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<b>Contents</b>	<b>Page</b>
Commissioner's statement	2
Tacis in 1997 - an overview	4
Summary of the Tacis Interim Evaluation	6
Armenia	7
Azerbaijan	9
Belarus	11
Georgia	12
Kazakhstan	14
Kyrgyzstan	16
Moldova	17
Mongolia	19
Russian Federation	21
Tajikistan	25
Turkmenistan	26
Ukraine	28
Uzbekistan	31
People, projects, policy	33
Regional programmes	39
Small project programmes	43
The Phare and Tacis Democracy Programme	48
Financial and operational performance	49
Tacis funds allocated by sector 1991-1997	52
Chronology 1991-1997	54
Upcoming milestones	55

# Commissioner's statement



*'The Partnership and Cooperation Agreement with Russia provides a new wide-ranging chapter in our relations on which Tacis can play more fully than ever its role as a lever for successful transition'*

The Tacis Programme took important strides in 1997 within a period of change in the relations between the European Union and the New Independent States.

One important event in 1997 was the entry into force in December of the Partnership and Cooperation Agreement (PCA) with Russia. By the end of 1997 there were a total of 10 PCAs with each of the NIS in the course of ratification. PCAs with Ukraine and Moldova are scheduled to come into force during 1998 and the others following close behind. The PCA commits both sides to a new level of political dialogue, to promote democratic and economic reforms, and to promote cooperation in many areas. It provides a new wide-ranging chapter in our relations on which Tacis can play more fully than ever its role as a lever for successful transition.

There have been important developments in the NIS in 1997. National economies have shown signs of

progress. Changes in the structures of the economies of partner countries have been accompanied in different cases by a readiness to move towards international economic structures – notably by acceding to the WTO. Preparatory work to accede to this organisation in different NIS started with the help of Tacis. There has been a growth in enterprise and SME development, in environmental awareness, and in human resources development. There has been a growing focus on the merits of regional cooperation as a means of achieving political and economic stability. In fact the Tacis flagship programmes TRACECA and INOGATE are seen as important tools to that end.

In terms of performance, 1997 was a record year for Tacis: an amount of ECU 691 million was contracted, the highest figure since the Programme started. Moreover, the volume of uncontracted funds were

substantially reduced: from ECU 752 million to ECU 543 million. These performance figures were the result of a number of changes in the management of the Programme but most certainly also due to the dedication of all those involved in the execution of the Programme.

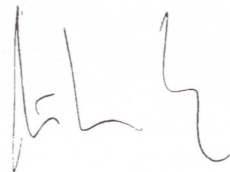
During 1997 unfortunately Tacis involvement in Belarus had to be scaled down. Concerns over the November 1996 referendum and subsequent domestic political events led the EU Council of Ministers to require «careful review» of technical assistance in February 1997, and in September 1997 to freeze all technical assistance except for humanitarian aid, regional and democratisation programmes. In line with Council conclusions the EU developed a Civil Society Development Programme. Equally, in Tajikistan the deterioration of the situation made it impossible to provide technical assistance in a sustainable way. It was therefore decided to suspend Tacis activities in this country.

1997 was the year initiatives were taken to strengthen monitoring and evaluation of the Programme. An independent Interim Evaluation on the results of the whole Programme was published in June 1997. This allowed the Commission to set a further overview of the Programme's strengths and weaknesses. Equally, in

line with European Commission policy on Sound and Efficient Management, changes have been made to improve efficiency and accessibility, to streamline procedures, to bring improved clarity and transparency to tendering procedures, and to upgrade staff training.

Other changes still to come include a fourth Tacis Regulation, due to come into force at the beginning of 2000. Preparations on the new Regulation have begun, taking into account the above mentioned increased knowledge of the Programme's performance.

With the dawning of the era of PCAs, there is now a new coherence between the vehicles of EU-NIS relationships: political dialogue, trade relations, economic cooperation, and newer areas such as cooperation in the fight against crime. The future role of Tacis will be more and more to underpin the PCA process, which is a challenging task aimed at achieving further stability and prosperity in the fascinating world of the New Independent States.



Hans van den Broek

# Tacis in 1997 - an overview

## Tacis breaks all records

1997 was a record year for Tacis. While it recorded an 8 per cent increase in its level of payments, its most notable achievement was that contracts worth ECU 691 million were agreed, 52 per cent up on the 1996 total. It delivered programmes and projects with an increased precision to the people and organisations that benefit from Tacis in the partner countries. And the Programme acquired a new political framework for its operations in the partner countries, with the first Partnership and Cooperation Agreement coming into force.

The enhanced performance resulted in part from tighter timetabling of internal procedures: for instance, by May 1997 programmes worth nearly 40 per cent of the year's total had been submitted to the Tacis Committee. Tacis is keen that assistance should be deployed as soon as possible after needs have been identified. So it has tightened up its schedules, clarified its responsibilities and simplified its procedures in 1997.

Standard contracts for restricted tenders were introduced in January 1997, to make contract contents clear and predictable for everyone involved. And to ease access to Tacis programmes, rules were changed to clarify procedural matters on deadlines, tendering and evaluation, and to ensure that documentation is provided in three languages.

A sharp reduction in the ECU 752 million backlog of committed but uncontracted funds which had accumulated by the end of 1996 could be realised. The speed-up meant also that tendering for contracts in the first half was twice the value of the same period the previous year. The contracting performance exceeded targets by 28%, and is the highest-ever annual performance since the Programme started in 1991.

Processing times for invoice payment have been cut on average from 85 days to 56. A start has also been made in rationalising the large number of small projects acquired from the past, often with cumbersome procedures that demand management time.

## Tacis adapts its framework

The major acceleration in the PCA process in 1997 – the first, with Russia, came into force in December – has crystallised the political and strategic framework in which Tacis operates.

The PCAs are designed to ensure real partnership and an enduring framework for the sustainable security and prosperity of citizens. They are strategic as well as dynamic, taking into account changes in the EU (with, for instance, enlargement, and the advent of the European Single

Currency) and in the NIS (as the partner countries take their rightful place in the international economic community).

## Checking on the results

For the assistance to work effectively, checks have to be made on whether it is relevant, how well it is delivered, and how far the results measure up to expectations. During 1997, the Commission's approach to this type of checking underwent some major changes. On the one hand, there was a big leap in the volume of Tacis' own monitoring of projects - over 600 reports were produced by the Tacis monitoring teams. Monitoring delivers assessments of a selection of projects in the shape of written reports, against a grid of clearly established performance criteria. But while each report is important in its own right, and can demonstrate where things have gone well, or help adjust a project's direction while it is still under way (or even stop a project that has gone wrong), Tacis' monitoring activity is part of an overall assessment system that continually helps guide programming, project planning, and management.

The role of the Tacis monitoring teams was strengthened in 1997, and closer collaboration was achieved with the European Commission's Delegations, Coordinating Units and Technical Offices in the Partner countries. The frequency of monitoring of large projects was increased, and a complete database of all monitoring and evaluation reports since 1995 was launched during the year. It will be made available to the public in mid-1998.

On the other hand, the new attention to an 'evaluation culture' was also demonstrated by the coming into operation of a separate Evaluation Unit from the start of 1997. The Unit was set up as a response to the Commission's move towards Sound and Efficient Management, to intensified interest from the budgetary authority, and to specific calls from the European Parliament and the Court of Auditors for more independent assessment of Tacis. It is backed by the Member States and six-monthly reports are presented to the Tacis Committee (composed of representatives of Member States). The new unit completed the Interim Evaluation of Tacis (see separate chapter). Evaluations of the Tacis-financed Support to Management Training, and of the Tacis Democracy Programme, are complete. It also initiated 11 other evaluations which were under way by the end of the year. These include examinations on Tacis programmes in transport, higher education, and city twinning; country programme assessments in Georgia and Ukraine; and sector- and country-specific studies, such as agriculture or enterprise restructuring in Russia, and public administration in Kazakhstan and Uzbekistan. Other programme areas that have been selected for review include aspects of the Small Project Programmes, transport and telecommunications,

INOATE, and nuclear safety. A major country study of Russia was also carried out. The aim is to reach a cruising speed of one to two evaluations completed per month.

### Tacis spreads information

1997 has seen significant Tacis efforts to ensure that information about what it is doing is adequately disseminated. Initiatives have included a survey of perceptions of Tacis in the EU and the NIS, and, in the NIS, more constructive partnerships have been built with the Tacis offices to assure wider provision of information. An information service for Tacis (and for the Phare Programme of aid to central and Eastern Europe) has been in operation since 1991. The unit received 5,000 visitors and dealt with more than 50,000 enquiries during the year, as well as giving more than 100 presentations. A new Information Centre covering both the Tacis and Phare programmes has been opened (February 1998) to meet the needs of the public and the business community.

In parallel, the Tacis Dissemination Project distributed more than 20 publications explaining the methodology and results of individual (or groups of) Tacis projects. Tacis has also further developed its Web pages within the DGIA site on the Europa server, so that a wide range of information can be made immediately accessible – including tendering and programme information. The Tacis pages received more than half a million 'hits' in the course of 1997.

Tacis has also been responsive to the increased level of attention from other Community institutions. The European Parliament has held numerous debates in committees and plenary sessions on subjects directly or indirectly impacting on Tacis, and European Parliament delegations have visited a number of Tacis projects on the spot in the course of their enquiries. The Parliament, on the basis of a Court of Auditors report in 1997 paid special attention to the Tacis Programmes in Ukraine particularly the Nuclear Safety programme.

Country	Indicative Programmes	Action Programmes approved in 1997 including Small Project Programmes (in ECU million)	Partnership and Cooperation Agreements	Interim Agreements
Armenia	Approved in 1996	Approved in 1996	Signed 22.4.96	Signed 10.12.96 Entered into force 1.12.97
Azerbaijan	Approved in 1996	Approved in 1996	Signed 22.4.96	Signed 8.10.97
Belarus	–	–	Signed 6.3.95	Signed 25.3.96
Georgia	Approved in 1996	Approved in 1996	Signed 22.4.96	Signed 5.10.96 Entered into force 1.9.97
Kazakhstan	Approved in 1996	National Programme - 24.0	Signed 23.1.95	Signed 5.12.95 Entered into force 1.4.97
Kyrgyzstan	Approved in 1996	National Programme - 13.0	Signed 9.2.95	Signed 28.11.96
Moldova	Approved in 1996	National Programme - 18.0	Signed 28.11.94	Signed 2.10.95 Entered into force 1.5.96
Mongolia	Approved in 1996	Approved in 1996	–	–
Russia	Approved in 1996	National Programme - 133.0	Signed 24.6.94 Entered into force 1.12.97	Signed 14.7.95 Entered into force 1.2.96
Tajikistan	–	–	–	–
Turkmenistan	Approved in 1996	National Programme - 11.5	(Initialled 24.5.97)	–
Ukraine	Approved in 1996	National Programme - 44.0	Signed 14.6.94	Signed 1.6.95 Entered into force 1.2.96
Uzbekistan	Approved in 1996	Approved in 1996	Signed 21.6.96	Signed 14.11.96

# Summary of the Tacis Interim Evaluation

The Tacis Interim Evaluation concludes that the Tacis Programme's contribution to the process of transition has been relevant. On balance, in terms of outputs delivered, the record is positive. 'Tacis has had an impact on a number of change processes which are important for the further evolution of market economy and democracy in the NIS and Mongolia.' This is the key finding of the first independent Interim Evaluation of Tacis, conducted during 1997, which was published in June. What follows are the highlights of the report itself:

## Project performance

The vast majority of Tacis projects – 80 per cent, according to the monitoring reports – are seen as having achieved their planned outputs, with 20 per cent failing either in part or in full to meet expectations. 71 per cent of Tacis projects are seen as having performed in a manner described as 'good' (30 per cent) or 'positive' (41 per cent) in terms of achieving their targeted objectives. 22 per cent of projects were deemed to be 'disappointing', and 7 per cent were considered outright failures.

87 per cent of Tacis projects are seen as having been well targeted at the needs of the selected partners or beneficiaries. And 75 per cent are considered to have achieved a positive impact in terms of capacity building in the partner organisations, suggesting a positive impact on economic performance in the future.

53 per cent of contractors were assessed as having given good or excellent performance, 31 per cent as generally positive, and 16 per cent as below standard. The effectiveness of Tacis projects was seen to be highest in financial services, non-nuclear energy, training, and telecommunications.

The Interim Evaluation contends that, to date, insufficient formal attention has been given to reinforcing democracy, and to justice and home affairs. But it goes on to add that 'in most sectors Tacis projects contribute to attitude changes or institutional capacity development which has a positive significance in the support of democracy'.

