposal in Sortaval, Tacis is already delivering projects that have a real impact on the environment in the NIS. More than ECU 60 million has been allocated since Tacis' first tangible commitment to the environment of the NIS in 1992, with the launch of a project to support the environment of the Black Sea. Tacis projects include:

- an environmental awareness-raising programme across the NIS and Mongolia
- WARMAP - the Aral Sea project

- early warning systems for oil spillage in the Russian Federation
- sustainable development in Lake Baikal
- the Black Sea environmental programme
- cutting river pollution on the Russia/Finland border
- national programmes in the Russian Federation and Ukraine
- establishing and implementing National Environmental Action Plans in all of the NIS and Mongolia
- Chernobyl clean-up programmes
- the Danube River Basin project
- the Caspian Sea programme.

Awareness raising

If the environment is ever going to be regarded as a high priority by the governments and peoples of the NIS and Mongolia, an awareness of the impact of environmental issues on all areas of public and private life must be developed. In early 1997, Tacis launched an ECU 2.9 million project to raise environmental awareness across the NIS and Mongolia. The project helps decision-makers to integrate environmental thinking into their everyday work, promotes the development of environmental non-governmental organisations (NGOs) and community-based associations (for example, local church groups and farmers' associations). The project also seeks to increase awareness and to empower the public to protect their local environment. The Tacis team has already persuaded a Russian television company to write an environmental storyline into one of its popular weekly soap operas.

Border cooperation

The Tacis Cross-border Cooperation (CBC) programme was launched in 1996, to provide targeted support for key EU-NIS and NIS-CEEC border regions. The environment is one of the main priorities of the programme. It is well known that environmental problems do not recognise borders and that solutions to shared problems can only be found through cross-border cooperation. In its first year, four environment projects worth ECU 4 million were approved concerning water supply, waste water treatment and management, and the management of hazardous waste.

Tackling water pollution in St Petersburg

Tacis is spending ECU 1.5 million on developing a system for the management of hazardous waste in St Petersburg. Currently there is a risk of ground water and surface water contamination through seepage from landfill sites. The threat affects the ecosystems of the river Neva (the main source of drinking water for the city) and the whole of the Gulf of Finland.

The last chance for the Aral Sea

Both international and local action is required to reverse the shrinkage of the Aral Sea. By 1985, it had shrunk to only half of its 1960 surface and volume. The problem is caused by continuing and intensive agricultural production, particularly of cotton, and the drainage of the Amu Darya canal. Tacis, in cooperation with other donors, is helping to resolve this problem through its project for Water Resources Management and Agricultural Production (WARMAP). Tacis is helping to promote cooperation among the five central Asian republics bordering the Aral Sea basin. It is also supporting local remedial measures, such as better management of inter-farm canal systems, and improving water conservation techniques.

Cleaning up the Danube

The Danube river is highly polluted, and it is also passing its pollution on to the Black Sea. In 1996, Tacis provided ECU 1 million to Ukraine and Moldova, to allow these countries to monitor, analyse and solve these problems for themselves. Just over half of the budget is for equipment, with the rest provided for training.

Far reaching challenges

Tacis has two key environmental objectives in the NIS and Mongolia.

- To change attitudes in the NIS and Mongolia, so that environmental issues have a higher priority, through specific local projects that also demonstrate the clear benefits, merits and feasibility of environmental improvements across the region.
- To act as a catalyst for investments by international financial institutions (IFIs), as well as local donors, by commissioning feasibility studies or environmental impact assessments. Tacis is working closely with the German bank Kreditanstalt für Wiederaufbau (KfW) on an ECU 800,000 pre-investment feasibility study for a water and air pollution monitoring plant for a power station in

Georgia. Once the feasibility study has been completed, the KfW will fund the plant jointly with the World Bank.

Work in progress

Tacis projects with a strong environmental component will have both a powerful effect and an immediate impact on attitudes in the future.

- The Moscow city government wants environmental and health aspects to be incorporated into the Tacis energy-saving project for municipal heating.
- The Moscow Power Station Number 21 (the largest in the city) has asked for a local environmental programme to improve river water quality, so that it can cut down on its own desalination costs.
- A Tacis environmental impact assessment for the Turkmen oil project helped the design of the rehabilitation project for the World Bank, and influenced the Bank's definition of its equipment loan.
- Tacis is backing a project to clean up the Volga river, a vital task since the river basin supports 100 million people and accounts for 40 per cent of Russia's economic activity. At the same time the environmental support facility has been providing support to locally based NGOs and Volga river action groups.
- As part of the International Black Sea Environmental Programme (to which Tacis provides almost 40 per cent of funding) Tacis has recently completed a study on the environmental impact of present and future increases in shipping traffic.
- The Tacis programme for the Black Sea has been instrumental in providing training for local authority managers on sustainable coastal management and sewage control. Tacis is also working closely with the World Bank, UNDP, UNEP and coastal states to set up an international Caspian Sea programme.

Giving the people a voice

Tacis is helping to boost the development of non-governmental organisations in the NIS. Across eastern Europe and into the NIS, the EC is working with international donors to set up Regional Environmental Centres which will channel funds to NGOs and help train the leaders of community-based organisations. The Tacis Democracy programme and its LIEN cofinancing programme also contribute, and Tacis is also involved in an ambitious programme of public information across the NIS, working with environmentally concerned citizens, the media, and the Internet.

Giving Ukraine the tools to make its own future

Ukraine has had to face huge environmental challenges, including the aftermath of Chernobyl, pollution in the Dnieper River Basin and in the Donbass coal mining region, and threats to the country's biodiversity. Until now Ukraine has not had a coherent approach to its environmental problems.

Tacis intervened and a project will put ECU 1.5 million into strengthening Ukrainian environmental authorities. Closer links will be promoted between the state ecological agency in Kyiv, and a regional inspectorate. Management expertise and training will be provided, and will help in informing Ukrainian citizens of their right to expect a higher level of control on health and environmental threats. The project is visible, practical and achievable.

Tacis as a catalyst

Tacis actions promote other projects that are larger than it can afford to fund itself. Tacis has an important role in triggering other donors to pledge resources for environmental improvements in the NIS (such as US cofinancing of Regional Environmental Centres, and the internationally supported Caspian Environment Programme). The 1996 Inter-State programme provides more than ECU 3 million to put Tacis advisers into the field to help in identifying, preparing and evaluating possible environmental projects and passing these skills on to local counterparts.

Tajikistan

The Tajikistan economy has contracted over the last four years, with a collapse in GDP of 72 per cent, due to disruption by civil war and problems in intra-NIS trade which have interrupted supplies of energy and raw materials. Some enterprises have been forced to stop work completely. Lack of food, medicine and heat during very cold winters mean that even survival is difficult. Living conditions have deteriorated in some regions and improved in others, principally the industrial heart in the north. Inflation is extremely high. Agriculture is the dominant industry, employing more than 50 per cent of the active population and accounting for 40 per cent of Gross National Product. The main cash crop is cotton but the country is a net importer of cereals. No Partnership and Cooperation Agreement or Interim Agreement exists or is contemplated, given the current instability. But a textiles agreement gives access to EC markets.

In part as a result of the war, the process of reform has been much slower than in nearly all the other NIS, and some reforms have even been reversed. Tacis recognises that the authorities continue to be dependent on, and seek close military, political and economic links with, the Russian Federation, with which monetary union is being sought. A balance to this policy is one objective of the Programme. However, the Government did launch a five-year reform programme in mid-1995, although unfortunately little progress has been made to date. An indication of the instability and its impact on the Tacis Programme is that at the year end all Tacis experts had to leave the country for two months.

Areas for Tacis support

Proposals in the 1996-1999 Indicative Programme support institutional and structural reform, but also the desirability of a regionally concentrated programme. However, the challenges of diversity and the need for equity make this a challenge. The limited budget allocation, which is ECU 14 million for the period, compared to the enormous task ahead, means that concentration is essential.

Structural reform

Structural reform projects concentrate on reform and restructuring of institutions and enterprises, to facilitate the working of a democratic society and market economy. Action may support the development and consolidation of political institutions and the media. Another project will support modernisation of the state administrative structure, and provide legal and policy advice to ministries and administrations. Finally, support will be given to legislation to underpin privatisation and enterprise reform. SMEs also require support, and education will focus on the enterprise ethos. At the same time, social safety nets must be put in place.

Human resources

Structural and institutional reform was maintained as a priority under the 1996-1999 Indicative Programme and the next Action Programme is scheduled for approval in mid-May 1997. Two 1995 projects under this sector were reaping positive results in 1996. One project is helping

| Funds allocated by sector 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Nuclear safety and environment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restructuring state enterprises and private sector development | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public administration reform, social services and education | 0 | 0 | 0 | 1 | 1 | 0 | 2 |
| Agriculture | 0 | 0 | 0 | 1.68 | 1.75 | 0 | 3.43 |
| Energy | 0 | 0 | 0 | 1 | 0.95 | 0 | 1.95 |
| Transport | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Policy advice | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Telecommunications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0.32 | 0.3 | 0 | 0.62 |
| Total | 0 | 0 | 0 | 4 | 4 | 0 | 8 |

Note: Tajikistan did not receive funding 1991-1993
The 1996-1997 Action Programme will be approved during 1997

students in Khudjand develop business plans and wider business skills, whilst the other has strengthened economics and management training at Tajik State University and other regional training centres. This second project is continuing until 1997. The key to the success of these modest projects is the motivation of the partners, who are extremely cooperative and ambitious. Tempus also received an unprecedented number of applications from Tajik universities during the year.