## Management

The Interim Evaluation has been exhaustively discussed within Tacis and with the Member States. The results of this debate are being fed into the preparation of the new Tacis Regulation. Evaluations launched in 1997 and expected in 1998 include:

Evaluation	Expected
Georgia	early 1998
Tempus	early 1998
City Twinning	early 1998
Kazakhstan, Uzbekistan (Public Administration)	early 1998
TRACECA	middle 1998
Monitoring and Evaluation Database	middle 1998
Ukraine	middle 1998
Russia (Enterprise support)	middle 1998
Small Project Programmes (Enterprise support)	middle 1998
Policy Advice programme	middle 1998
Kazakhstan (Enterprise support)	middle 1998
Russia (Agriculture)	middle 1998



# Armenia



Community relations with Armenia took a further firm step forward in December 1997 when the Interim Agreement entered into force. Armenia's economic growth continued in 1997. But it is increasingly evident that realising the benefits fully is dependent on the availability of access to wider markets, in a country whose borders with Turkey and Azerbaijan are closed, because of continuing tensions over the disputed territory of Nagorno-Karabakh, and which also finds transit across Georgia to Russia impeded.

## Supporting the transition process

Against this background, Tacis continued to provide a range of contributions to Armenia's transition, on the twin axes of private sector and human resources development. In concrete terms, this took the form of assistance through projects such as the Agricultural Cooperative Bank of Armenia, regional agricultural reform, enhancing business skills and broadening advice to smaller firms, access to energy, health care reform, and upgrading public administration.

On a broader policy level, aid is being given to the government in implementing its international obligations, in respect of its Partnership and Cooperation Agreement with the Community and its Member States, and its planned WTO accession. This process continues to encourage thinking in Armenia towards the merits of closer integration into the international community, and towards the acceptance of some of the disciplines and compromises that this implies.

## Agriculture and banking

The Agricultural Cooperative Bank of Armenia – a Tacis-supported initiative – completed its first full year in 1997, with very positive operating results. It also had a major impact on the country as a whole, where it has helped increase arable land use by up to 30 times. ACBA is the only bank providing small-scale loans (of \$500-\$1,000) directly to local farmers for a season or half a season to acquire agricultural inputs like seeds and fertiliser. Business success has been high, too, with 100 per cent repayment of loans so far. The Bank was created on the basis of a Tacis feasibility study, and Tacis has provided know-how to develop its capabilities in a competitive banking environment. Gradually, the aim is to extend services more widely across the country, and to expand the product range to include medium-term loans, savings and deposit products, and other banking services.

## Achieving qualified successes

The project with the Armenian School for Public Administration has been a success story. The second phase of its development strengthened support by upgrading the curriculum and skills of local teaching staff, even if an expected civil service law never materialised – which made it impossible to tune the curriculum to a new framework for civil service training.

The Tacis-run Caucasus Regional Agricultural Reform Programme has been operating in Armenia since 1996 – by

<b>Funds allocated by sector 1991-1997 (in ECU million)</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Nuclear safety and environment	0.3	0	0	0	0	0	0	0.3
Restructuring state enterprises and private sector development	0.7	3.54	2.3	0	2	5.7	0	14.24
Public administration reform, social services and education	0	1.5	1.8	0	1.5	2	0	6.8
Agriculture	0	1.66	0	0	0	0	0	1.66
Energy	1.3	0	4.1	0	2	0	0	7.4
Transport	0	0	0	0	0	0	0	0
Policy advice and SPPs	0	2.85	0	0	0	5.35	0	8.2
Telecommunications	0	0	0	0	0	0	0	0
Others	0	0	8.8	0	0.5	0.95	0	10.25
<b>Total</b>	<b>2.3</b>	<b>9.55</b>	<b>17</b>	<b>0</b>	<b>6</b>	<b>14</b>	<b>0</b>	<b>48.85</b>

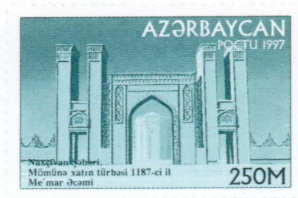


*The utilisation of arable land has been increased by up to 30 times*

helping local farmers set up and operate credit unions – but with less success than in other parts of the Caucasus.

Tacis has also been involved in a project to coordinate donor aid related to development of the energy sector. This project was crowned with a major success during 1997 when a contract was awarded to an oil firm to develop oil and gas acreage, and shortly afterwards drilling commenced – a big achievement in both technical and political terms.

# Azerbaijan



The Interim Agreement with Azerbaijan was signed during 1997, setting a seal on closer relations. The year saw a number of other concrete examples of Azerbaijan's increased international contacts - for instance the early-oil celebration in Baku in October. The first Azeri oil started to flow northwards out of the country in October, and major oil development deals have been concluded during the year.

The real economic benefits of oil will take several years to arrive, and are in any case dependent on progress in developing transit pipelines and other facilities for getting it out of the country. The privatisation process only really got under way in 1996, by the end of 1997 there were 400 medium-sized and large enterprises that were being transferred into private hands. But, most of all, the country still suffers from the burden of 900,000 refugees, an average wage level of \$30 a month, and 70 per cent of the population living below the poverty line.

## Support for the energy sector

The focus of Tacis work in Azerbaijan in 1997 has reflected many of the challenges the country faces. Tacis has been conspicuously active in the energy field, particularly in the context of the INOGATE programme, which will eventually provide export access for the country's oil by facilitating pipeline construction. But Tacis has also helped upgrade energy distribution in Azerbaijan's principal industrial zones, and given advice to the Government on resolving the industrial pollution problems. This will bring not only environmental benefits for the Caspian Sea, but also encourage inward investment, since it will more clearly

define the liabilities that until now have discouraged investors from getting involved.

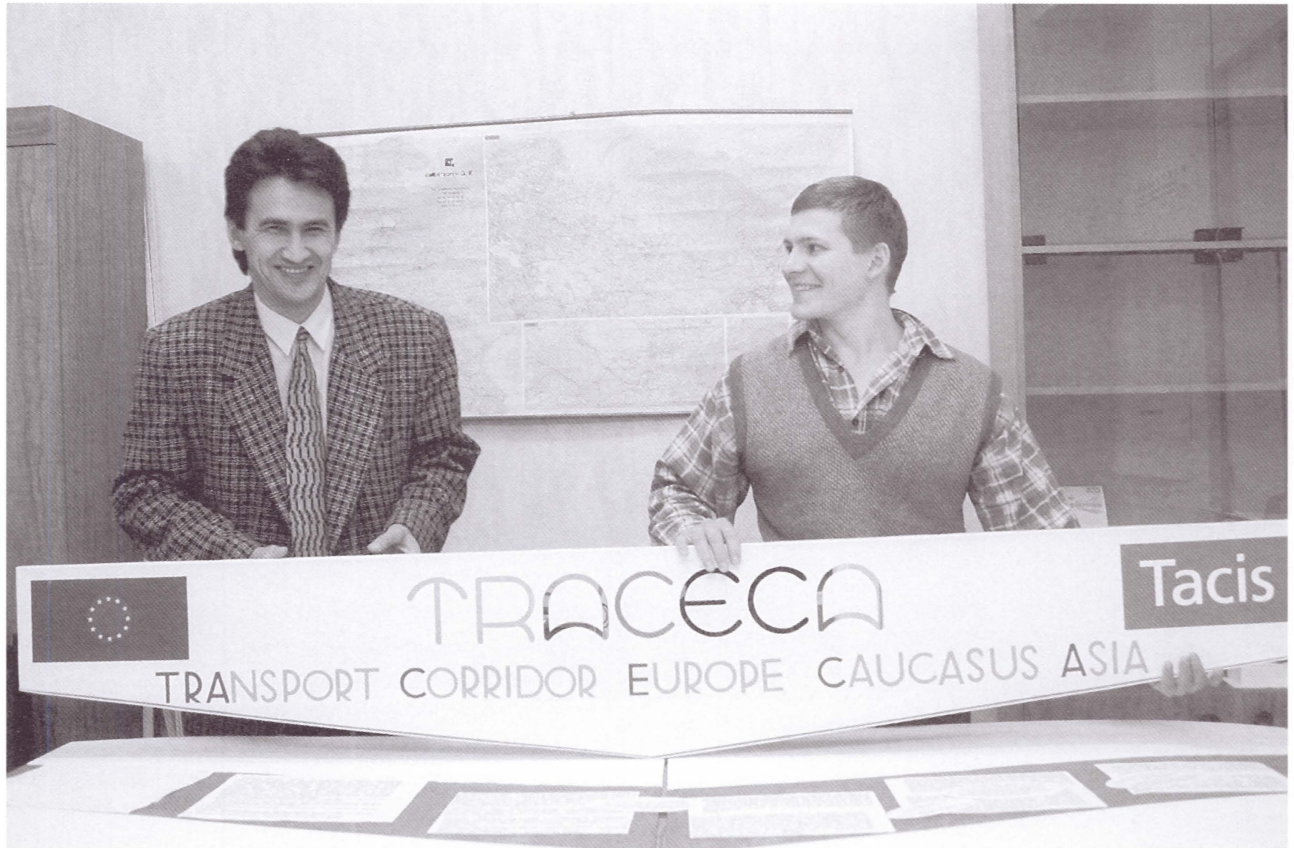
Tacis is also providing advice to the Government on coordination in energy and fuel management. The aim is to create a more transparent regulatory environment, and thus to increase foreign investment. A major - and high visibility - rehabilitation project in the Fizuli area was included in the Action Programme. This project is intended to help rehabilitate areas which were affected in the Nagorno-Karabakh conflict. Tacis has provided 22 villages with electricity and drinking water. The pumping stations and canals have provided irrigation on land where wheat is grown. This assistance has been complemented by a Tacis agricultural project benefiting 2000 farmers who have received credits for the purchase of seeds and fertilisers.

## Transport, training and business development

Tacis has worked with the Azeri authorities on transport development, particularly via the TRACECA project to develop an efficient east-west transport route. There have also been projects in setting up training in auditing, in smaller business development, and in human resources. A total of 300 auditors will have received training in general accounting and audit principles by the end of the current Tacis project. The SME development programme is providing marketing studies, assistance in creating business plans, generating contacts, and providing training to local enterprises.

Notably, a Tacis project at the public administration institute has trained Azerbaijan civil servants. The project is becoming

<b>Funds allocated by sector 1991-1997 (in ECU million)</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Nuclear safety and environment	0	0	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	2.6	0	1.9	1.8	1.7	0	8
Public administration reform, social services and education	0	3	0	1.8	1.3	0	0	6.1
Agriculture	0.4	2.5	0	0	0	0	0	2.9
Energy	0	0	0	3.6	2.5	4.8	0	10.9
Transport	0	0	0	0	0	0	0	0
Policy advice and SPPs	0	4.4	0	0	0	5.03	0	9.43
Telecommunications	0	0	0	0	0	1	0	1
Others	0	0	8	0.7	0.4	3.47	0	12.57
<b>Total</b>	<b>0.4</b>	<b>12.5</b>	<b>8</b>	<b>8</b>	<b>6</b>	<b>16</b>	<b>0</b>	<b>50.9</b>



*Tacis contributes to the development of an efficient East-West transport route*

self-sustaining since Tacis funding ended in late 1997, through contracts with local public administrations, the private sector and newly installed private firms in Baku, and through consultancy for international donors. Tacis staff will follow up the project to assess longer-term paybacks. Another project has helped structure management training capabilities for delivering MBA courses, at two universities. And a labour market project has also broken new ground for Tacis.

# Belarus



As a result of decisions by the EU Council of Ministers during 1997, Tacis involvement in Belarus has been scaled down. Concerns over the November 1996 referendum and subsequent domestic political events led the EU Council of Ministers for External Relations to require 'careful review' of technical assistance in February 1997, and in September 1997 to freeze all technical assistance except for humanitarian aid, regional and democratisation programmes. As a consequence, Belarus is the only Tacis country for which no 1996-1999 Indicative Programme has been agreed, and for which there has as yet been no Action Programme during the current Programming cycle.

## Support for civil society

Instead, in line with Council conclusions in December, the European Commission developed at the end of 1997 a proposal for an ECU 5 million programme – the Tacis Civil Society Development Programme for Belarus. This is aimed at three target groups: NGOs, media, and the education sector.

## Ongoing projects

During the earlier part of the year, programmes started back in 1995 were still running in the fields of agricultural training (Adaptation and design of new curricula for the education agricultural institutions in Belarus), and energy reform (Energy efficiency in the housing sector, and Restructuring and corporatisation of the power sector in Belarus). A Business Communication Centre in Minsk is also still operating under 1995 funding. A military conversion project (Development of commercial opportunities for former military enterprises) was extended for a further six months. And there are twelve projects

operating under the Tempus training programme. Projects that were finalised during the year included a human resource project (assistance in strengthening the state employment service in Belarus), and an enterprise support project under the Productivity Initiative Programme.

## Regional projects

Belarus is involved in projects under the Tacis Inter-State and Cross-border Cooperation Programmes. As an example, a 1996 Trans-European Networks transport project to be tendered in early 1998 also covers Belarus, across which two important transport corridors run: the East-West Corridor II, linking Berlin, Warsaw, Minsk, and Moscow, and the long North-South Corridor IX linking Finland to Greece.

<b>Funds allocated by sector 1991-1997 (in ECU million)</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Nuclear safety and environment	0	0	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0.3	7.52	4	5	5	0	0	21.82
Public administration reform, social services and education	0.68	1	0	0	0	0	0	1.68
Agriculture	1.6	2.51	2	0	2	0	0	8.11
Energy	4.1	1.9	0	0	3	0	0	9
Transport	2.24	1	2	1.3	0	0	0	6.54
Policy advice and SPPs	0	0.7	0	0	0	0	0	0.7
Telecommunications	0	0	0	0	0	0	0	0
Others	0	0	1	0.7	2	0	5	8.7
<b>Total</b>	<b>8.92</b>	<b>14.63</b>	<b>9</b>	<b>7</b>	<b>12</b>	<b>0</b>	<b>5</b>	<b>56.55</b>

ECU 5 million for civil society activities were committed in early 1998

# Georgia



The Interim Agreement with Georgia entered into force in September 1997, representing a step towards the Partnership and Cooperation Agreement signed in 1996 and now in the process of ratification. The Government continued to catch up in terms of economic reforms. Georgia also continued to attract high levels of international donor support as it won renewed praise as a model of democratic development.

Regarding the still unresolved domestic conflicts, there has been some progress in South Ossetia, and the EU supports the small-step based cooperation on such technical matters as transport and energy. Rehabilitation work has also continued, with Tacis assistance, on the Inguri dam and power station – a project which is of interest to the country.

## Reforming legislation and public administration

The parliament decided in September to bring all of Georgia's legislation into line with European standards, and adopted new laws to pursue reform. Tacis has also provided training for the parliament's staff. But the challenges of ensuring adequate implementation now remain. In this connection, the Tacis support during 1997 for Georgia's bid for WTO membership takes on added significance. Georgia recognises that, in addition to its own determination to establish firmer bonds with the international community, it needs outside help in adapting its trade, standards, state aid regime and intellectual and industrial property legislation to meet WTO rules. Tacis programmes during 1997 have also promoted the civil service reforms that are very much needed.

The business community is also being prepared to face up to new circumstances through an extensive smaller businesses support programme which has won wide praise. Assistance has also been given in developing an appropriate regulatory framework for a securities market.

## Enterprise restructuring

The Centre for Enterprise Restructuring and Management Assistance (CERMA) in Georgia is one Tacis attempt to support President Shevardnadze's ambition of the restructuring of 100 firms and training of 200 local consultants by the year 2000 – a project that could benefit from assistance amounted to as much as \$12 million from the World Bank. During 1997, not only did Tacis set CERMA up, obtaining a Presidential decree to give it a formal role and mandate, and recruiting and training 20 local staff, but the first few months of full operation also saw five companies successfully restructured. These included one milling firm which, on the advice of a retired French baker that Tacis provided as an expert, started up the country's first French-style croissant production, which has enjoyed massive success. CERMA is also working with another eight companies, in such sectors as light industry, pharmaceuticals, and agro-processing.

## Support for the agriculture sector

In agriculture, regional pilot agribusiness training and consultancy centres have been set up to assist private farmers and farmers' associations adapt to the disciplines of a market economy. The development of schemes for agricultural credit has been boosted by the passing of a

<b>Funds allocated by sector 1991-1997 (in ECU million)</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Nuclear safety and environment	0	0	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	3.5	0	3.6	1.9	4.85	0	13.85
Public administration reform, social services and education	1.18	1.25	0	1.8	1.3	1.5	0	7.03
Agriculture	2.65	1.5	0	1.8	0	0	0	5.95
Energy	0.4	0	0	0	2.3	3.5	0	6.2
Transport	0.73	0	0	0	0	0	0	0.73
Policy advice and SPPs	0	2.75	0	0	0	4.58	0	7.33
Telecommunications	0	0	0	0	0	1	0	1
Others	0	0	6	0.8	0.5	0.57	0	7.87
<b>Total</b>	<b>4.96</b>	<b>9</b>	<b>6</b>	<b>8</b>	<b>6</b>	<b>16</b>	<b>0</b>	<b>49.96</b>



*Energy is an important focal sector for Tacis in Georgia*

land law and the emergence of private agricultural traders, particularly in the grain sector. The Tacis-run Caucasus Regional Agricultural Reform Programme (RARP) has been operating particularly successfully in Georgia since 1996, by helping local farmers set up and operate credit unions – an innovative programme that provides continuing expert assistance to allow the recycling of funds. In Georgia there has so far been only one default on a loan; in all other cases the credit unions, built from local farmers' commitments, have enabled their members to purchase inputs such as seed or equipment or fertiliser, and have seen the money lent duly returned. Additional support has come from the Community's food security programme.

### **Focusing on energy**

Energy is an important sector for Georgia. The INOGATE project is of obvious importance for Georgia, since Georgia is a key transit country. But Tacis has also operated other energy programmes. Some cover increasing supply – through backing for the Georgian International Oil Corporation, which represents the country in the Caspian oil export programme. Tacis has also given managerial advice

on negotiating internationally, through the hiring of senior former executives of major western oil firms. Other projects focused on reducing demand – by upgrading the energy billing capacity of the authorities, and by the establishment of an energy-efficiency advice centre.

Other key Tacis programmes have included cooperation projects with local universities, through the Tempus Programme, and transport developments through TRACECA – notably the re-establishment and strengthening of road and rail links at the border with Azerbaijan.



# Kazakhstan

Kazakhstan's evident wealth of actual and potential resources – particularly in oil and gas, but also in agriculture – have made it the focus of increasingly wide attention during 1997. With the Community, the Interim Agreement entered into force, and there are hopes that rapid progress will now be made towards full ratification and the coming into force of the Partnership and Cooperation Agreement. Against this background, Tacis has played its part in assisting transition, at the highest policy levels, and across a range of programmes, in such areas as industrial restructuring, training, and telecommunications, through to such local pilot actions as a family doctor service – Tacis' first health initiative in Central Asia.

## Support to the SME sector

Some Tacis projects in support of smaller firms have shown striking results, not only in terms of delivering direct assistance to new entrepreneurs, but also in terms of helping shift the Kazakh climate in favour of promotion of smaller firms. Several Presidential decrees on SMEs and support structures emerged in 1997, echoing and making allusion to some strategy papers developed by Tacis on the role of smaller firms in the economic structure.

Since 1991, Tacis has enabled the establishment of core SME development facilities in Almaty, in addition to beginning to address the particular needs of some of the important regions. Several Tacis SME projects were established in the Kazakh Centre for Support and Development of Entrepreneurship in Almaty, better known as the Kazakh Centre. One of these projects, a training

centre for young entrepreneurs, dating back to 1991, has become fully self-sustainable. The Tacis SME projects together provide a business communications centre, a business plan department, a department for company registration and legal advice, and a library on SME policy and legislation. Local firms receive advice and counselling on business plans that will allow them to apply successfully for credits to local banks.

The plan is to continue these projects, consolidated and centralised within a single major contract, to avoid project fragmentation and to provide a 'one-stop-shop' – and Tacis is guaranteeing payment to local staff to keep the teams together until the Tacis contract for a new, core, 'smaller firms development centre' comes on-stream following its approval in late 1997/early 1998. The shift in the new project, based on the success of the 1997 actions, is increasingly towards aiding entrepreneurs not only in winning credits but also in improving management, and in providing integrated assistance. The concept includes creating a Project Implementation Unit for all the SME projects in Kazakhstan, to deliver SME policy advice to the Government (forming a vital link between policy and implementation), provide support to SME development in the regions, assist the Small and Medium-sized Enterprise Development Centre in Aktyubinsk to become self-sustainable, and coordinate all SME support with other donors. It is a global approach which is highly innovative. There is a successful smaller firms development centre in Aktyubinsk too, which is now to take on board policy advice and to aim for self-sustainability.

<b>Funds allocated by sector 1991-1997 (in ECU million)</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Nuclear safety and environment	0	0	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	6.54	6.3	6.3	5.9	0	7.2	32.24
Public administration reform, social services and education	4.87	1.4	3.15	1.8	2.9	0	3	17.12
Agriculture	2.16	3.06	3.15	3.15	3	0	2.4	16.92
Energy	0.7	3.2	0	0	0	0	1.4	5.3
Transport	0	0	0	0	0	0	0	0
Policy advice and SPPs	0	6.4	0	1.63	0	0	5	13.03
Telecommunications	0	0	0	0	0	0	2.8	2.8
Others	0	0	1.4	1.12	3.2	0	2.2	7.92
<b>Total</b>	<b>7.73</b>	<b>20.6</b>	<b>14</b>	<b>14</b>	<b>15</b>	<b>0</b>	<b>24</b>	<b>95.33</b>





*In Kazakhstan several Tacis projects emphasise human resources development*

### **Privatisation and restructuring**

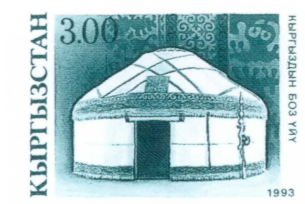
Similarly, Tacis has continued to work on the privatisation of large state assets, in what is a shifting political environment. Even where foreign partners' assets have not been found, Tacis has been able to make a useful contribution to policy formulation in government departments, as they increasingly appreciate the real issues in trying to attract foreign investment. In addition, Tacis has worked on post-privatisation restructuring projects, and has set up consultancies to give advice on marketing, cost accounting, and basic management issues for privatised firms. There has been increasing take-up for the service by medium-sized firms ready to pay fees for such advice, as the culture of seeking expert outside advice gradually develops.

The pilot wholesale meat and vegetable market in Almaty has developed into a full-scale indoor mall, with a rise in quality and distribution organisation, after an initial Tacis investment of ECU 40,000; it is now being replicated by the Ministry elsewhere in Kazakhstan.

### **Investing in human resources**

Human resources development has been at the heart of several Tacis projects in Kazakhstan. The KIMEP MBA programme in Kazakhstan is a flagship Tacis project, in collaboration with other donors, where Tacis is in an influential position to see the programme move ahead, in part because of its close contacts with the executive director and the academic dean of the school. The Kazakh State Academy of Management has also launched a curriculum in economics, covering 50 topics – a Tacis project which is proving so successful that the results are being disseminated throughout the country, and could lead to the first accredited national qualification in the country in economic affairs.

# Kyrgyzstan



A gradual shift is taking place in the relations between the EU and Kyrgyzstan. They were predominantly aid-based in the past, in the form of humanitarian and food aid, but are now moving more towards trade development.

## From policy advice to rural credit

Tacis contributions over 1997 have exerted an influence on policy at a senior level (for instance via advice to the Government to help upgrade the capacities of ministries responsible for external affairs, finance, and budget, or work with the central bank to create a bank advisory service which can assist in the development of commercial banks through fee-based consultancy) and at the level of people quite literally on the ground – through assistance to farmers in improving the quality of their livestock, and through the development of a support network to provide rural credit. The support for accessing credit is not merely administrative – it involves giving support to farmers' groups who want to seek loans on the basis of mutual responsibility.

## Developing human resources

A number of human resources projects launched in 1997 had other spin-offs. For instance, a successful project on adjusting public sector credit that Tacis set up with the World Bank and UNDP demonstrated how effective joint work between Tacis and the IFIs can be. And a project on civil service reform is not only raising the efficiency of the civil service itself, but is also playing a role in the development of civil society and democracy building, by the development of an ethos in which appointments are made on personal merit.

## Support to the energy sector

In the energy sector, Tacis has helped remedy some of the inadequacies in organisation, and the consequent energy wastage, as well as starting to deal with the legacy of environmental damage from the past. It has also worked with the authorities in developing a regulatory function, through the creation of a state energy agency.

## Moving into justice and home affairs

Kyrgyzstan has asked for Tacis support in the fight against drugs, and it was visited by the EU team that prepared a report on justice and home affairs issues across the Tacis countries during 1997.