Agricultural development

The importance of agriculture has been identified. A project to provide training and education in the agricultural and food centre came to an end in 1996. This was replaced by a project to provide support to the fruit and vegetable sector, launched in May. The new project will exploit the one agricultural area that provides a surplus in production and therefore has export potential. The project works with associations of food producers and exporters, and reviews the production and packaging of produce for export, for example addressing issues of quality, hygiene and standards. The other agricultural project provides know-how to the meat sub-sector, identifying a pilot project for financing under the 1997 Action Programme.

Focusing on energy

Infrastructure development will continue to focus on the energy sector and on developing the legal, fiscal and financial framework for both energy and telecommunications. Measures include restructuring the current system of electricity generation and distribution and training in energy saving, environmental issues and quality assurance. A project, in the form of a bankable feasibility study, was launched to find possible replacement foreign finance for the completion of two hydroelectric plants, the construction of which was suspended following the collapse of the Soviet Union. In addition, Tacis completed a project, which devised a strategy for the entire energy sector and strategies for restructuring 23 energy sub-sectors. Tacis is also helping to develop appropriate electricity tariffs for domestic and industrial customers. Support was also given to the improvement of transport and communications through the Inter-State Programme's TRACECA and INOGATE projects.

| | |
|---|---|
| Partnership & Cooperation Agreement | — |
| Interim Agreement | — |
| EC trade balance* (exports to EC - imports from EC) | ECU 23 million |
| Total Tacis funding 1991-1996 | ECU 8 million |
| Tacis Indicative Programme 1996-1999 | Approved 21.11.96 Funding envelope ECU 14 million |
| Tacis Action Programme approved during 1996 | — |

* at end 1995

Turkmenistan

The power structure in Turkmenistan is highly centralised. The President has now been in power for 11 years and his presidency was recently extended until 2002 by an almost unanimous referendum. Turkmenistan has declared itself to be neutral and has been recognised as such by the UN. The country's natural gas reserves are among the largest in the world and the gas sector accounts for 50 per cent of GDP, but the benefit of this is mitigated by the considerable arrears in payments for gas that have accumulated, due from other NIS customers. It is among the top ten cotton producers but, whilst there is no restriction on cotton exports into the EC, recently cereal production has been favoured because it requires less irrigation. The economy continues to be dominated by the state sector and, typically, output has declined. Despite this background, it was only in late 1995 that a comprehensive economic reform programme was adopted. Macroeconomic issues are now being addressed prior to the initialling of the Partnership and Cooperation Agreement.

Support to economic reform and transport

The 1996-1999 Indicative Programme broadly conforms to others in central Asia, whilst recognising that regionally based solutions must acknowledge the wide diversity of resources in the regions and thus the need to be even-handed. In particular, support will be given to privatisation measures. The second phase of privatisation is due, wherein some 200 SMEs will be converted into joint-stock

companies, which should be followed by mass privatisation. Transport reform will seek to address the weaknesses of a highly centralised transport system in which major decisions were taken in Moscow, and support will include participation in TRACECA. An indicative budget of ECU 20 million has been allocated to the 1996-1999 Programme.

The Tacis SME Development Agency (SMEDA), which was established in 1995, really established itself in the business community in 1996. It provided advice to more than 600 entrepreneurs during the year, and also gave legal advice to the government. The SMEDA was very active in developing awareness in order to ensure that its services would be available to as many entrepreneurs and businesses as possible. Tacis staff participated in trade fairs and produced and distributed information brochures and regular newsletters. The high profile of the SMEDA was demonstrated by the interest shown by the Turkmen media. SMEDA staff took part in 14 radio interviews, and the agency was featured in eight television programmes and several national and local newspapers.

Support for energy

During 1996, support was given to the energy sector by helping to reduce government interference and identify operators, helping them to deal with foreign investment. The legal framework for the energy sector was developed and, as a result of all these developments, there has been a significant increase in foreign investment interest. Tacis will

| Funds allocated by sector 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Nuclear safety and environment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restructuring state enterprises and private sector development | 0 | 0.57 | 0 | 1.8 | 1 | 0 | 3.37 |
| Public administration reform, social services and education | 0 | 1.05 | 0 | 1.8 | 1 | 0 | 3.85 |
| Agriculture | 0.88 | 3.68 | 0 | 3.6 | 1.68 | 0 | 9.84 |
| Energy | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Transport | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Policy advice | 0 | 2.5 | 0 | 0 | 0 | 0 | 2.5 |
| Telecommunications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0.8 | 0.32 | 0 | 1.12 |
| Total | 0.88 | 8.8 | 0 | 8 | 4 | 0 | 21.68 |

Note: Turkmenistan did not receive funds under the 1993 budget
The 1996-1997 Action Programme will be approved during 1997

help partners respond to this interest by supporting project identification, tendering procedures and ensuring environmental protection is in place.

Developing agricultural diversity

In the agricultural sector, a project to improve cereal production continued, while training of trainers in food processing has begun. This sub-sector also received help to train staff in the planning and design of milk and meat processing plants, including financial feasibility, so that foreign investment can be encouraged. Initially, two trial plants will provide the model from which will be developed a strategy. The fisheries sub-sector, which is an important provider of food and livestock feed, will also be supported in an attempt to reverse a decline in productivity and a lack of reinvestment. This is in response to a specific request from the Government, which is particularly keen to develop fresh water fisheries. The project will evaluate the potential for development, justify a future strategy for production and investment, and so prepare the industry for privatisation.

Public administration development was supported by the establishment of a public administration institute situated in the Turkmen State University, through which Tacis provided advice on the structure, management, training and evaluation needed, as well as advice on civil service policy, legislation and management.

Regional action

Under the TRACECA programme, two modern "caravanserai" are being developed, providing modern equivalents of the traditional replenishment offered: cash and banking facilities, telecommunications and freight and spare-part transit. Turkmenistan is also a key participant in the INOGATE project.

| | |
|---|---|
| Partnership & Cooperation Agreement | — |
| Interim Agreement | — |
| EC trade balance* (exports to EC - imports from EC) | ECU 88.2 million |
| Total Tacis funding 1991-1996 | ECU 21.68 million |
| Tacis Indicative Programme 1996-1999 | Approved 21.11.96 Funding envelope ECU 20 million |
| Tacis Action Programme approved during 1996 | — |

* at end 1995

Ukraine

Economic restructuring experienced some delays and GDP fell again by 10 per cent on last year. During 1996, the adoption of the new constitution by the Ukrainian Parliament reinforced political stability, and Ukraine began to implement the rules of the Council of Europe, which it joined in 1995. The Interim Agreement entered into force in February. The Government presented a medium-term economic reform programme aimed at completing economic reform in October 1996. However, this was not adopted by the Parliament.

At a macro-economic level, a new currency, the Hryvnia, was successfully introduced in September. Inflation was reduced to 40 per cent and the budget deficit was kept within IMF margins, albeit at the cost of high wage arrears. At the same time the country suffers from substantially low foreign investment, the lowest per capita in the NIS

The cost of reform

The cost of reform to the population is extremely high: purchasing power is just 30 per cent of its 1990 level. In the future the impact could be just as great. For example, a programme to restructure the coal industry may result in the possible closure of 200 mines. The search for suitable safety nets is a priority for the Tacis Programme, which has contributed ECU 3 million to ease the social consequences of such a huge restructuring programme.

The EU reinforced its support for reform through the Action Plan for Ukraine, of November 1996. This proposal, in addition to sending an overt political signal, also explored

the means for improving assistance and synergetic development. It was well received. There was also recognition that some support to reform, for instance in the energy sector, had to continue.

Coordinating Tacis support

The 1996-1999 Tacis Indicative Programme puts forward a coordinated strategy for three selected areas of cooperation:

- institutional reform
- economic reforms and private sector development
- energy reform and development.

Regional development

Regional support will continue to the Donbass region and along the Kharkiv-Dnipropetrovsk-Zaporizhzhya axis, Crimea and the Lviv area. Crimea will also receive special attention in order to balance the Kyiv-centred nature of other programmes and in recognition of the need to reform heavy and military-based industry there. Support from the Cross-border Cooperation programme will focus on the Pan-European Networks and the environment. It is also hoped that the Inter-State programme will provide support to a border project with another NIS.

Targeting support in enterprise development

While a range of Tacis projects continued or came to a conclusion, the objectives for enterprise support, outlined in

| Funds allocated by sector 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|--|--------------|--------------|--------------|-------------|-------------|-------------|---------------|
| Nuclear safety and environment | 3.54 | 0 | 0 | 20.5 | 37.5 | 37.5 | 99.04 |
| Restructuring state enterprises and private sector development | 1.7 | 16.8 | 12.36 | 4.3 | 10.7 | 10.25 | 56.11 |
| Public administration reform, social services and education | 4.65 | 3 | 7.36 | 4 | 7 | 7.8 | 33.81 |
| Agriculture | 7.67 | 12.31 | 10.54 | 5 | 4 | 0 | 39.52 |
| Energy | 6.2 | 8.08 | 5.4 | 15 | 6.9 | 6.3 | 47.88 |
| Transport | 4.89 | 7.26 | 3.22 | 0 | 0 | 0 | 15.37 |
| Policy advice | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Telecommunications | 0 | 0.83 | 0.55 | 0 | 0 | 0 | 1.38 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 11.15 | 11.15 |
| Other | 0 | 0 | 3.82 | 1.7 | 6.4 | 3 | 14.92 |
| Total | 28.65 | 48.28 | 43.25 | 50.5 | 72.5 | 76 | 319.18 |

the 1996-1999 Indicative Programme, were translated into individual projects in the 1996 Action Programme.

Support to implement bankruptcy procedures, similar to enterprise isolation programmes, aims to ensure correct implementation. One current problem is the lack of training for judges. A wider objective is to send a signal that non-viable companies must be closed.

The next project comprises support to the construction industry. This sector is a significant driving force behind economic recovery. Two companies, one in Kyiv and one in Lviv, will receive help to restructure themselves, principally in regard to corporate structure. This includes widening the shareholder base, including offering employee ownership.

Another project will offer continued support to the post-privatisation centres in Lviv and Kharkiv. The success experienced from a similar project in Kyiv showed that a single project is insufficient to bring the centre to full maturity and independence.

In the financial sector, support will be given to the implementation of international accounting standards. If successful, this will lead to fundamental change in Ukrainian banks, by adapting their banking style from the Ukrainian to the western model, thus opening the way for new projects and investment.

A complementary project, which supports the development of capital markets, will help to create a reliable and secure stock market. This will engender confidence in local companies both for international investors and also for the companies themselves, who will be assured that their capital issues are marketed and transferred correctly.

Finally, Tacis is providing continued support to the development of the SME sector. The partner is the SME Development Agency. The aims of the project are to strengthen the Agency, and to help it create new network agencies in addition to those in Kyiv and Crimea, to which will be added four or five more. This builds upon the considerable success of the SME Development Agency to date.

G7 Action Plan - Chernobyl

During the year, it was proposed that the ECU 37.5 million tranche of the Tacis budget earmarked for this programme should be allocated as follows: ECU 22.5 million is to be spent on the decommissioning of the Chernobyl NPP, for completion of the solid waste processing plant, programme management activities and support to the safety authorities. ECU 9 million is to be spent on completion of VVER units in Rivne and Khmelnytsky, through continued assistance to the operator, support for engineering activities and to the safety authorities, and a reserve for site works. Finally, ECU 6 million is to be allocated to energy conservation activities, providing know-how and, significantly, soft finance for investment in energy saving, which will be reimbursed from those savings.

Despite its many challenges, 1996 is considered to have been a successful year for Tacis. Significant advances have been made, including the successful and long awaited integration of the Business Communications Centre into the Development Agency.

| | |
|---|---|
| Partnership & Cooperation Agreement | Initialled 23.03.94 Signed 14.06.94 European Parliament assent 30.11.95 |
| Interim Agreement | Initialled 14.06.94 Signed 01.06.95 Entry into force 01.02.96 |
| EC trade balance* (exports to EC - imports from EC) | ECU (-763.3) million |
| Total Tacis funding 1991-1996 | ECU 319.18 million |
| Tacis Indicative Programme 1996-1999 | Approved 25.07.96 Funding envelope ECU 165 million |
| Tacis Action Programme approved during 1996 | Approved 26.07.96 ECU 64.85 million EU/G7 Action Plan ECU 37.5 million National Action Programme ECU 27.35 million (16 projects) Facilities ECU 11.15 million |

* at end 1995

Uzbekistan

Although it faced the same challenges as the other NIS and has adopted a very cautious approach to reform, by the end of 1995 Uzbekistan had reduced GDP decline to 2 per cent, much less than other NIS. It had privatised or incorporated about 80 per cent of state-run enterprises, and established a new economic programme that was supported by the IMF, which granted a loan of ECU 259 million in early 1996. Membership of the WTO has been requested, and an Interim Agreement with the EC, pending ratification of the PCA signed in June 1996, was signed late in November 1996. The current problem over the convertibility of the sum is adversely affecting bilateral trade and European investment in Uzbekistan. The convertibility of the local currency will also be a fundamental prerequisite for Uzbekistan to join the WTO.

The guiding principle of the 1996-1999 Indicative Programme remains support to the macroeconomic and sectoral policies of the Uzbek authorities, as in previous years. The following areas have been identified for support:

- economic and institutional reform
- agriculture and agro-industry development
- energy and telecommunications infrastructure development

An indicative budget of ECU 57 million has been allocated to the Programme, with ECU 22 million allocated to 1996-1997.

Continued enterprise support and SME development

1996 saw the continuation of several important Tacis enterprise support projects in Uzbekistan. The Programme supported the country's commercial banking sector by providing consultancy services on different problem areas to a number of commercial banks, and by training their staff. The Regional Bank Training Centre in Tashkent received support in training the staff of commercial banks in Uzbekistan, Kyrgyzstan and Tajikistan. The Centre was able to generate a substantial income from its courses and progressed well towards sustainability. Tacis also provided assistance in developing the silk sector of Uzbekistan by helping silk producers to establish international contacts and to attract foreign investment into the sector.

The Tashkent Business Communications Centre continued with a series of successful promotional activities, while upgrading its capacity to create business links with the EU. It is reaching a position of financial sustainability and is on course to become a major Internet provider for Uzbekistan.

The Market Skills Development Centre has continued to organise study tours to Europe for entrepreneurs and representatives of business support agencies, and over 200 people have now completed these courses. In Uzbekistan 100 trainers have been trained and some 1,200 entrepreneurs and officials have attended different courses in finance, marketing, and business planning. The Media Unit has produced and broadcast a video series called "Business Doctor" on national television. With the public support of President Karimov, three seminars, for more than 60 journalists, have been delivered.

The SME Development Agencies in Samarkand and Gulistan, and the network of 11 Small Business Advisors, have continued to focus on providing information and advice for new and emerging SMEs. They have also run training courses, consulting services and seminars on business topics, computers and business English. Market research continues, as well as promotional activities with local radio and bi-monthly television broadcasts. Excellent results have been achieved as part of the mediation services, in helping local enterprises to secure contracts with foreign companies. (For example, the Gullistan SMEDA has helped a local seed growing enterprise to secure a contract for US\$ 500,000 with a German company.)

Institutional support

Tacis aims to provide institutional support in three areas. It will assist the development and consolidation of political institutions and the media, thereby modernising the state "apparat". It will support enterprise through legislative and policy reform. It will aid development of the financial and insurance sectors. And finally, it will develop human resources by creating an enterprise ethos, providing enterprise skills, and integrating educators and students into the international academic community.

Six projects (to a value of ECU 7.7 million) will support structural and economic reform under the 1996-1997 Action Programme approved in 1996. Tacis will provide

| Funds allocated by sector 1991-1996 (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---|-------------|--------------|-------------|-------------|-------------|-------------|--------------|
| Nuclear safety and environment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restructuring state enterprises and private sector development | 0 | 2.26 | 0 | 3.35 | 2 | 0 | 7.61 |
| Public administration reform, social services and education | 0 | 3.51 | 0 | 6.8 | 4 | 7.7 | 22.01 |
| Agriculture | 1.03 | 3.05 | 0 | 3.35 | 2.2 | 6.4 | 16.03 |
| Energy | 0.4 | 5.28 | 0 | 0 | 0 | 4.5 | 10.18 |
| Transport | 0.29 | 1.68 | 0 | 0 | 0 | 0 | 1.97 |
| Policy advice | 0 | 3 | 0 | 0 | 0 | 0 | 3 |
| Telecommunications | 0 | 0 | 0 | 0 | 0 | 1.4 | 1.4 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 6 | 6 |
| Other | 0 | 0 | 0 | 1.5 | 1.8 | 2 | 5.3 |
| Total | 1.72 | 18.78 | 0 | 15 | 10 | 28 | 73.5 |

Note: Uzbekistan did not receive funds under the 1993 budget

assistance to the Academy of State and Social Construction for the training of civil servants. It will support the Foreign Investment Agency to attract foreign loans and investment and improve its organisation. It will give further support to the Market Skills Development Centre, the Banking Association and the Ministries of Higher and Public Education.

Supporting agriculture

In economic terms, agriculture has a disproportionate impact on Uzbekistan's economy. 10 per cent of the land provides 40 per cent of net material product and employs 30 per cent of the workforce. Thus, reform in this vital sector will have particular impact. The aims of the programme in the sector are threefold. Tacis will help Uzbekistan work towards self-sufficiency in food production, and improve efficiency in the production of the main commercial crop, cotton. It will support the development of agricultural industries and the creation of social and economic structures in rural society, within the context of the new market-oriented environment.

Numerous projects provide ongoing support to the agricultural sector. Three build on previous projects: extending the scope of the Food and Agricultural Advisory Unit, strengthening the organisation and servicing of private farmers in specific regions (a highly successful project), and an integrated package of support to various interests, from the farm through to the consumer, in preparation for the market economy.

Finally, the environmental impact of both agricultural and industrial development will be thoroughly assessed through pilot projects and models and the promotion of good practice. This project will work in close association with the Aral Sea and Food and Agriculture Policy Unit (FAPU) programmes. The total budget for this sector is ECU 6.4 million.

Infrastructure support

Finally, development of the energy sector infrastructure will help to achieve energy independence and possibly a surplus for export. Modern telecommunications are necessary to integrate Uzbekistan into the world community. Consequently, both are high priorities with the Government. With these aims in mind, Tacis support will

focus on planning infrastructure development, assisting in attracting and negotiating with foreign investors, and training to optimise the use of these resources.

Four projects will provide support to develop energy and telecommunications infrastructure, with a budget of ECU 5.9 million. One project will support the creation of an Intelligence and Expertise Unit within the national gas company, Uzbekneftegas. Another project will help support the electricity sector plan its future development. The third focuses on energy efficiency in domestic heating, and on meeting the manufacturing requirements to supply the necessary equipment. Finally, technical standards in the telecommunications sector will be addressed through support to the Ministry of Communications and the Central Asian Telecommunications Training Centre, which has itself been supported by Tacis in the past.

| | |
|---|---|
| Partnership & Cooperation Agreement | Initialed 29.04.96 Signed 21.06.96 |
| Interim Agreement | Initialed 17.07.96 Signed 14.11.96 |
| EC trade balance* (exports to EC - imports from EC) | ECU 79.4 million |
| Total Tacis funding 1991-1996 | ECU 73.5 million |
| Tacis Indicative Programme 1996-1999 | Approved 25.07.96 Funding envelope ECU 57 million |
| Tacis Action Programme approved during 1996 | Approved 08.11.96 ECU 22 million (15 projects) Facilities ECU 6 million |

* at end 1995

Regional programmes

Programmes that are not country specific have been grouped together under the heading Regional programmes, although they have separate budgets. Regional programmes include the Inter-State and Cross-border Cooperation programmes and the Nuclear Safety Programme. The total budget allocated to these activities in 1996 was ECU 152 million.