Funds allocated by sector 1991-1997 (in ECU million)	1991	1992	1993	1994	1995	1996	1997	Total
Nuclear safety and environment	0	0	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	0.82	0	0	0	0	0	0.82
Public administration reform, social services and education	0	0	2.6	0	1.6	0	4	8.2
Agriculture	0	2.71	4	0	3.7	0	2.2	12.61
Energy	0.7	0	2.4	0	1.7	0	1.5	6.3
Transport	0	5.7	0	0	0	0	1.7	7.4
Policy advice and SPPs	0	0	0	0	0	0	2.3	2.3
Telecommunications	0	0	0	0	0	0	0	0
Others	0	0	1	0	1	0	1.3	3.3
<b>Total</b>	<b>0.7</b>	<b>9.23</b>	<b>10</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>13</b>	<b>40.93</b>

# Moldova



The EU's good relations and political dialogue with Moldova throughout 1997 culminated in visits to Brussels by the Minister of Foreign Affairs, the Prime Minister and the President. Tacis support was delivered against a background of Moldova's steady progress towards closer contacts with the international community, with the Council of Europe, and with ratification of the convention on minority rights. The Partnership and Cooperation Agreement is expected to enter into force mid 1998, which will lead to the establishment of a Cooperation Council and the consequent use of Tacis for the effective implementation of the PCA during 1998-1999.

Despite some concerns over the speed of economic development and reform, and a trade deficit with the EU, there have been improvements in currency stability and in controlling inflation, and a reported recovery in GDP. Moldova's commitment and efficiency continue nevertheless to ensure it attracts high levels of international donor aid and involvement, particularly from the US and Germany. Tacis works closely with other donors in the region: a consultative group meeting with the World Bank took place in December.

## Support to the agriculture sector

Key Tacis agriculture programmes that got under way in 1997 extended from policy to practicalities. They included support to the Ministry of Agriculture in adapting to its new role in a market-oriented economy, by offering policy advice and know-how on land reform, developing insurance systems, developing incentive schemes, and boosting a foreign trade regime.

At a more immediate level, Tacis assistance is aimed at helping farmers break out of a vicious circle of debt that prevents them, as individuals, and the agricultural economy as a whole, from realising their full potential. At present, because of drops in production, worsening trade terms, and lack of cash flow, most farms are heavily indebted – to suppliers, to banks and to government institutions such as the social fund – which means they cannot access credit. Tacis is helping a non-governmental Agency for Restructuring of Agriculture in a programme of debt isolation and restructuring, so that farms can get back onto a track which will eventually enable profits to be made. Other successful projects have helped develop rural schemes and marketing skills to boost domestic performance and exports.

## Education and training

In the educational field, Tacis has started to give further support to the development of higher economics teaching. At present, teachers are unfamiliar with modern teaching in economics, and tend to use whatever sources are available in developing courses, without reference to the realities of a market economy. So Tacis is putting ECU 1 million over 18 months into developing the institutional capacity to train a future cadre of academics, officials, researchers and financial analysts in macro and microeconomic analysis and applied economic studies. The project got off to a good start with curriculum improvement, linked to local enterprise measures to help build local research capacity. Meanwhile, a Business Communication Centre has been continuing to

<b>Funds allocated by sector 1991-1997 (in ECU million)</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Nuclear safety and environment	0	0	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	1.73	0	1.45	1.5	0	4.5	9.18
Public administration reform, social services and education	0.13	2	0	1.9	2	0	4.25	10.28
Agriculture	0.97	2.27	0	4.7	2.5	0	3.7	14.14
Energy	0	2	0	0.6	1.5	0	0	4.1
Transport	0	0	0	0.6	0	0	0	0.6
Policy advice and SPPs	0	1	0	0	0	0	4.9	5.9
Telecommunications	0	0	0	0	0	0	0	0
Others	0	0	0	0.75	1.5	0	0.65	2.9
<b>Total</b>	<b>1.1</b>	<b>9</b>	<b>0</b>	<b>10</b>	<b>9</b>	<b>0</b>	<b>18</b>	<b>47.1</b>



*Tacis played a major role in Moldova's social protection programme with its help for drafting the pension reform law*

provide advice to smaller businesses, and is now becoming 60 per cent self-sustaining.

### **Providing targeted support at different levels**

Tacis played a major role in Moldova's social protection programme in 1997 with its help for drafting the pension reform law – help that will continue during the further stages of legislation and implementation. Small-scale Tacis projects have also delivered on different levels: expert advice has been given in key areas for Moldova, including World Trade Organisation accession and PCA implementation, and on creating a Moldovan export promotion organisation. Meanwhile, public transport efficiency in Chisinau has been supported through a Tacis city twinning project which focused on bus transport.



# Mongolia

Tacis action in Mongolia is to support the transformation of the political, social and economic situation in order to raise the living standards and the quality of life of the local population.

In pursuit of these broad objectives, Tacis programmes agreed in 1997 covered education, tourism development, social protection and employment promotion, energy production and conservation, and boosting the smaller businesses sector as a key to spurring economic growth and the reform capacity that will ensue. Some of these programmes have proved successful both in helping Mongolian businesses and in influencing Government thinking.

### Support for small businesses

For instance, despite the obvious distance between Ulaanbaatar and the EU, the Tacis-backed Mongolian Business Development Agency has created a lot of business contacts and displayed the ability to link into cooperation with international financial institutions. Small business services that the Agency offers include training, business consultancy, partner search, investment plans and information, and a network of regional centres has been established. The Agency is now self-supporting, via fee income, government and donor agency contracts, and large company sponsorship. Over 3,000 local entrepreneurs have attended training courses on business disciplines and on sector-specific topics ranging from sausage casings to toy manufacture. And they have developed popular and widely read guides on doing business in Mongolia in general, and in specific sectors such as leather, cashmere, and hotels.

The Agency has also won its spurs with the Government, and, on the basis of the credibility it has established, it has been able to deliver policy support at a high level to assist the development and implementation of a sound economic policy for the smaller businesses sector. A small business law which was put through Parliament in 1997 was strongly influenced by the Agency's input; implementation has also been assisted by raised awareness of smaller businesses development among government departments, in part by a study tour to the EU. The Agency has also shown initiative in tackling one of the key constraints for smaller businesses in Mongolia – access to finance: the Agency has created a leasing company for acquiring equipment for the mining sector, as a low-cost alternative to high-cost bank finance.

### Building on cooperation

The Foreign Affairs Minister of Mongolia, Shuker Altangerel, and European Commission External Relations Commissioner, Hans van den Broek, rounded off the fourth EU-Mongolia joint committee meeting in Brussels on 30 September with a cordial meeting during which both sides expressed their appreciation for the other's efforts to build bridges. The EU side said it was impressed by Mongolia's political stability, economic progress, strengthened contacts with the international trading community (Mongolia recently joined the World Trade Organisation) and its abolition of import tariffs. The Mongolian side focused on the value of the Tacis Programme (ECU 20.5 million has been allocated for 1996-1999 – and overall the EU has donated \$140 million to the country from 1991-1995), and its role in promoting foreign investment.

<b>Funds allocated by sector 1991-1997 (in ECU million)</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Nuclear safety and environment	0	0	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	0	0	2.56	0	1.4	0	3.96
Public administration reform, social services and education	0	0	0	3.8	0	2.9	0	6.7
Agriculture	0	0	0	0	0	0	0	0
Energy	0	0	0	1	0	1.7	0	2.7
Transport	0	0	0	0	0	0	0	0
Policy advice and SPPs	0	0	0	0	0	2.9	0	2.9
Telecommunications	0	0	0	0	0	0	0	0
Others	0	0	0	0.64	0	0.6	0	1.24
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>9.5</b>	<b>0</b>	<b>17.5</b>



*Tacis action in Mongolia aims to raise standards of living and quality of life*

### **Transport links**

Finally, during 1997 Mongolia was incorporated into the Tacis TRACECA programme, which was launched in 1993, and aims at the development of a transport/trade corridor on an east-west axis from Central Asia, across the Caspian Sea, through the Caucasus, across the Black Sea and on to Europe.



# Russian Federation

In 1997 Tacis has provided assistance in many sectors in Russia in support of the ongoing democratic and economic reform process. Quite a number of different new initiatives have been taken in particular in this country to increase the performance of the programme, to increase its visibility and certainly in view of targeting the priorities.

## Russia-EU relations move onto a new footing

An important milestone in 1997 was the entering into force of the Partnership and Cooperation Agreement on 1 December 1997. This opens a new historical chapter in our relations.

The PCA commits the EU and Russia to intensify their political and economic relationships, to support the reform process in Russia and to strengthen political developments, as well as promoting Russia's integration into a wider European economic area. Ultimately, the objective is to foster an economic rapprochement between the EU and Russia, which, after Russia's accession to the WTO, could possibly lead to the establishment of a free trade area. As a first step, approximation of Russian laws to European Community legislation will be of significance. This is a precondition for enhancing and broadening trade flows.

## Tacis plays a key role

In Russia, therefore, Tacis moves towards underpinning the PCA process. Tacis priorities were agreed during the visit of Prime Minister Chernomyrdin to President Santer during the year, such as enterprise support, human resources and the



Tacis is becoming an engine for meeting key PCA objectives

<b>Funds allocated by sector 1991-1997 (in ECU million)</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Nuclear safety and environment	12.89	0	0	0	0	5.5	5	23.39
Restructuring state enterprises and private sector development	27.2	29.76	54.5	43.4	40.6	31.3	28.7	255.46
Public administration reform, social services and education	46.64	24.57	44	18.85	52.8	33.8	27	247.66
Agriculture	50.85	21.49	12.5	16.3	17	10.6	13	141.74
Energy	41.5	16	21.1	19.5	18	11.5	13	140.6
Transport	32.87	14.25	13.55	13.9	12.6	8.5	7	102.67
Policy advice and SPPs	0	0	0	18.95	0	26	31	75.95
Telecommunications	0	4.93	5.1	4.1	5.4	3	4	26.53
Others	0	0	10	15	14.79	2.8	4.2	46.79
<b>Total</b>	<b>211.95</b>	<b>111</b>	<b>160.75</b>	<b>150</b>	<b>161.19</b>	<b>133</b>	<b>132.9</b>	<b>1,060.79</b>

social sector. Agriculture, energy, transport, telecommunications and the environment also figure high on the list of principal Tacis activities in Russia.

Tacis is in Russia the largest grant-based technical assistance programme with commitments of more than ECU 1 billion since 1992. Following the striving towards higher visibility and better targeting of priorities, renewed working relations at a senior level were established. Notably, a new Tacis working group came into operation at the end of the year, to ensure that top-level attention was directed on both sides to ensure the speed and direction of progress, to establish operating criteria, and achieve efficiency.

### **Promoting enterprise development and social progress**

The changes that have taken place in Russia – for instance in privatisation and liberalisation – have still left a need for systematic work on improving productivity, product quality, efficiency in use of resources, management expertise, and ability to respond to market signals, so as to ensure the revival of industry and employment. This needs a more stable business climate, to promote SME growth and foreign investment in plant and equipment, and a continued emphasis on management skills. It also needs work on creating a tax and social security system.

Some of the key areas of Tacis activity have been directed at the strengthening of the legal sector through support to the administrative code, economic federalism and public economic law. Others can be described as bridge-building activities, such as the Moscow-based International Science and Technology Centre, the officers' retraining programme, or implementation of the Chemical Weapons Convention which Russia has now ratified. Tacis has been active in supporting cross-border cooperation, and direct cooperation with a number of regions in Russia. And because a high level of nuclear safety, including the safety of Russian reactors, is a matter of common concern for Russia and the EU, this has continued to be one of the focal sectors of Tacis.

### **From training to telecommunications**

In the telecommunications sector, Tacis has promoted the creation of local expertise through the support to telecommunications and business training centres in Moscow, St Petersburg, Samara and Novosibirsk. The centres have been conceived to meet the demand for training and re-training of technical and management personnel coming from telecom operators and related entities in their respective regions of the Federation. They

were established within the infrastructure of the main telecommunications universities and make use of their teaching staff. The medium-term goal is to enable the centres to become sustainable, self-financing institutions.

Tacis has also supported Russian central communications authorities in their efforts to develop legislation in the field of telecommunications in such crucial areas as licensing, tariffs, interconnection, and consumer protection. The importance attached to Tacis contribution in supporting Russia's move towards a stable, coherent, legal and regulatory framework for the telecommunications sector was acknowledged by the Chairman of the State Committee for Communications and Informatics, Mr Krupnov, at the first EU-Russia «Round Table» on Information Society held in Moscow in October 1997.