The Inter-State Programme

This programme continues to address problems which require similar solutions in a number of different countries, or where groups of countries have to work together to achieve a significant impact. The total sum allocated to this area in 1996 was ECU 42 million. In addition to the overall Inter-State principles, the following additional criteria governed project selection: projects should build on existing initiatives; they should be sufficiently large and few in number, in keeping with the focus and scale of Tacis actions; and they should be geographically balanced and supported by institutional structures. As a result, two major project areas were selected: the environment, and transport networks including energy transport.

Environment

A number of key considerations underpin the priorities made in the environment sector. Most of the environmental challenges facing the NIS relate to atmospheric and water-borne pollution and are therefore of an inter-state nature. The scale of degradation is critical. Support from the Tacis Programme builds upon previous collaboration with other donors, such as the cofinancing of the Regional Environmental Centres throughout the NIS by the United States.

The Environmental Action Programme, to which a budget of ECU 6.5 million was allocated, seeks to build on previous projects and covers advice to strengthen existing regional and cross-border institutions. Support will be given to draw up the legislation needed to ensure effective coordination and implementation of National Environmental Action Programmes. Through the Tacis Programme, the European Community will also help establish a network of Regional Environmental Centres, aimed at integrating environmental policies from the bottom up. An example of this is the project to widen the Environmental Action Programme across the NIS, contracted under the 1995 programme.

ECU 2 million was allocated to the Black Sea environmental programme, which also builds on previous Tacis projects, and which will provide support for the implementation of the Black Sea Action Plan, with the participation of Georgia, the Russian Federation and Ukraine.

The Aral Sea crisis is one of the most pressing inter-state environmental problems in the NIS. It has been receiving support from the Tacis Programme since 1995. Water Resources Management and Agricultural Production in Central Asia (Aral Sea) or WARMAP is seeking to deal with the crisis by developing regional strategies for water use. Measures include policy advice, institution building, pilot projects, farm monitoring and management information systems. As with the Black Sea project, it builds upon previous Tacis activities, and was allocated a further ECU 2.5 million in 1996.

In Minsk in 1995, several NIS representatives sought Tacis support to address the secondary environmental and medical effects of the Chernobyl disaster. In response, following a previous action in 1993, ECU 1.5 million has been allocated to finding coherent long-term solutions to these problems.

In the autumn of 1996, Tacis launched an ECU 3 million project designed to raise public awareness and develop environmental media throughout the NIS. This project is set to get under way at the beginning of 1997.

Networks

The 1996 Action Programme identifies four projects in this sector, three of which build on actions begun under previous programmes.

The Tacis TRACECA programme was launched in 1993 and a total of ECU 28 million has been committed for the development of the transport and trade corridor from Central Asia to Europe. In 1996, ECU 10 million was allocated to TRACECA and it continues to fund projects which aim to benefit all countries of the NIS. This project is of great political significance for all countries involved. The partner countries have attached great importance to the Programme as an instrument to help develop the alternative transport links which would enforce their economic independence. Resident coordinators manage TRACECA in the Caucasus and substantial investment has been made, including such initiatives as the creation of a dedicated Web site.

The project is heavily oversubscribed, in part due to a budget of ECU 30 million being suggested in 1994, making project selection especially demanding. As a result, projects at borders, which benefit more than one country, have been selected, such as the construction of container terminals and bridges. An example is the renovation of the Turkmenbashi international sea port, which requires corresponding action in Baku to deal with problems created by the rising Caspian Sea level.

| Regional programmes Funds allocated by sector 1991-1996* (in ECU million) | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|--|---------------|--------------|-------------|--------------|--------------|-------------|---------------|
| Nuclear safety and environment | 36.27 | 60 | 100 | 67.5 | 70.5 | 98.5 | 432.77 |
| Restructuring state enterprises and private sector development | 7.6 | 4 | 15 | 5 | 0 | 0 | 31.6 |
| Public administration reform, social services and education | 44.85 | 0 | 21** | 20** | 23 | 0 | 108.85 |
| Agriculture | 5.79 | 3.8 | 0 | 2 | 10.5 | 1.5 | 23.59 |
| Energy | 6.7 | 1.5 | 5 | 3 | 3.5 | 13.5 | 33.2 |
| Transport | 4.78 | 9 | 14 | 7 | 8.5 | 34.5 | 77.78 |
| Policy advice | 0 | 8.5 | 8 | 20.5 | 0 | 0 | 37 |
| Telecommunications | 0 | 1 | 1 | 0 | 2.5 | 0 | 4.5 |
| Programme implementation support | 0 | 0 | 0 | 4 | 0 | 0 | 4 |
| Other | 0 | 0.83 | 8 | 2.5 | 6 | 4 | 21.33 |
| Total | 105.99 | 88.63 | 172 | 131.5 | 124.5 | 152 | 774.62 |

* Includes the Inter-State, Cross-border Cooperation and nuclear safety programmes

** This includes funds for the Tempus programme

In April 1996, the Tacis Programme brought together an expert working group to consider support to the reform of hydrocarbon transport systems, and to consider alternatives for the transport of hydrocarbons from the Caspian and Central Asian regions to western markets. The aim is to produce a number of large-scale, bankable project proposals so that investment can take place. Following the recommendations of this working group, Tacis developed its INOGATE (Inter-State Oil and Gas to Europe) programme within the framework of the 1996 Inter-State Programme. ECU 12 million was committed to seven projects, building upon previous actions between 1992 and 1995 and in close collaboration with the World Bank. It is expected that the European Community will have committed some ECU 50 million to INOGATE, through the Tacis Programme, by the end of the century. One of the 1996 Tacis actions has been to carry out a feasibility study on oil and gas pipelines linking Central Asia directly with the Caucasus via the Caspian Sea.

Previous projects in 1993-1994 addressed the interface between western and central and eastern European electricity utilities. This year, the aim of the initiative is to identify projects that will define, test and agree mutually acceptable norms and procedures for the quality and reliable operation of the networks, linking up with the utilities of Belarus, Moldova, the Russian Federation and Ukraine. ECU 1.5 million has been budgeted for this project.

The fourth project of the 1996 Action Programme concerns a study of traffic flows, existing and proposed projects, and key investment needs along the Pan-European Network corridors II and IX, which pass through Ukraine, Belarus, the Russian Federation and Moldova. A budget of ECU 4 million has been allocated. This will lead to a second phase of small-scale infrastructure projects, carried out under the Cross-border Cooperation programme (in conjunction with the Inter-State programme) and complementing action undertaken by the Phare Programme.

Action in other sectors

The 1996 Action Programme also includes funding for actions which do not fall within the main areas of activity, but nevertheless have a cross-border nature. These projects have a total value of ECU 2 million. The first of these is the last instalment of the Food Aid Package, the Regional Agricultural Reform Project (RARP), which follows an earlier instalment made in 1995.

The other is the NIS Crime Prevention study, which will attempt to analyse the main needs and identify potential Tacis support in the areas of justice and home affairs. The project was officially supported by the European Councils of Florence and Dublin in 1996. A team of Member State experts are carrying out the study to identify projects to combat growing organised crime in the NIS, in particular the trafficking of illegal drugs.

Cross-border cooperation

The new Tacis Regulation opens the way for cross-border cooperation, reflecting the importance attached to stable border relations and the significance of border regions in furthering communication and trade. In 1996, a separate budget line was created for cross-border cooperation between the NIS and the borders with the EU and Central and Eastern European Countries (CEEC). This will focus both on the transfer of know-how, and small scale infrastructure projects. For the first time, funds can be spent for direct investment, within the framework of cross-border cooperation projects. The total budget for the Cross-border Cooperation Programme in 1996 was ECU 30 million.

The launch of the Cross-border Cooperation Programme in 1996 followed the agreement with the European Parliament to set aside a specific budget for this purpose. This programme supports the preparation and implementation of projects on a decentralised basis, as proposed in the new Regulation. It aims to promote secure and stable border regions, encourage regional development and cooperation, and redress the imbalance between certain border regions and their respective political and economic centres. It also assists the accession of CEECs by enhancing CEEC/NIS border relations, and involves close cooperation with other Community programmes such as the Phare Programme and the INTERREG Programme.

The borders concerned are the land borders of the Russian Federation, Ukraine, Belarus and Moldova with those of the EU and the CEECs, and the maritime border of the Baltic. Four groups of projects were funded in 1996.

- Border networks. ECU 4 million has been allocated to a management, awareness and training programme for all border regions with ECU 15.5 million provided for works under the border-crossing programme, for individual crossing projects.
- Trans-boundary environmental problems. ECU 6 million has been allocated to water supply, waste water treatment and management, and hazardous waste management projects.
- Cross-border Cooperation at the local level. ECU 3 million has been allocated to a Tacis small-project facility to fund projects and link up with complementary local community programmes.
- Supporting measures. ECU 1 million has been allocated to complement action taken under the Phare border management programme for the Baltic States.

Under the 1996 programme, support will be provided to two new road crossings and one rail crossing on the Russia/Finland border. Support will also be provided for the renovation and upgrading of three border posts on the Belarussian borders with Poland and Lithuania, and for upgrading one border post between Ukraine and Hungary. Improvements to the Leushen border post between Moldova and Romania will also be carried out. In the environment sector, projects include the monitoring and management of the Danube River basin in Ukraine and Moldova, development of hazardous waste management in St Petersburg, water supply and waste treatment in the Republic of Karelia, and the development of sewage treatment in Sortavala.

The new programme has faced a number of challenges, most notably the involvement of both regional and national authorities in the selection and development of projects. This highly visible programme has generated considerable political interest in both the EU and the NIS. The response from partner countries has been very positive.

Nuclear safety

The priority of the Tacis nuclear safety programme continued to be to support and accelerate domestic Nuclear Power Plant safety improvement programmes. It addresses areas such as operational safety, short-term technical improvements (design safety studies and equipment deliveries to NPPs) and the development of regulatory regimes. In addition, the nuclear safety programme has undertaken activities in fields such as nuclear fuel cycle installations, waste treatment and disposal, safety related research, decommissioning of reactors, off-site emergency preparations and the promotion of industrial cooperation.

In a declaration made at the 1996 Moscow Summit on Nuclear Safety and Security, the Russian Federation made a commitment to give priority to nuclear safety above all other considerations (the "safety first" principle). In 1996, Tacis developed a short- to medium-term strategy for its Nuclear Safety programme, which confirmed that its efforts would concentrate first of all on improving the safety of nuclear plants.

A total of ECU 80 million was committed to the 1996 Tacis nuclear safety programme, for projects in Russia, Ukraine, Kazakhstan and Armenia (Medzamor NPP). An additional ECU 37.5 million was allocated through the G7 Action Plan for Energy in Ukraine, for 1996 projects focused on the decommissioning of the Chernobyl plant by the year 2000, the completion of two nuclear reactors under construction at the

Rivne and Khmelnytsky NPPs, as well as non-nuclear projects. This is discussed in further detail in the section on Ukraine.

The Tacis Programme has contributed to the development of nuclear legislation and the restructuring of the sector, with particular success in Ukraine. It has also contributed to an increased awareness of nuclear safety issues in the Tacis partner countries. The on-site assistance programme has been a successful mechanism for the introduction of safety improvements at Nuclear Power Plants. Programme evaluators are content with the success of the Tacis design safety projects, and the Tacis Programme priorities were deemed to be consistent with the list of safety shortcomings which were identified by the International Atomic Energy

Agency. In the area of support to Safety Authorities, Tacis experts have presented European regulatory practice to the partner institutions in the Russian Federation and Ukraine, contributing substantially to the creation of independent regulatory bodies in both the Russian Federation and Ukraine.

A comprehensive inventory of problem areas in the area of fuel cycle and radioactive waste management was also completed in 1996. However, the measures necessary to provide remedial actions far exceed the capacity of the Tacis Programme. This is a reflection of the Tacis Programme as a whole, in that projects in the nuclear safety sector are mostly pilot projects, where the comprehensive implementation of solutions must be taken on by the partner countries themselves.

Facilities

Targeted and flexible projects, which can be implemented relatively quickly, are delivered by way of the "Facilities". Each Facility provides an umbrella for initiatives which share a common theme.

The Facilities cover all NIS countries and are funded by individual country allocations from the national Action Programmes. They are used to implement activities which supplement the mainstream Tacis projects.

Whilst the individual projects may be relatively small, often costing less than ECU 200,000, the total amount allocated to the Facilities in 1996 was ECU 61 million.

Due to their framework structure, the Facilities constitute a highly flexible instrument. Furthermore, they are able to target beneficiaries at the grass roots level, be it an individual entrepreneur, an NGO, or a local government administration. This supports a key tenet of the Tacis Programme, to foster a pluralistic, civil society. As with other programmes, external contractors are responsible for running project management units.

In 1996 Facilities allocations were made for the seven countries which had Action Programmes approved.

The Facilities embrace five broad themes:

- policy advice
- civil society
- education and training
- enterprise support
- international standards and commitments.

The Policy Advice Programme

The objective of the policy advice programme is to provide high level advice to Governments, Parliaments and other policy-making bodies of the NIS, such as local government and central banks. Advice is delivered through the so-called European Expertise Service (EES). The EES can provide assistance in any sector, although in the past the main focus has been on economic policy and related legislation. The programme is highly flexible and can mobilise appropriate expertise within a period of eight weeks. A new contract of ECU 12 million was signed in December 1996 for the fourth phase of the EES. The main focus of the programme over the next two years will be support for the accession of NIS countries to the World Trade Organisation, and assistance with the implementation of the Partnership and Cooperation Agreements. The "Economic Trends" publications, aimed at strengthening the local capability in economic analysis, are among the most successful initiatives of this programme.

Civil society - Link into European NGOs (LIEN)

The LIEN programme helps NIS Non-Governmental Organisations to provide a safety net for those members of society worst affected by the transition process, by transferring know-how between NGOs regarding project implementation and management. Projects are cofinanced with at least two NGOs from the EU and a Tacis country. The programme is managed by a Technical Assistance Office, for which a new contract has been concluded jointly with Phare. Following calls for proposals in November 1995 and April 1996, 32 new projects were approved by the LIEN Programme. The volume of applications has increased by nearly 100 per cent and participation has spread to 10 Tacis partner countries and 8 EU Member States. The Russian Federation remains the most active participant in the LIEN Programme, while interest from the Central Asian partners is still limited. Significantly, though, 1996 was the first year in which proposals were submitted from Tajikistan. Consequently there are now two projects underway in that country. One is to provide support for women in areas such as employment, family planning and marriage counselling, in order to enable them to improve their social situation. The second project is developing self-help and self-sufficiency for 4,000 disabled people.

Education and training - Tempus

National universities and higher education authorities are the partners in support to restructuring higher education systems. Tempus projects work in two stages: first, a preparatory project which is then followed by a three-year cooperation programme between an NIS and two EU institutes, with one acting as coordinator. In 1996, a budget of ECU 20.2 million was allocated from eight national programmes for Tempus projects. A successful Tempus project, for example, involved the Polytechnical Institute in Kyiv, in collaboration with the University of Porto and the London School of Economics. The purpose of the project was to develop an effective autonomous university management. The impact of this project has been considerable, resulting in a new management structure, an institute for training university managers, and a national information centre.

Enterprise support

This facility embraces five activities. The first, the Productivity Initiative programme, provides NIS managers with work experience in EU companies. During 1996 more than 250 managers from the NIS participated in the Programme. Tacis was able to provide host companies across all EU Member States in a broad range of sectors. The second activity, the

| Facilities (Small Project Programmes) Funds allocated in 1996 (in ECU million) | Armenia | Azerbaijan | Georgia | Mongolia | Russia | Ukraine | Uzbekistan | Total |
|---|----------------|-------------------|----------------|-----------------|---------------|----------------|-------------------|--------------|
| Policy Advice Programme | 1 | 1 | 1 | 0 | 1.5 | 0 | 1.3 | 5.8 |
| Civil Society | 1 | 0.5 | 0.3 | 0.5 | 1.5 | 1 | 0.5 | 5.3 |
| Education and training | 1.6 | 1 | 1 | 1.14 | 8 | 5 | 2.5 | 20.24 |
| Enterprise support | 1.15 | 0.68 | 0.63 | 0.76 | 9 | 2.25 | 0.7 | 15.17 |
| International standards and commitments | 0.6 | 1.85 | 1.65 | 0.5 | 6 | 2.9 | 1 | 14.5 |
| Total | 5.35 | 5.03 | 4.58 | 2.9 | 26 | 11.15 | 6 | 61.01 |

European Senior Service Network (ESSN), gives managers of small and medium-sized enterprises (SMEs) in the NIS access to expertise by placing senior EU managers on assignments, of two to six weeks, with an NIS enterprise. The ESSN's pool of available experts now stands at 30,000. In 1996, some 720 ESSN missions were carried out across all Tacis partner countries. The third activity provides for cooperation between Chambers of Commerce by facilitating exchanges and financing small projects between an NIS Chamber and at least two EU Chambers. The fourth activity, the Europartenariats and NIS partenariats, are biennial fora which enable representatives of the NIS business community to make contact with their counterparts in the European Union.

Joint Venture Programme

In 1996 the Tacis Joint Venture Programme gained significant momentum. This programme offers a series of different types of support to address the different stages in the creation and development of a joint venture (preliminary information research, preliminary contacts, feasibility studies, training and technology transfer, direct financing or support). The Tacis Joint Venture Programme was created to support small and medium sized enterprises (SMEs) from the EU intending to invest in the Tacis partner countries eligible for support.

The Joint Venture Programme, which had already been well established in the Phare countries, was extended to include Russia in 1995. After a relatively long lead time, the number of applications from European SMEs requesting support for projects in the Russian Federation started to grow substantially in the latter half of 1996. Thus, by year end, almost 30 European SMEs had received funding from the Tacis Joint Venture Programme, for exploring the possibilities of creating a joint venture with a Russian firm.

From the pilot extension to the Russian Federation in 1995, and based on the positive results over the past year, it has now been decided to expand the Programme, both geographically and in scope. This means that the so-called Facility 3 (which provides for direct financing and guarantees on loans) will be included in the Tacis part of the Joint Venture Programme, based on the new Tacis Regulation's investment mandate. Furthermore, the Programme will be extended from the Russian Federation to most other NIS countries, including Mongolia.

The expansion of the Joint Venture Programme for Tacis is presently being implemented and will increase the importance of the JVP within the Tacis Programme as a whole. It is hoped that SMEs from the European Union will quickly gain interest in exploiting the new opportunities which the expansion of the Programme presents.