In the area of testing and certification, Tacis has supported the establishment of the Moscow Certification Test Centre (CTC), the first in Russia able to carry out tests on terminal telecommunications equipment according to both European and Russian standards. Initially set up within the telephone company MMT, the centre is now self-sustainable and officially accredited as a testing institution by the relevant Russian authorities. Tacis effort in this area is meant to contribute to the wider goal of harmonisation of standards and integration at the technical level of telecom systems and networks.

Does Tacis make a difference? It certainly made a difference with a pilot action on the postal system, carried out at one of the key points of communications within Russia and beyond: the Moscow International Post Office (MIPO). The initial view from MIPO managers was that the principal need was for automation. The project modified this perception, and helped identify other crucial needs more related to working methodology than machinery. Organisational and procedural changes were implemented, along with a new management approach to modernisation. MIPO training facilities were upgraded and trainers trained. The high degree of commitment from the MIPO top management and the exemplary relationship developed between contractor and project partner were key factors in the successful results achieved in the projects.

Information on the project was given to Russian Prime Minister Viktor Chernomyrdin and European Commission President Jacques Santer in Brussels.



## Making energy pay

There is growing local interest in taking advantage of Tacis' work in improving energy management too, with mayors or governors of regions showing they might be prepared to pay for advice from the Tacis-created energy centres in Ekaterinburg and Novosibirsk. These were brought together to achieve economies of scale during the year, and were repositioned as Ural and West Siberian centres respectively, with plans to move them towards self-sustainability over the next two years, supplying fee-based services to private and local authority clients.

Russia and potential foreign investors are both likely to benefit from a new type of advice that was provided through a Tacis project linked to oil-field development which got under way in 1997. Here Tacis involvement goes beyond the classic assistance in technical preparations and feasibility studies: it offers project administration in exploration and production, with a legal component which covers the drafting of model production-sharing agreements for foreign direct investors – the agreements under which the state and the foreign investor fix for the duration of the project all conditions, licensing fees, and taxation.

## Refocusing support for enterprise restructuring

For Russia, Tacis has refocused the help it gives to firms to restructure after they have been privatised. It is mainly being conducted on a sectoral basis, instead of focusing on individual companies, so analysis and pilot programmes now permit dissemination of common solutions across the sector as a whole, in steel, textiles, wood and furniture. The new approach also goes further than classic assistance to enterprise restructuring. It aims to facilitate the development of cooperation activities between European and Russian industry, and is also linked to other objectives, mainly work under the PCA, which gives it a higher degree of political visibility to projects. In the steel sector, for instance, Tacis is delivering more than generalised skills like cost accounting and marketing; in line with EU-Russia trade negotiations, an agreement now provides for Tacis aid on competition, state aids, and environmental protection.

## Justice and home affairs

The European Commission proposed in November 1997 further EU-Russia dialogue on prevention of illegal activities. The 1996 EU Action Plan for Russia identified the fight against organised crime, in particular related to drugs, as a priority – a view reflected in the Florence, Dublin and Luxembourg Council conclusions. Tacis has already started to play a role through exploratory missions in 1997, through

links to the UNDCP Conference in Moscow in April 1997 on Drug Control Cooperation, and through consideration of how Tacis cross-border programmes could help customs cooperation and border management, and so help to combat fraud and other illegal activities at border crossings. Preparations were made in 1997 to intensify Tacis activities in this important area.

## Going nation-wide

The increased Tacis involvement in Russia received physical expression in the opening of five new technical offices across the country in 1997, in Irkutsk, Novosibirsk, Ekaterinburg, Krasnodar, and Petrozavodsk, to complement the existing technical office in St Petersburg, and to help achieve the goal of making Tacis a truly nation-wide programme. The new offices should help identify projects that match Tacis objectives, disseminate the result of Tacis projects and offer information to potential local partners, as well as making Tacis even more sensitive to local conditions.

## Developing transport networks

Transport is a key factor in a country the size of Russia, and Tacis has continued during 1997 to assist in transforming the Russian transport system, which was conceived and consolidated for a command economy, into one more suited to a market economy. At present, the cost element in Russian goods transport is six times the proportion in the EU – and this is not just a function of Russia's size, since China and Canada's transport costs are less than a quarter of Russia's. Soviet industrial organisation focused more on security considerations than on minimising costs of transport and total logistics; and high subsidies kept transport prices well below real costs, offering an incentive for over-utilisation of transport. As a result, goods transportation in Russia accounts for more than 9 per cent of GDP compared with 6 per cent in western Europe, and the fiscal burden of transport is high, with explicit subsidies for operating losses representing roughly 2 per cent of GDP.

In line with the strategic priority since 1995 of easing the flow of goods between Russia and the EU, Tacis has been concentrating on surface freight transport between Russia and the EU, in areas with strong trading potential and along the Trans-European Corridors. The emphasis has been on promoting diversity and competition in a country where rail carries some 90 per cent of all traffic, compared to less than 30 per cent in western Europe.

So Tacis has been working on projects across the transport modes. In 1997 Tacis completed the tendering procedure

and initiated three 1996 projects: promotion of road transport, by helping smaller road transport firms create associations that provide them with logistic support and access to the market; reorganisation of Russia's rich supply of major inland waterways to promote their use as a direct link between the Volga river (and the Russian industrial heartland along it) and Europe via the Black Sea – with penetration to the industrial heartland of Europe via the Danube and Rhine; and improving the railway information system along the Corridor linking Moscow to Helsinki via St Petersburg, to ease import/export traffic.

In 1997 Tacis identified four new projects and obtained Member State approval for funding them for an estimated ECU 7 million. Three cover freight transport: road safety improvements along Corridor IXA (linking Moscow, St Petersburg and Helsinki); introducing international standards on the transport of goods hazardous to human health and/or to the environment; and the promotion of combined road/rail transport. The fourth covers modernisation of Moscow's international airport, Sheremetyevo 2 – a high-visibility project, because the airport is urgently confronted with handling 5 million passengers a year. Designed to handle a maximum throughput of 12,000 passengers per day, at peak times the throughput can now reach 30,000-35,000 passengers per day – with delays to arrival and departure passengers and to flight schedules. The project is intended to increase capacity with minimum investment and to improve safety via a catastrophe simulation exercise. Appraisal, financing and preparation of tender documents were completed in 1997 for all these projects, thus enabling an early start and reducing the delay between project identification and implementation.

### Setting examples in agriculture

Major agriculture projects run by Tacis have included the wholesale market in Kemorovo in Siberia, which started in 1993 with a simple market, and, as the project approaches its planned 1998 finish, has already been extended to become a distribution network for the entire Oblast and beyond, with potential as a model for the genesis of a country-wide scheme. The Chelyabinsk 'model farm' pilot projects have had a high degree of success among local farmers and authorities (the local vice-governor has taken a keen personal interest), and are still generating a high demand through dissemination programmes for advice on how western production methods can be applied.

A Novosibirsk project that had a difficult start in 1993 has now developed into a strong support for marketing groups in dairy, fruit and vegetable, and other sectors, and is now

provoking local demands for continuation. And a federal project run with the Ministry of Agriculture in crop monitoring and assistance has broken new ground for Russia, allowing for the first time the opportunity to monitor and forecast economically vital cereal crops. Tacis has been creating the base for such systems such as replication of the EU Mars system of satellite monitoring. The Krasnodar agro-food transformation project has created pilots for firms of all sizes, which have received advice regarding management, equipment, financial management, staff, and restructuring.

Thanks to Tacis and Natalia Dmitriyevna Boyeva, customers in France, Spain, Germany, the Netherlands and Belgium are now using products from a small creamery founded in 1928 in Staroderevyankovskaya (in the Krasnodar region). It was Mrs Boyeva who was at the helm of this dairy in 1991 when the sudden changes in Russia led to a massive drop in production and a dramatic rise in inflation. And it was with Tacis advice that she turned the failing dairy into a flourishing business which is now a model for the region. She has overseen reconstruction and re-equipment of the plant, and the introduction of new quality control and packaging methods that enhance quality, storage and branding. A wide range of cheeses, yoghurts, milk drinks and desserts now complement the straight dairy business, and the firm has six of its own retail outlets, a wholesale store, and a fleet of its own vehicles delivering to fifty other stores. Employment has risen to 300, and the company is building business connections across the country.

# Tajikistan



The Tacis programme has been operating in Tajikistan since August 1995. An earlier attempt in 1992 to start the programme was cut short by the outbreak of civil war. The consequences of this war have continued to affect the country with kidnappings, murder and general lawlessness. In February 1997 all Tacis experts had to evacuate the country following a series of kidnappings involving UN personnel. Tacis returned to the country in April after an improvement in the situation, but this proved short-lived.

In November, the Project Manager from the Coordinating Unit and his wife were kidnapped at gun-point from their home in Dushanbe and later she was tragically killed during an attempt to release her. This tragic event showed that conditions in the country did not allow technical experts to work safely. The implementation of the Tacis programme was suspended.

The EU continues to support the UN-sponsored peace process in Tajikistan and the Commission's humanitarian arm, ECHO, has continued to operate in the country. Planned elections, now scheduled for Spring 1999 could represent a decisive moment for the future of the country.

Before the suspension of Tacis activities the Indicative Programme for 1996-99 had been agreed and the 1996-97 Action Programme was prepared. At the moment of suspension of the programme considerable work had been done on preparing project terms of reference.

At the time of suspension there were on-going Tacis projects in agriculture, energy and human resources under the 1994 and 1995 Action Programmes. Tajikistan

was also involved in a number of important inter-state programmes such as TRACECA and had been successful in developing its participation in Facilities programmes such as Lien.

A policy advisory unit in the Ministry of Agriculture had begun to make progress in bringing about reform in the sector and in training new cadres for the Ministry. In the energy sector a project had just started to develop an investment plan for the major hydro-electric power station at Sangudinsk.

The very successful RARP-2 project provided important investment in rehabilitation of irrigation systems throughout the country using the Counterpart Funds from monetised food aid. Through an innovative approach of funding NGO projects in agriculture, small farmers had access to vital credit.

In human resources one project supported the Economics Faculty of the Tajik State University in Dushanbe, allowing new programmes of study to be developed and the re-training of professors in modern curricula. In the northern city of Khodjand a project at the Khodjand Centre for Entrepreneurship and Management provided the basis for an MBA-style course of training. Both projects provided much-needed computers for both teaching centres as well as access to western colleagues and new sources of information through study tours to Europe.

<b>Funds allocated by sector 1991-1997 (in ECU million)</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Nuclear safety and environment	0	0	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	0	0	0	0	0	0	0
Public administration reform, social services and education	0	0	0	1	1	0	0	2
Agriculture	0	0	0	1.68	1.75	0	0	3.43
Energy	0	0	0	1	0.95	0	0	1.95
Transport	0	0	0	0	0	0	0	0
Policy advice and SPPs	0	0	0	0	0	0	0	0
Telecommunications	0	0	0	0	0	0	0	0
Others	0	0	0	0.32	0.3	0	0	0.62
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>8</b>



# Turkmenistan

Right at the beginning of the year, EU-Turkmenistan relations gained a new impetus. On 20 January 1997, the Council agreed that the Commission should start negotiations on a Partnership and Cooperation Agreement with Turkmenistan, and the PCA was duly initialled later in the year.

As for all the Central Asian partner countries, Tacis programming in Turkmenistan is focused on clear strategic priorities that reinforce the aims of the PCA: helping assure the consolidation of self-sufficiency in food production and energy supply, and supporting the emergence of the infrastructure and institutions that will allow further progress towards a market economy and full and independent statehood.

## Restructuring the agricultural sector

Agricultural reform has therefore had a high priority during 1997, as in previous years, to help raise agricultural yields, and bring food production up to the levels appropriate for a country with so much of its land given over to cotton cultivation. Projects have related to developing efficient use of land and water, with pilot projects to show how livestock and feed production can be economically sustainable. Tacis has also been helping with changes that will give real effect to the privatisation of farms and agro-food companies, so that the market can play a role in rewards and incentives, replacing a system heavily dependent on state control in the provision of inputs and in the marketing and distribution of food products.