The total budget allocated to the enterprise support group of Facilities for 1996 was ECU 15 million.

International Standards and Commitments

This facility embraces five activities. The first activity, the "Customs Programme", aids the development of customs services to an international standard through consultancy, study tours and equipment provision. The second activity, the "Statistics Programme", helps partners modify their statistical systems, to meet the needs of a democratic society and a market economy, again through consultancy, study tours and equipment provision. The third activity consists of support in the field of "Standards, Certification and Metrology" and is helping establish a modern framework for standards and certification, through a single project working with the Inter-State Council on

Standardisation and Certification and national bodies in the NIS. The fourth activity, "Intellectual Property Protection", provides support for the establishment of an appropriate environment and mechanisms through training, studies and IT provision to Ukraine, Belarus, Kazakhstan and the Russian Federation, which aspire to standards comparable with the EU. The fifth activity, "Industrial Property Protection", provides help to the Eurasian Patent Office to become operational to develop the means for enforcing regulation, and to encourage use of the Office by commerce and academia. The total budget for 1996 for these activities was set at ECU 16 million.

Others

The first of the remaining facilities is the Tacis City Twinning Programme. This programme underpins democratic structures and administrative efficiency through exchanges and long-term cooperation. NIS local officials receive work experience in the EU, usually followed by a return visit by an EU official to assist with the implementation of the experience gained. In November 1996 in Moscow, the City Twinning Programme brought more than 200 of its participants, from town and city administrations throughout the NIS and the EU, for a forum to enable the local authorities involved to meet and share experience on their ongoing projects. Following two calls for proposals in April and July 1996, 90 project proposals were submitted and 50, covering areas such as taxation, electoral reform, public transport and environmental protection, were selected.

Other Programmes

The following programmes, whilst they do not belong to the Facilities group as such, are of a similar nature in that they fund projects arising from "bottom-up" initiatives.

Partnership and Coordination Programme

The Partnership and Coordination Programme (PCP) co-finances projects brought to Tacis by EU Member States intermediaries, for example the UK Know-How Fund. Such projects are in sectors identified by Tacis as priority, and complement but do not duplicate existing Tacis projects. A budget of ECU 8 million was allocated for 1996. An example from the 1995 programme is a project that aims to define a new federal and local road maintenance strategy for the Moscow region, executed in conjunction with the Finnish National Road Administration. Another project supports the integration of modern technologies in manufacturing and in services in the Ekaterinburg and St. Petersburg Resource Centres, in conjunction with the World ORT Trust of the United Kingdom.

The EBRD Bangkok Facility

The Bangkok Facility, which provides funding for technical assistance to be administered by the European Bank for Reconstruction and Development (EBRD), is unique in that the EBRD acts as an agent for Tacis. In a new development in 1996, the EBRD was enabled to launch individual projects, provided they were among those initially approved by the Tacis management committee. This further devolution of responsibility has enhanced the speed of response and reduced administration.

The rationale behind the programme is that the EBRD, which is only able to finance investments, is unable to fund feasibility studies and project due diligence. Tacis, which cannot significantly finance investments, can fund feasibility studies and due diligence to prepare for EBRD investment finance. This symbiotic arrangement is an example of Tacis technical assistance having an investment multiplier effect. On average, the period 1992-1996 has seen the investment multiplier effect stand at around 10 for EBRD investment financing, though it becomes closer to 20 when cofinancing from other sources is taken into account. The demand greatly exceeds the capacity, with funding for ECU 50 million being sought, as against a current yearly budget of ECU 20 million.

The Tacis Technical Dissemination Project

The Tacis Programme aims to promote the multiplier effect at every level, in order to spread know-how beyond its original partners and parameters. The Tacis Technical Dissemination Project (TDP) identifies Tacis projects which have been particularly successful, for the purpose of enabling those projects to be replicated. It does this through the production of technical manuals on selected Tacis projects and the creation of a library of information on reports and studies generated by Tacis projects.

Eighteen TDP brochures were published between the end of 1995 and the end of 1996, each detailing a successful project in a specific field. During 1996 almost 180,000 copies were distributed throughout the NIS. A business plan package, enabling entrepreneurs to draw up balance sheets and make financial forecasts, was made available on diskette. In addition, the TDP created an e-mail library, allowing any subscriber automatically to download documents located in the library.

Bistro

The Bistro Programme funds small-scale projects in Russia and Ukraine up to a limit of ECU 100,000. It is funded from the Russian and Ukrainian national programmes, and is executed by the two European Commission Delegations in

Moscow and Kyiv. In Russia, the acceptance rate for proposals submitted during 1996 was 17 per cent, considerably higher than the 12-13 per cent average of previous years. 62 projects have been selected for funding from the 1995 budget, at a cost of nearly ECU 39 million. Most of this budget was contracted in 1996.

Meanwhile, in Ukraine the budget was increased to ECU 1.5 million in 1996. Following the launch of the Bistro Facility in August 1995, the Programme gathered momentum in 1996 with a growing demand for funding. Among the initiatives approved for funding in 1996 was an international conference on "Demand Side Management" for the transfer of EU know-how on problem solving and improvement in energy efficiency in Ukraine.

It was particularly satisfying that the monitoring report in August showed a clear improvement since 1995, placing Bistro into the top category of Tacis projects.

The Democracy Programme

The promotion of democratic values and practices is a fundamental cornerstone of the Tacis Programme. This is done indirectly through initiatives in the individual country Action Programmes (for example several projects in the agriculture sector involve the creation of private farmers associations), or directly through projects which specifically promote democracy (for example, support to parliamentary reform and procedures).

Meanwhile, on the initiative of the European Parliament, and using a separate budget line set up by the latter, Tacis runs its own specific Democracy Programme. During 1996, the

unit responsible for the Tacis Democracy Programme was combined with those managing all the democracy and human rights activities of the entire Directorate. However, for most of 1996, the Democracy programme was managed by Tacis within the Facilities programme. Its budget rose to ECU 11 million, compared to ECU 10 million in 1995. This comes against a background of increased European Union attention to activities addressing civil conflict, crime, and the protection of minorities. The aim of the programme continues to be the strengthening of pluralist societies and the rule of law in the NIS.

Nevertheless, the enlarged budget was insufficient to meet even a small proportion of the eligible requests received: 40 projects for NIS partners were financed from a total of more than 340 proposals received by the Commission. They were submitted mainly by NGOs. The programme supports a wide range of projects. The criteria for project selection are relevance, impact, methodology and cost effectiveness. Sample projects sponsored by the Democracy Programme provided support for conscientious objectors, worked for greater press freedom, fought against the trafficking of women and helped modernise employee-employer relations.

Meanwhile, some projects were initiated directly within the Commission, among them a programme to monitor media coverage of elections in the NIS. Another notable project is a joint programme between the European Commission and the Council of Europe with Russia and Ukraine, which addresses legal system and local government reform. The aim of this type of cooperation is to help Russia and Ukraine meet their obligations as members of the Council of Europe.

Financial performance

Ambitious financial targets were set for 1996, with the aim of continuing to respond to, and where possible match, demand from partners. The budget for 1996 was therefore increased to ECU 539 million, compared to the ECU 511.19 million that was committed in 1995. By the end of the year ECU 536 million, representing 99.4 per cent of the budget target, had been committed. Since formal commitment could only take place after the adoption of the new Tacis Regulation in late June, considerable anticipation and some flexibility was required to achieve this satisfactory outcome. More than half the budget was committed during November, which alone was a significant achievement. The total commitment for the Programme since inception, including the 1996 contribution, now stands at ECU 2,804.37 million.

By the end of the year, ECU 454.5 million had been contracted, compared to ECU 527 million contracted during 1995. Most of the shortfall is the direct consequence of delays in the commitment programme. For the record, the total sum contracted by Tacis since its start in 1991 is ECU 2,053 million.

In the area of the third part of the programme cycle, payment, an amount of ECU 376 million was disbursed in 1996. This was a slight increase on 1995, when payments reached a total of ECU 374.5 million. 1996 showed a reduction of 20 days in the average invoice processing time and a 50 per cent reduction in the number of pending invoices.

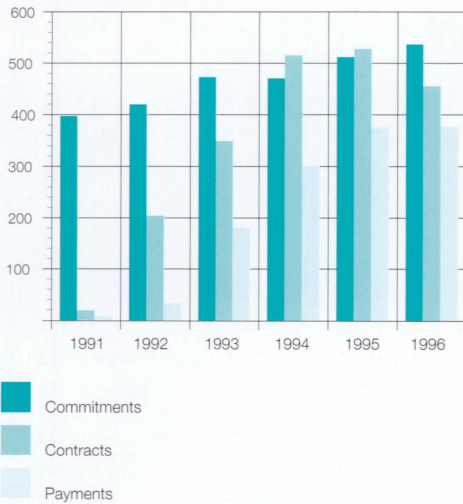
Additional budgetary action

The challenge of clearing the arrears in contracting is one that Tacis is now addressing with vigour.

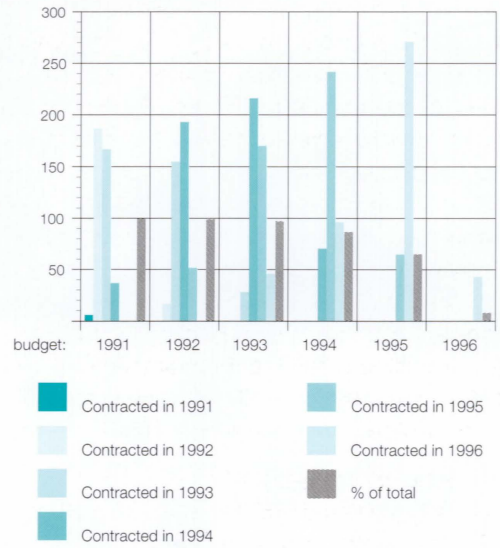
In order to understand the matter clearly, it is important to distinguish between late payment to contractors and other delays. The Commission undertakes to pay invoices within 60 days of presentation, provided that all the other requirements of the contract are met. However, this condition is not always observed by contractors and the payment period is exceeded if the outstanding requirements are not met. As a result of reviews initiated during 1996, renewed efforts are already being made to identify and clear any invoices that are genuinely outstanding.