To give added substance to the reforms that are slowly taking place, Tacis has also worked to alert individuals,

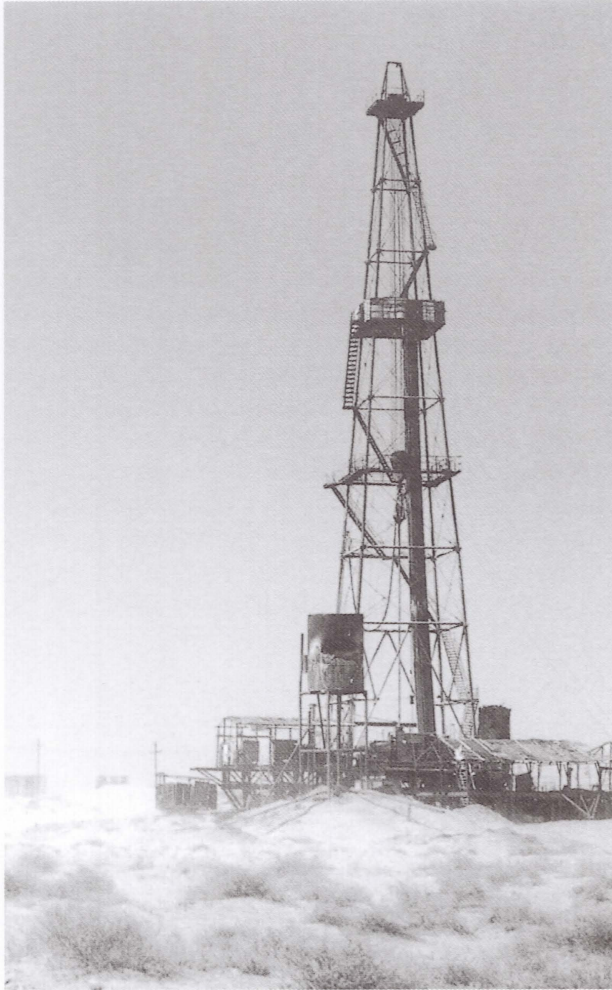
companies and officials in the food processing sector to the use of management techniques – partly through training and to facilitate contacts with potential investors.

## Encouraging economic growth

Tacis is also supporting the gradual development of a new role for the state in the economy. The state sector still accounts for over 90 per cent of GDP, and incentives for growth are low, which has not encouraged foreign investors or generated much domestic investment capacity. The private sector is growing, but access to competitive markets for products, inputs and credit is still incomplete. So Tacis has worked with the Department of State Property and Privatisation within the Ministry of Economy and Finance, which is responsible for privatisation, to help its limited staff and institutions in privatisation policy and implementation. It is also helping in developing more efficient tax collection systems appropriate to the market economy, and in developing bank training.

An SME centre worked successfully in advising the new private sector players – but its funding ceased with the end of the project in late 1997, leaving it with a difficult gap to fill from limited private consultancy opportunities before a new Tacis project comes on stream. Even a high-quality three-year project can encounter real problems in becoming self-sustaining, because the conditions facing an SME development project, even regarding the most basic start-up requirements of finding premises and a client base, are very difficult at present.

<b>Funds allocated by sector 1991-1997 (in ECU million)</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Nuclear safety and environment	0	0	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	0.57	0	1.8	1	0	2.9	6.27
Public administration reform, social services and education	0	1.05	0	1.8	1	0	0	3.85
Agriculture	0.88	3.68	0	3.6	1.68	0	3.7	13.54
Energy	0	1	0	0	0	0	3	4
Transport	0	0	0	0	0	0	0	0
Policy advice and SPPs	0	2.5	0	0	0	0	1.10	3.6
Telecommunications	0	0	0	0	0	0	0	0
Others	0	0	0	0.8	0.32	0	0.8	1.92
<b>Total</b>	<b>0.88</b>	<b>8.8</b>	<b>0</b>	<b>8</b>	<b>4</b>	<b>0</b>	<b>11.5</b>	<b>33.18</b>



*Tacis contributes to the development of the national capacity to monitor and control hydrocarbon flows*

### Exploiting natural resources

Alongside agriculture, natural gas has been a mainstay of the Turkmen economy – a resource that makes the country a natural focus of interest for the international community. However, it is still not heavily exploited, because traditional markets either no longer require supplies or are unable to pay, while there is little capacity for getting the resource out of the country to international markets. Development of the sector depends on large-scale foreign investment to reach alternative markets – and the Turkmen authorities have had little experience in the past of negotiating the sort of contracts that must now be drawn up with international investors.

Tacis has therefore set up a project to help the Ministry of Oil and Gas to develop the national capacity to monitor and control hydrocarbon flows, and to negotiate from a position of full information and with all necessary know-how.

### Infrastructure

The Tacis also provided ECU 750,000 in know-how in 1997 for the feasibility and design of two highways in Turkmenistan, prior to an \$80 million EBRD loan, and ECU 1.5 million for a design study and preparation for the Turkmenbashi Port ferry terminal, prior to a \$50 million EBRD loan.

# Ukraine



During 1997, preparations started for the implementation of the Partnership and Cooperation Agreement, which was scheduled to come into force in March 1998 – being the second of the NIS countries to reach this stage in its relations with the EU. This will open a new historical chapter in our relations and provide new opportunities to deepen and broaden mutual relations.

During the year several high-level contacts took place between the EU and Ukraine. During these meetings the positive progress as regards democratic reform was stressed but doubt was expressed on the implementation of key structural reforms which put at risk macro-economic stabilisation having already been achieved.

## Focusing on energy

The pursuit of reforms of the energy sector is one of the main objectives in the Ukraine. Hence energy is one broad objective of other Tacis projects in Ukraine. During 1997, these included help in developing policies and procedures for energy billing and collection (a pilot automated system is being set up in a local electricity company). But earlier pioneering Tacis energy-saving programmes in Ukraine have also now paid dividends: they have led to the development of a state committee for energy conservation, a law on energy saving, and energy-saving programmes, for which Tacis is now offering further assistance on targeting and implementation.

Meanwhile the Tacis-developed Kiev training centre for energy management continues to build the skills for industry and building management that are now so vital across the

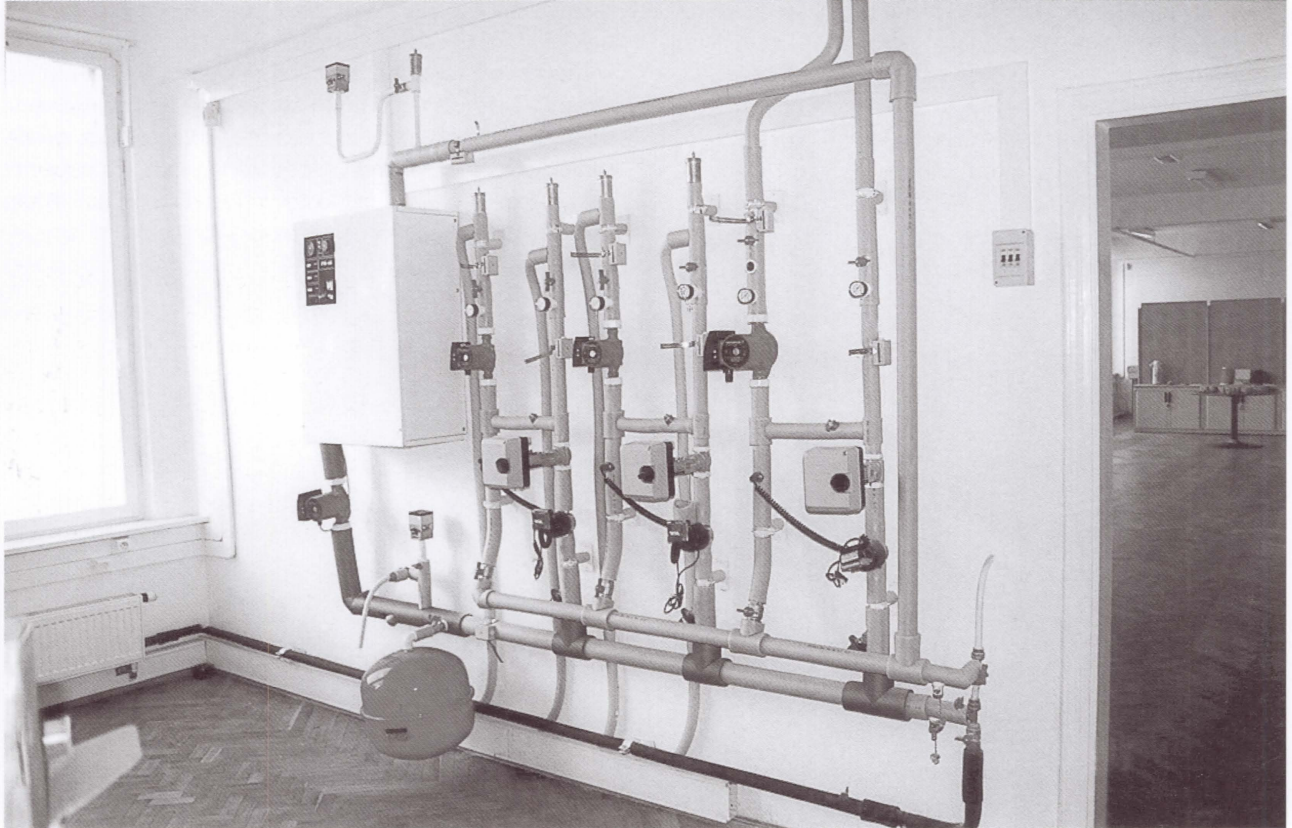
Tacis countries, as realistic energy pricing becomes obligatory in the face of scarce resources. Tacis funding came to an end during 1997, but the centre has become a model for other Tacis countries: Ukraine's near exclusive dependence on imported energy is not untypical of the situation across the former Soviet Union, and the habits of low energy efficiency in design and usage of buildings, systems and processes are widespread.

The Kiev centre is transferring energy management know-how from the EU to local training institutions, industries, and energy supply organisations, in a way that meets their local needs. Its courses were developed after a joint assessment of training needs with local state and private enterprises and government departments. And the centre itself, on a Kiev university campus, offers a local model not only for modern training facilities, but also for an energy-efficient building design, incorporating state-of-the-art techniques in heating, insulation, and water-efficient sanitation. One of the direct local consequences of the project is an order from the Cabinet of Ministers that Ukrainian industries must appoint fully trained energy managers; and the Ministry of Education and Science, together with the State Committee for Energy Saving, has laid down a framework for energy management training. The centre has also helped break down the widespread unfamiliarity in the Tacis countries to the idea of continuous training.

## Tackling the effects of economic restructuring

Economic challenges are being met in several ways by Tacis. In response to the strain that continued decline has put on social services, Tacis has been active in helping to

<b>Funds allocated by sector 1991-1997 (in ECU million)</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Nuclear safety and environment	3.54	0	0	20.5	37.5	37.5	1.5	100.54
Restructuring state enterprises and private sector development	1.7	16.8	12.36	4.3	10.7	10.25	16.05	72.16
Public administration reform, social services and education	4.65	3	7.36	4	7	7.8	2.5	36.31
Agriculture	7.67	12.31	10.54	5	4	0	1.5	41.02
Energy	6.2	8.08	5.4	0	6.9	6.3	7.5	40.38
Transport	4.89	7.26	3.22	15	0	0	2	32.37
Policy advice and SPPs	0	0	0	0	0	11.15	9.25	20.4
Telecommunications	0	0.83	0.55	0	0	0	0	1.38
Others	0	0	3.82	1.7	6.4	3	18.7	33.62
<b>Total</b>	<b>28.65</b>	<b>48.28</b>	<b>43.25</b>	<b>50.5</b>	<b>72.5</b>	<b>76</b>	<b>59</b>	<b>378.18</b>



*The Kiev training centre for energy management offers a local model for an energy-efficient building design. Example of a heating demonstration rig*

reform welfare policies and to target support. The restructuring of the steel industry – with the consequent redeployment of employees – is being supported by a Tacis project at three pilot enterprises, and a new 1997 project is aimed at expanding this across the sector and introducing new methods of human resource management, quality control and market development.

But the economic reform assistance from Tacis is not just aimed at palliating the effects of job losses. Ukraine has a Tacis-created network of post-privatisation centres in Kiev, Kharkiv and Lviv and small business development agencies in Kiev and Sebastopol which have provided practical and restructuring advice to new private companies. The agency in Kiev has acquired an influential position in advising the Government on small business policy, and Tacis will provide know-how for the establishment of an EBRD micro credit line for small businesses. At the same time, Tacis is supporting the financial services sector, notably in implementation of international accounting standards in commercial banks, which has already led to real improvements in transparency of financial information for bank partners, and will be followed

by further activities ensuring an improved internal control and management information system of the largest commercial banks. Other Tacis projects have started to develop transparency and reliability on equity markets. Tacis is also working on further privatisation projects of the largest and most attractive enterprises, as support for the Ukraine government's bid to transfer much of the country's production to the private sector.