The second and greater part of the arrears relates to late contracting. Technically, the accumulated amount in this category stood at ECU 713 million at the end of 1996. However, to obtain a more realistic figure, one must take into account that this amount includes the ECU 536 million committed in 1996, most of which was committed in the last quarter of the year, and thus impossible to contract before the end of 1996. It is usual in a know-how programme that most of the contracting takes place in the two years after funds are committed. The uncontracted amounts are largely spread between the Russian Federation and the nuclear safety programmes. Although this explanation places the concern in context, effort was made during 1996 to remedy the problem of arrears and to bring the contracting performance up to expectations.

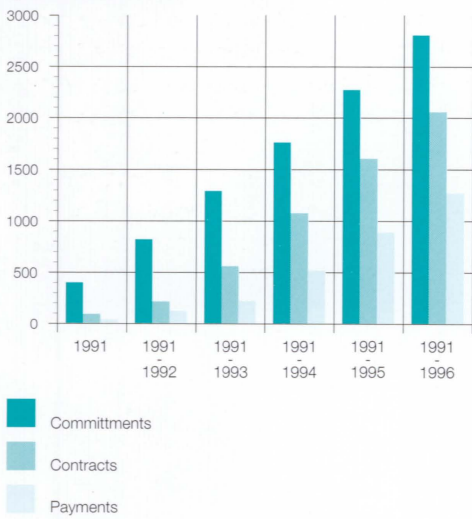
**Funds committed, contracted and paid
1991-1996 (in ECU million)**



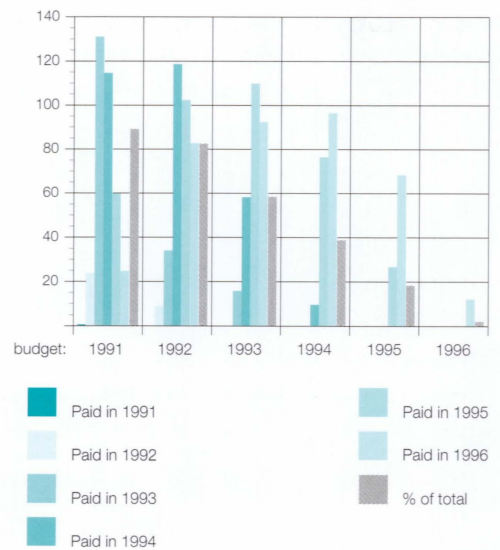
**Contracts concluded by calendar year
1991-1996 (in ECU million)**



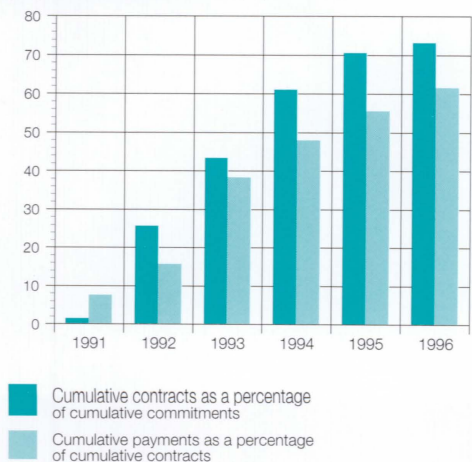
Cumulative funds committed, contracted and paid 1991-1996



**Payments in each budget year 1991-1996
(in ECU million)**



Cumulative contracts and payments 1991-1996 (%)



Tacis funds allocated by sector 1991-1996

Agriculture

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---------------------|--------------|--------------|--------------|--------------|--------------|-------------|---------------|
| Armenia | 0 | 1.66 | 0 | 0 | 0 | 0 | 1.66 |
| Azerbaijan | 0.4 | 2.5 | 0 | 0 | 0 | 0 | 2.9 |
| Baltic States | 5.95 | 0 | 0 | 0 | 0 | 0 | 5.95 |
| Belarus | 1.6 | 2.51 | 2 | 0 | 2 | 0 | 8.11 |
| Georgia | 2.65 | 1.5 | 0 | 1.8 | 0 | 0 | 5.95 |
| Kazakhstan | 2.16 | 3.06 | 3.15 | 3.15 | 3 | 0 | 14.52 |
| Kyrgyzstan | 0 | 2.71 | 4 | 0 | 3.7 | 0 | 10.41 |
| Moldova | 0.97 | 2.27 | 0 | 4.7 | 2.5 | 0 | 10.44 |
| Mongolia | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Russia | 50.85 | 21.49 | 12.5 | 16.3 | 17 | 10.6 | 128.74 |
| Tajikistan | 0 | 0 | 0 | 1.68 | 1.75 | 0 | 3.43 |
| Turkmenistan | 0.88 | 3.68 | 0 | 3.6 | 1.68 | 0 | 9.84 |
| Ukraine | 7.67 | 12.31 | 10.54 | 5 | 4 | 0 | 39.52 |
| Uzbekistan | 1.03 | 3.05 | 0 | 3.35 | 2.2 | 6.4 | 16.03 |
| Regional programmes | 5.79 | 3.8 | 0 | 2 | 10.5 | 1.5 | 23.59 |
| Total | 79.95 | 60.54 | 32.19 | 41.58 | 48.33 | 18.5 | 281.09 |

Restructuring state enterprises and private sector development

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---------------------|-------------|--------------|--------------|--------------|-------------|-------------|---------------|
| Armenia | 0.7 | 3.54 | 2.3 | 0 | 2 | 5.7 | 14.24 |
| Azerbaijan | 0 | 2.6 | 0 | 1.9 | 1.8 | 1.7 | 8 |
| Baltic States | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Belarus | 0.3 | 7.52 | 4 | 5 | 5 | 0 | 21.82 |
| Georgia | 0 | 3.5 | 0 | 3.6 | 1.9 | 4.85 | 13.85 |
| Kazakhstan | 0 | 6.54 | 6.3 | 6.3 | 5.9 | 0 | 25.04 |
| Kyrgyzstan | 0 | 0.82 | 0 | 0 | 0 | 0 | 0.82 |
| Moldova | 0 | 1.73 | 0 | 1.45 | 1.5 | 0 | 4.68 |
| Mongolia | 0 | 0 | 0 | 2.56 | 0 | 1.4 | 3.96 |
| Russia | 27.2 | 29.76 | 54.5 | 43.4 | 40.6 | 31.3 | 226.76 |
| Tajikistan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Turkmenistan | 0 | 0.57 | 0 | 1.8 | 1 | 0 | 3.37 |
| Ukraine | 1.7 | 16.8 | 12.36 | 4.3 | 10.7 | 10.25 | 56.11 |
| Uzbekistan | 0 | 2.26 | 0 | 3.35 | 2 | 0 | 7.61 |
| Regional programmes | 7.6 | 4 | 15 | 5 | 0 | 0 | 31.6 |
| Total | 37.5 | 79.64 | 94.46 | 78.66 | 72.4 | 55.2 | 417.86 |

Nuclear safety and environment

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|-----------------------|-----------|-----------|------------|-----------|------------|--------------|--------------|
| Armenia | 0.3 | 0 | 0 | 0 | 0 | 0 | 0.3 |
| Kazakhstan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Russia | 12.89 | 0 | 0 | 0 | 0 | 5.5 | 18.39 |
| Ukraine | 3.54 | 0 | 0 | 20.5 | 37.5 | 37.5 | 99.04 |
| Regional - Armenia | 0 | 0 | 0 | 0 | 0 | 10 | 10 |
| Regional - Kazakhstan | 0 | 0 | 0 | 0 | 2.5 | 2 | 4.5 |
| Regional - Russia | 32.61 | 38 | 48.5 | 41 | 38 | 43.5 | 241.61 |
| Regional - Ukraine | 3.66 | 22 | 30.5 | 24.5 | 18 | 22 | 120.66 |
| Regional | 0 | 0 | 21 | 2 | 12 | 21 | 56 |
| Total | 53 | 60 | 100 | 88 | 108 | 141.5 | 550.5 |

Note: The Baltic States only received funding in 1991

Energy

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---------------------|-----------|--------------|-----------|-------------|--------------|-------------|---------------|
| Armenia | 1.3 | 0 | 4.1 | 0 | 2 | 0 | 7.4 |
| Azerbaijan | 0 | 0 | 0 | 3.6 | 2.5 | 4.8 | 10.9 |
| Baltic States | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Belarus | 4.1 | 1.9 | 0 | 0 | 3 | 0 | 9 |
| Georgia | 0.4 | 0 | 0 | 0 | 2.3 | 3.5 | 6.2 |
| Kazakhstan | 0.7 | 3.2 | 0 | 0 | 0 | 0 | 3.9 |
| Kyrgyzstan | 0.7 | 0 | 2.4 | 0 | 1.7 | 0 | 4.8 |
| Moldova | 0 | 2 | 0 | 0.6 | 1.5 | 0 | 4.1 |
| Mongolia | 0 | 0 | 0 | 1 | 0 | 1.7 | 2.7 |
| Russia | 41.5 | 16 | 21.1 | 19.5 | 18 | 11.5 | 127.6 |
| Tajikistan | 0 | 0 | 0 | 1 | 0.95 | 0 | 1.95 |
| Turkmenistan | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Ukraine | 6.2 | 8.08 | 5.4 | 15 | 6.9 | 6.3 | 47.88 |
| Uzbekistan | 0.4 | 5.28 | 0 | 0 | 0 | 4.5 | 10.18 |
| Regional programmes | 6.7 | 1.5 | 5 | 3 | 3.5 | 13.5 | 33.2 |
| Total | 65 | 38.96 | 38 | 43.7 | 42.35 | 45.8 | 273.81 |