### **Support for agriculture**

Ukraine's large agricultural sector, whose strengths include the famously fertile 'black soil', has also suffered from the strains of transition, particularly in the unreformed Food processing industry, which can barely compete with imported goods. To derive full benefits from their potential, the 35,000 privatised small farms need to combine many of their resources into producer and marketing cooperatives. Until 1997 this was not legally possible, but Tacis work in this area has contributed to the development of a new cooperative law adopted last year, which not only permits such associations but also avoids the burden of double taxation they might

otherwise have been subject to. Tacis has followed this up with a first project to create a bottom-up growth of regional and national representation and support structures, which can help to improve agricultural performance and also encourage the privatisation process itself.

### **Supporting education and employment**

Education and management training has traditionally been a high priority sector for Ukraine. An important project to support the Lviv Institute of Management started activities with the objective of making it the most outstanding business school in Western Ukraine, an area with favourable economic perspectives. Another closely related project dealt with the accreditation of higher education institutes, public or private, in particular in economics and business management.

The Tacis housing reform project concentrated on housing finance and mortgages. And in public administration reform, Tacis has been a key player on training of civil servants. A new project in 1997 will provide support to the General Directorate of Civil Service in defining a comprehensive initial and on-going training policy for civil servants, and advice will be given on efficient civil service management reorganisation, including a possible new law.

1997 also saw the start of two major actions in the social sector to help reinforce national employment policy and to set up active labour market measures for the optimum reinsertion of redundant workers into economic activity. The first project will act largely at central level with the Ministry of Labour and Social Policy, and support the further development of employment policy to fully embrace measures such as retraining, job-clubs, and SME support. It will also target the reinforcement of the front line public employment services in three regions, to enable them to cope better with anticipated future waves of open unemployment.

The second project, located in Lugansk, in the Donbass coal region, aims to cushion the social consequences of restructuring in the coal sector. Through a wide range of practical measures, such as vocational training, SME support, work experience programmes and foreign direct investment support, the project will help boost the regeneration of the region and create new jobs.

### **Developing tourism**

One of Tacis' contributions has been to focus on revealing some of the country's true potential. A showcase project to develop the tourism sector in the Crimea – a traditional resort area that currently accounts for 25 per cent of regional GDP – is helping build a tourism development agency with a strong private sector component to complement the existing state

sector organisations. This is the first comprehensive tourism project that Tacis has run (it got formally under way at the beginning of 1998). The new tourism agency is linked to the Crimea local government and to the local tourism industry, where Tacis had already indirectly helped develop a private sector tourism association to provide a single voice for the sector in its dealings with the authorities. The project covers institutional reform, policy advice, promotion of smaller businesses, attracting foreign tour operators and helping develop strategies for tourism development.



# Uzbekistan



Uzbekistan has continued to be very receptive to Tacis assistance in 1997, and major programmes have gone ahead to help agricultural reform, banking sector development, upgrading of skills in the government departments responsible for planning and for attracting foreign investment, and in the energy and telecommunications sectors.

## Privatisation and private investment

Uzbekistan has launched a bold cash-based programme of privatisation of medium-sized businesses. In doing so it hoped to learn from the difficulties experienced by some of its neighbours, who used different forms of voucher privatisation, which failed to inject any new capital into the enterprises. Working closely with the World Bank and USAid, Tacis has helped develop the regulatory framework of the programme, and has trained managers of the new investment funds on corporate governance issues. Furthermore, it has been promoting the funds and the concept of local investment to the general public. This is already showing results, with the funds proving to be discerning investors, and insisting on exercising real management control over the firms they invest in.

## Upgrading local public administration

The creation of a parent-teacher association in Gulistan was one of the by-products of a successful Tacis project that confronted the difficulties inherent in changing attitudes and improving methods in governmental and regional administration. Tacis is backing moves aimed at increasing local democracy and responsiveness to local needs, as well

as streamlining government administrative structures. So, on the one hand, the project provided efficiency training and technical support for local civil servants in the Syrdaria Oblast in financial forecasting, expenditure control and personnel management, backed up by a resident long-term expert for 18 months and other shorter-term staff, and two study tours to the EU for local staff. But on the other hand, the focus included contacts between local people and local government staff, promoted by the conduct of two public opinion surveys, the publication of a local newsletter, and the opening of an information bureau to improve awareness and accountability of services to the local population. This 1995 project finished at the end of 1997 – but it will be reflected in another, broader Uzbekistan public sector reform programme to be launched in 1998. A new Tacis project on support to the Academy of State will, it is hoped, continue the good work.

## Developing a business culture

Small businesses support advanced via a successful Tacis Business Communications Centre, which not only helped hundreds of local client firms, but also proved itself to be something of a model, as a fully self-sustainable unit, with good links to EU firms and European contacts – largely because of the strong skills of local staff. Backed by new financial management techniques introduced by Tacis, a solid team has been built up to run the centre as a business. Among the many other training initiatives that Tacis has helped mount, a market skills development centre in Tashkent has broken new ground with a media unit to train journalists and provide programming assistance – including

Funds allocated by sector 1991-1997 (in ECU million)	1991	1992	1993	1994	1995	1996	1997	Total
Nuclear safety and environment	0	0	0	0	0	0	0	0
Restructuring state enterprises and private sector development	0	2.26	0	3.35	2	0	0	7.61
Public administration reform, social services and education	0	3.51	0	6.8	4	7.7	0	22.01
Agriculture	1.03	3.05	0	3.35	2.2	6.4	0	16.03
Energy	0.4	5.28	0	0	0	4.5	0	10.18
Transport	0.29	1.68	0	0	0	0	0	1.97
Policy advice and SPPs	0	3	0	0	0	6	0	9
Telecommunications	0	0	0	0	0	1.4	0	1.4
Others	0	0	0	1.5	1.8	2	0	5.3
<b>Total</b>	<b>1.72</b>	<b>18.78</b>	<b>0</b>	<b>15</b>	<b>10</b>	<b>28</b>	<b>0</b>	<b>73.5</b>



*Maintenance works on the Tashkent to Samarkand road*

the preparation of a video series called 'Business Doctors', which has won praise from Uzbekistan's President for its contribution to developing a business culture in the country.

### **Investing in transport facilities**

Within the TRACECA programme, Tacis has been working towards upgrading roadside support facilities, with a feasibility study focused on Uzbekistan and Turkmenistan. The demand for breakdown services, fuel, lodging and telecommunications facilities along the TRACECA route is clearly established. But local partner companies and governments have not been able to fund the investment for a chain of strategically placed modern-day caravanserais – so Tacis has organised international conferences in Tashkent (and in Ashkabad) to attract interest from foreign investors, which is now starting to materialise in the form of business plans.

# People, projects, policy

People are the mortar that holds the bricks of the Tacis Programme together. One side effect of the Tacis Programme is the simple, but important, bringing together of people of different countries and ideas. The exchange of ideas, experiences and cultures is enriching the EU's relations with its partner countries, and those countries' understanding of the EU and its individual Member States.

## Country: Russia

### Topic: Retraining officers

When the Soviet Union broke up, the new state of Russia was faced with a surplus of army personnel. Since then, thousands of officers have either been pushed out or left the army voluntarily. But the flood of ex-army officers has presented the country with a major problem – what to do with these disaffected men. This was the platform for Nikolai Gorbunov from the Russian State Technical University (known as MATI) who, together with others from the University and with a helping hand from the Russian Government, set up the Productivity Initiative Programme's Officers Centre in the former State Aviation Technology Institute in Moscow.

'The problem was first touched on in 1991 by the Institute. We found money and started retraining discharged officers. We understood Russia was living in new conditions, in a new situation, and the problems of social protection of these officers needed to be addressed. One way was a return for them to higher education,' explains Mr Gorbunov. Tacis first became involved in the Institute's project in 1993. 'We helped the Tacis experts with their terms of reference,' remembers Mr Gorbunov. ECU 14.5 million was allocated to a Tacis project on retraining officers. Support for the project came from the highest government levels, with a decree on the project issued by the Prime Minister's Office. The Ministry of Education, the federal employee service and the Ministry of Defence became involved and were pledged to help with financing of the project.



Preparing former army officers for a civilian job

'They were to donate money. We were asked to create 15 regional centres around Russia based on our institute, and we were to become the executive director of the programme. In the first phase, implemented over 1994-1996, more than 20,000 officers were trained in all the centres. We were expected to train only 16,000,' says Mr Gorbunov. 'Tacis' input was essential. The EU helped train our lecturers in Europe, and the EU paid for training 400 teachers from the various regions and Moscow. We managed to create a team of teachers to lead and retrain the officers,' explains Mr Gorbunov, adding, 'We think one of the most important achievements of the project was the opportunity for our teachers, all experienced lecturers, to be exposed to western projects, to have first-hand experience of western teaching styles and techniques.'

The course of study for the officers was put together after consultation with the regions, and the programmes were developed with the specific needs of both the regions and the officers in mind. Ten specialities were chosen: production money; organisation of small and medium-sized enterprises; information management; total quality management; ecology management; logistics; investment management; insurance; finance; and tourism.

One part of the programme is involved in helping officers find jobs after completing the retraining course. This is not an easy task. 'We try to teach them how to apply for jobs, how to behave at the interviews, how to prepare a CV. Usually we try to find at least one job offer to each graduate. Now we have companies, foundations, state organisations, and private groups all coming to meet our students, to check them over with a view to offering them jobs,' says Mr Gorbunov.

Tacis' role in helping the officers cope with the new situation is not underestimated by Mr Gorbunov. 'There should be more of such programmes. Tacis is addressing the problem and helping our people. They gave us the chance to show our teachers western countries and the manners of western teachers. That's a big input, and there were some unexpected results which were not the aim of the programme. Our teachers went to Europe and returned to begin something of a conversion of higher education. Faculties and chairs began to change direction. New names were given, and the old central planning ones left behind. We used new words – sometimes we didn't even have Russian words so we took western ones, like 'businessman', 'business plan', and 'privatisation',' says Mr Gorbunov.

As the project progresses, the teaching team is becoming more united and the course material more useful. 'We have tailored our material to the practical needs of the officers.'

We use business games and case studies from the west and from Russian practices. We use computers not just as word processors, but to understand the materials and to create educational computer programmes to help expand the project. We've got permission for two more years from Tacis, with ECU 2 million. The number of centres and the number of regions covered has grown,' says Mr Gorbunov. Students attending the classes echoed Mr Gorbunov's comments. All seemed grateful for the chance to learn new skills and find a new way of life. Officers' wives are also included in the programme, and they, too, find the four-month course useful in facing the challenges presented by a Russia moving firmly and quickly into market economics.

## Country: Georgia

### Topic: Partnership and Cooperation Agreement

Georgia, with its traditions, culture and attitude, has always been a country with a European orientation. Its participation in the European integration process is acquiring more significance and is gaining momentum. This enthusiasm for Europe is real and popular. The signing of the Partnership and Cooperation Agreement between Georgia and the Community and its Member States in 1996 was 'an event of historical importance', says the Government. It is an instrument for implementing the EU strategy in the south Caucasus, which implies cooperation between all the countries of the region. 'EU assistance provided to Georgia during its most difficult years was of vital importance to our young country. The people of Georgia will never forget it,' Mr Shevardnadze says.

The PCA was the only piece of legislation to be unanimously adopted by parliament. All of Georgia's new laws have to pass the test of compatibility with Community legislation. These two actions show the seriousness with which Georgia's politicians take the relationship between their country and the European Union. The President is one of its most fervent advocates. He sees the Tacis Programme as the main vehicle for helping Georgia as well as strengthening the ties between Georgia and the EU. 'At present the EU is providing significant assistance to Georgia, but the type of assistance has been changing over recent years, with the main emphasis on development programmes. The technical assistance provided through Tacis - as well as the current, and already implemented, rehabilitation projects - are very important for sustaining what has been achieved and for developing them in the future,' says Mr Shevardnadze.

According to the President, one of the best examples of Tacis cooperation with Georgia is the implementation of the Europe-Asia transport and communication project, known



President Shevardnadze: 'Tacis is the main vehicle for strengthening the ties between Georgia and the EU'

as TRACECA. 'The EU support of all the initiatives related to [this] project is a firm guarantee that [it is] of global significance and will be successfully implemented,' says the President. Tacis operations in the country have had a high success rate and are seen by many as visible and tangible proof of Europe's commitment to helping Georgia in its economic transition and its pursuit of democracy as well as strengthening regional integration. In a part of the world where armed conflict keeps only an uneasy truce, the EU's assistance is all the more necessary and welcome.