Policy advice

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---------------------|----------|-------------|----------|--------------|----------|----------|--------------|
| Armenia | 0 | 2.85 | 0 | 0 | 0 | 0 | 2.85 |
| Azerbaijan | 0 | 4.4 | 0 | 0 | 0 | 0 | 4.4 |
| Baltic States | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Belarus | 0 | 0.7 | 0 | 0 | 0 | 0 | 0.7 |
| Georgia | 0 | 2.75 | 0 | 0 | 0 | 0 | 2.75 |
| Kazakhstan | 0 | 6.4 | 0 | 1.63 | 0 | 0 | 8.03 |
| Kyrgyzstan | 0 | 5.7 | 0 | 0 | 0 | 0 | 5.7 |
| Moldova | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Mongolia | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Russia | 0 | 0 | 0 | 18.95 | 0 | 0 | 18.95 |
| Tajikistan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Turkmenistan | 0 | 2.5 | 0 | 0 | 0 | 0 | 2.5 |
| Ukraine | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Uzbekistan | 0 | 3 | 0 | 0 | 0 | 0 | 3 |
| Regional programmes | 0 | 8.5 | 8 | 20.5 | 0 | 0 | 37 |
| Total | 0 | 37.8 | 8 | 41.08 | 0 | 0 | 86.88 |

Public administration reform, social services and education

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---------------------|------------|--------------|--------------|--------------|-------------|-------------|---------------|
| Armenia | 0 | 1.5 | 1.8 | 0 | 1.5 | 2 | 6.8 |
| Azerbaijan | 0 | 3 | 0 | 1.8 | 1.3 | 0 | 6.1 |
| Baltic States | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Belarus | 0.68 | 1 | 0 | 0 | 0 | 0 | 1.68 |
| Georgia | 1.18 | 1.25 | 0 | 1.8 | 1.3 | 1.5 | 7.03 |
| Kazakhstan | 4.87 | 1.4 | 3.15 | 1.8 | 2.9 | 0 | 14.12 |
| Kyrgyzstan | 0 | 0 | 2.6 | 0 | 1.6 | 0 | 4.2 |
| Moldova | 0.13 | 2 | 0 | 1.9 | 2 | 0 | 6.03 |
| Mongolia | 0 | 0 | 0 | 3.8 | 0 | 2.9 | 6.7 |
| Russia | 46.64 | 24.57 | 44 | 18.85 | 52.8 | 33.8 | 220.66 |
| Tajikistan | 0 | 0 | 0 | 1 | 1 | 0 | 2 |
| Turkmenistan | 0 | 1.05 | 0 | 1.8 | 1 | 0 | 3.85 |
| Ukraine | 4.65 | 3 | 7.36 | 4 | 7 | 7.8 | 33.81 |
| Uzbekistan | 0 | 3.51 | 0 | 6.8 | 4 | 7.7 | 22.01 |
| Regional programmes | 44.85 | 0 | 21 | 20 | 23 | 0 | 108.85 |
| Total | 103 | 42.28 | 79.91 | 63.55 | 99.4 | 55.7 | 443.84 |

Note: The Baltic States only received funding in 1991

Transport

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---------------------|-------------|--------------|--------------|-------------|-------------|-----------|---------------|
| Armenia | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Azerbaijan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Baltic States | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Belarus | 2.24 | 1 | 2 | 1.3 | 0 | 0 | 6.54 |
| Georgia | 0.73 | 0 | 0 | 0 | 0 | 0 | 0.73 |
| Kazakhstan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Kyrgyzstan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Moldova | 0 | 0 | 0 | 0.6 | 0 | 0 | 0.6 |
| Mongolia | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Russia | 32.87 | 14.25 | 13.55 | 13.9 | 12.6 | 8.5 | 95.67 |
| Tajikistan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Turkmenistan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ukraine | 4.89 | 7.26 | 3.22 | 0 | 0 | 0 | 15.37 |
| Uzbekistan | 0.29 | 1.68 | 0 | 0 | 0 | 0 | 1.97 |
| Regional programmes | 4.78 | 9 | 14 | 7 | 8.5 | 34.5 | 77.78 |
| Total | 49.8 | 33.19 | 32.77 | 22.8 | 21.1 | 43 | 202.66 |

Telecommunications

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---------------------|----------|-------------|-------------|------------|------------|------------|--------------|
| Armenia | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Azerbaijan | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Baltic States | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Belarus | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Georgia | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Kazakhstan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Kyrgyzstan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Moldova | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mongolia | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Russia | 0 | 4.93 | 5.1 | 4.1 | 5.4 | 3 | 22.53 |
| Tajikistan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Turkmenistan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ukraine | 0 | 0.83 | 0.55 | 0 | 0 | 0 | 1.38 |
| Uzbekistan | 0 | 0 | 0 | 0 | 0 | 1.4 | 1.4 |
| Regional programmes | 0 | 1 | 1 | 0 | 2.5 | 0 | 4.5 |
| Total | 0 | 6.76 | 6.65 | 4.1 | 7.9 | 6.4 | 31.81 |

Others

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|------------------------------------|-------------|--------------|--------------|--------------|---------------|--------------|---------------|
| Armenia | 0 | 0 | 8.8 | 0 | 0.5 | 0.95 | 10.25 |
| Azerbaijan | 0 | 0 | 8 | 0.7 | 0.4 | 3.47 | 12.57 |
| Baltic States | 2.05 | 0 | 0 | 0 | 0 | 0 | 2.05 |
| Belarus | 0 | 0 | 1 | 0.7 | 2 | 0 | 3.7 |
| Georgia | 0 | 0 | 6 | 0.8 | 0.5 | 0.57 | 7.87 |
| Kazakhstan | 0 | 0 | 1.4 | 1.12 | 3.2 | 0 | 5.72 |
| Kyrgyzstan | 0 | 0 | 1 | 0 | 1 | 0 | 2 |
| Moldova | 0 | 0 | 0 | 0.75 | 1.5 | 0 | 2.25 |
| Mongolia | 0 | 0 | 0 | 0.64 | 0 | 0.6 | 1.4 |
| Russia | 0 | 0 | 10 | 15 | 14.79 | 2.8 | 42.59 |
| Tajikistan | 0 | 0 | 0 | 0.32 | 0.3 | 0 | 0.62 |
| Turkmenistan | 0 | 0 | 0 | 0.8 | 0.32 | 0 | 1.12 |
| Ukraine | 0 | 0 | 3.82 | 1.7 | 6.4 | 3 | 14.92 |
| Uzbekistan | 0 | 0 | 0 | 1.5 | 1.8 | 2 | 5.3 |
| Regional programmes | 0 | 0.83 | 8 | 2.5 | 6 | 4 | 21.33 |
| Facilities | 0 | 0 | 0 | 0 | 0 | 61.01 | 61.01 |
| Donor coordination* | 0 | 34.88 | 20.98 | 24.69 | 40 | 43 | 163.55 |
| Programme implementation support** | 6.2 | 24.03 | 11.11 | 20.99 | 23 | 37.5 | 122.83 |
| Others*** | 0 | 0 | 0 | 14 | 10 | 11 | 35 |
| Total | 8.25 | 59.74 | 80.11 | 86.21 | 111.71 | 169.9 | 515.92 |

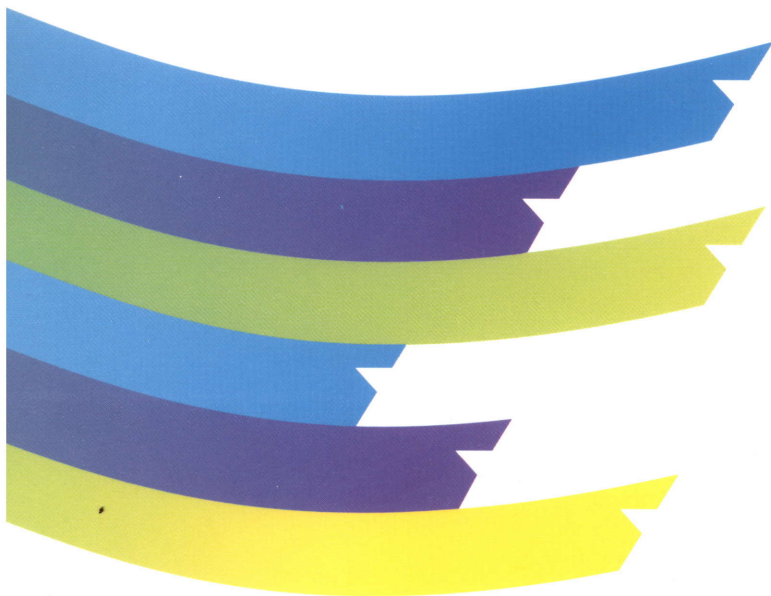
* Includes International Science and Technology Centre, Partnership and Coordination Programme and the EBRD Bangkok Facility

** Includes Coordinating Units, Multidisciplinary fund, information and monitoring and evaluation

*** Includes the Democracy Programme

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Armenia Azerbaijan Belarus Georgia Kazakhstan Kyrgyzstan Moldova



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