'Projects implemented by Tacis acquire special significance from various points of view. Firstly, their implementation assists in retaining and strengthening the present stability in the three south Caucasian states. Also, projects implemented on a national level - transport infrastructure rehabilitation or others - are important for other countries of the region. The implementation of these projects lays the foundation for regional cooperation which, in turn, is a solid foundation for strengthening regional stability,' explains President Shevardnadze.

Tacis first began operations in Georgia in 1992 - years of vital importance to the founding of the institutions which will guarantee a successful transition to a market economy and stable democracy. Initially President Shevardnadze believes that the Georgian partner organisations underestimated the significance of this assistance. It was considered that Georgia had enough intellectual potential of its own. Financial and humanitarian assistance was received more positively. Nevertheless, in the context of financial and humanitarian assistance provided by other donors over the years, the need for technical assistance and its objectives - transfer of know-how to Georgian institutions and training - became more evident. 'Relations between Georgia and the EU have now entered a new phase. Georgia and the European Union - the recipient and the donor respectively - are now truly partners,' concludes President Shevardnadze.

## Country: Uzbekistan

### Topic: Constitutional court development

One of the basics of an emerging democracy, and especially a country which is only now emerging as an independent entity, is the establishment of the rule of law. A working constitution is one of the foundations of that democracy. But in countries where there were little or no civil legal structures, the creation of a constitutional court represented a major challenge.

In Uzbekistan, Tacis stepped into this gap. Maria-Magdalini Malorroura, a young and enthusiastic lawyer from Athens, had all the right qualifications: she had a knowledge of the Russian language and was a specialist in comparative constitutional courts. Ms Malorroura found herself in Tashkent, heading a project designed to help the Uzbeks decide what kind of constitutional court they needed and how it would operate. 'The project consisted of three seminars. The first was about the different models of operation of constitutional courts. We took a comparative approach looking at the courts in the US and Europe. The second seminar looked at court administration and cases, and the third at the role of administration in court activity and protecting constitutional rights,' explains Ms Malorroura. 'We are now preparing a fourth seminar as an extension of the original project, with help from the Council of Europe.'

'Tacis helped us develop the constitutional court policy. We got a lot of information and think differently about the constitution and laws. We're planning to consolidate our system and improve it,' says Gafur Abdumajidov, judge of the court. 'Our work with Tacis changed our view of Europe. Before, we were not able to discuss these issues with European colleagues. Now we can discuss them with experts and ask questions. It's a revolution – perhaps a strong word to use – but it really is,' explains Mr Abdumajidov. 'The Tacis programme justifies itself. It is a very useful project, especially for our country, for beginners who are only just starting this activity. The seminars were very fruitful. We had a lack of information and experience of other countries. I'd like to see the programme extended even further in order to attract specialists from other countries, or maybe so that we can have the chance to go on study tours to other countries and hold seminars and workshops there,' says Mr Abdumajidov. 'We'd like help from Tacis in translating some of the documents into Uzbek. Maybe we can continue our work. I'm going to publish my own summary of the activities of the constitutional court, and there will be one chapter devoted just to the assistance of Tacis and an evaluation of this assistance,' concludes Mr Abdumajidov.

## Country: Russia

### Topic: Economic research

Why should economic research be a priority area for Russia or Tacis? 'Russia needs to develop an international, modern macroeconomic research capacity,' answers Jan Lundin, European executive director of the Russian European Centre for Economic Policy. The centre, set up under a Tacis grant, is the embodiment of a vision – a vision that the centre can achieve widespread recognition in Russia and the EU as an authoritative source of information, high-level policy advice and academic excellence.

'Very experienced European economists are connected to the centre. The centre acts as a broker between the Russian Government and economists. It is also important to spread information on the state of the Russian economy. One of our publications, 'Russian Economic Trends', will do this. We also intend to widen the range of publications to other types. The Partnership and Cooperation Agreement with Russia is another reason for setting up the centre. Article 80 of the Agreement talks about establishing a dialogue in economic policy between Russia and the EU. I believe the centre can play a role here as well as becoming a facilitator. I know the problems of the Russian economy and the European economy. I think we could find common ground here,' declares Mr Lundin.

He is keen to point out that this economic exchange is not a one-way process. 'There are lessons to be learnt from the Russian experience operating within a changing economic environment and in respect of European economic policies. A good example is Russia's relatively low unemployment levels despite an economic crisis. That's something to look at and we intend to hold a seminar on labour markets to explore this issue,' says Mr Lundin.

A number of large economic institutes already exist in Moscow, and throughout Russia. These organisations have been active in economic research for several years, but not until 1991 were they able to pursue research into anything other than a planned social economy. 'There were very strict limits on the type of research they could do. And they did not have the modern western macroeconomic tools. If you use 1990 as year zero, then you would have people starting to learn modern economics then, finishing as junior economists around 1995, and starting research education, if they want to hold a Ph.D., in 1996. It will be five years before they are quite ready, so that brings you to the year 2000. Capacity has to have time to develop. There is already a fund of skilled and trained Russian economists – there are some excellent examples,' explains Mr Lundin.

'Primarily we need to develop an internal capacity and econometric tools. We have to give Russian economists the tools to be able to prove or disprove why the economy reacts in a certain way. We can supply people who are familiar with these tools, to collaborate to improve the situation, and to give policy advice and create international research capabilities. I believe Russia is not a unique economy. The same rules apply: if you print too much money, you get inflation.'



*'Russia is not a unique economy: if you print too much money, you get inflation'*

Mr Lundin's task is to manage the centre. 'I'm here to solve everyday problems – like getting wages paid and liaison with the Russian authorities. We need to coordinate the five groups we've inherited, on macroeconomics, trade, foreign investment, social labour market and industrial policy,' explains Mr Lundin. There are three economists from the EU working permanently at the centre, supplemented by a stream of specialists who pass through Moscow. Around 25 young Russian researchers finishing their Ph.Ds are also working at the centre. By working at the centre they will gain valuable experience and move on to lead Russia's economic research transformation. Meanwhile, Mr Lundin is quietly confident that the centre is already being seen as a source of reliable research and advice. 'We don't make a lot of noise about our governmental contacts. A lot of our advice is confidential,' says Mr Lundin. 'Our job is to create better documents and research, to focus on the main economic issues and gauge the problems.'

### **Country: Georgia**

#### **Topic: Training civil servants**

The role of civil servants is one that most citizens of the EU would take for granted. In Georgia, however, their role is ill-defined and relatively new. Under the old regime, civil servants saw their role primarily as fulfilling state plans. With the

introduction of democracy their duties and obligations both to the government and the population has radically changed, but few understand their new role, let alone the complexities of market economics. To help prepare a new generation of civil servants, Tacis has set up a public administration college. Under the leadership of George Turkia, Dean of the Graduate School of Management and Public Administration at the Georgian Technical University, the Tacis project has become one of the most successful in Georgia.

'The college was created by Tacis to provide radical change in the civil service of Georgia and to train civil servants in the main goals of a democratic society operating within a market economy,' explains Mr Turkia. 'The concept of public administration did not exist here. There were no proper experts.' So Mr Turkia together with the Tacis experts selected a group of specialists, mainly taken from the existing faculty, and provided them with intensive training over six months in Germany and the UK.

'Once the teachers were trained and we were prepared, we started classes of short-term intensive training for civil servants. Courses run for two, three or six weeks,' says Mr Turkia. Ten subject areas are covered by the courses: general management, market economics, financial management, information technology, constitutional law, social security, tax administration, personnel management, management services and a variety of specialist training courses. By the time the project comes to an end in May 1998, a total of 2,000 civil servants will have gone through the college's courses.

'We have the deepest gratitude to Tacis and the EU for their experience and support. But we are not able to carry on without outside financial help' says Mr. Turkia. 'This has been an excellent Tacis project. They understood the importance of training civil servants and we're proud of what has been accomplished. There is great demand for the college's courses. The Government has already said it wants to provide retraining every five years for civil servants. But without financial support we will disappear,' laments Mr Turkia.

The students, many of whom are unaware of the financial threat hanging over the head of the college, are enthusiastic about the courses and training they receive. 'We could not have imagined how interesting these courses would be,' says one student. 'Just listening, to know such information is available... we are very satisfied with the lectures,' says another. 'These courses have given us a new view of our problems. The main goal has changed, the mentality has changed. We now have a professional approach,' comments another student. 'I detect a great interest in all the students. They are very interested in studying and that

makes my lectures interesting for me,' comments one teacher, about his small group of students, taken from parliament, city hall and a variety of ministries. And Mr Turkia is confident that the money will be found and that the 'excellent work of Tacis' will continue in the future.

**Country: Georgia**

**Topic: Agricultural credit scheme**

On the fifth floor of the imposing Georgian Agricultural Ministry building sits what at first glance appears to be a British local bank manager. On closer inspection, the illusion holds true – Peter Shaw, senior banker and credit specialist for the Tacis Regional Agricultural Reform Project (RARP) in the Caucasus, is just that. When he was asked by Tacis to help set up a regional agricultural credit scheme in the Caucasus, he agreed to look at the project for a maximum of two months. Over two years later he is still in Tbilisi, and his enthusiasm for the project has not diminished.



*Agricultural lending under the Regional Agricultural Reform Project aims to improve quality and quantity of agricultural output*

He believes that the Tacis project has made a profound impact on Georgia's agriculture and is beginning to make significant changes in Azerbaijan, where a similar project is also developing. 'We began with the counterpart fund – historically food aid converted into cash. The food aid was given to Armenia, Azerbaijan and Georgia, and they agreed how to use the funds set aside by the Government. In Azerbaijan and Georgia, the Government agreed to set up a credit scheme through commercial banks to help agricultural development. The main objective was to help improve the quality and quantity of agricultural production processing, lessen dependence on imported food aid, and use the banking system in the private economy as the main conduit for the financing,' explains Mr Shaw.

The initial capital was \$8 million. Loans were made over two years. 'The banks responded well. We have a recovery rate of 97 per cent – a rate any western bank would be happy with – and our fund now equals \$25 million,' says Mr Shaw proudly. 'The impact on the agricultural economy has been great. Lending large chunks has had a powerful impact on the agricultural sector and has also helped the banking sector. Agricultural lending is high risk and there is a lack of incentive for any banks. We made the interest rates attractive to both borrowers and lenders. We have eight people monitoring to help the banks target, disburse and recover the short-term loans. We're acting as the head office, with branches scattered around the country. We help train the banks too, in risk management and in putting into place control mechanisms needed for lending operations. It helps the banks and it has a big impact on the agricultural economy,' says Mr Shaw.

The programme in Georgia has been running for two years, since April 1996, while the Azeri scheme began in May 1997. In Georgia, lending was focused on the grain sector, where farmers were given short-term credits in order to grow wheat, while mills were extended credit to grind the wheat into flour and, finally, bakeries were also given loans to use the flour. It was a neat circle, which Mr Shaw is now about to expand. 'We're going to start lending to other agricultural sectors, like tea and wine. We will continue to monitor to make sure the credits are spent correctly. We're helping to improve bank personnel and helping to show them how to monitor credits so that they get repaid. We've also helped set up four credit union associations of farmers,' explains Mr Shaw.

'I like this project because it gets results. The National Bank is pleased because it helps strengthen the banking sector and helps the banks gain expertise. Brussels is pleased – it must be as it has given another year's extension to the

project! The job is not just about banking. It's about forming relationships, getting people on your side. You get away from the working environment so projects can succeed,' concludes Mr Shaw.

### Topic: The Red Bridge

About an hour's drive out of Tbilisi the countryside changes gear. Gone are the manic drivers of the city streets. Instead the idyllic countryside is dotted with grazing sheep and goats – and the occasional lorry. Around 800 of these lorries go back and forth daily over the ancient Red Bridge. The current structure, built over 300 years ago, takes its name from the dusky rose colour of the bricks – which also matches the clay-like soil surrounding it. The bridge is on the main road link between Tbilisi and Baku and is part of the TRACECA road corridor. The border between Georgia and Azerbaijan is somewhere in the middle of the bridge – no one knows for sure just where.

But the picturesque Red Bridge was not made for modern traffic and certainly not for the increased volume of vehicles which the growing trade in the region will bring. The new bridge, now completely on the Georgian side, will be a two-lane structure with slip roads to take vehicles off to Azeri and Armenian borders as well as to local villages.

Started during Soviet times, construction stalled in the late 1980s as the money ran out. TRACECA revived the project. Around ECU 2 million was needed to complete the bridge. According to Bartolomeo Marvaldi, project manager advising on the construction, the EU got a good deal partly because of the peculiar economic circumstances in Georgia. «The preformed concrete was already lying around with no buyers and we got it at a knock-down price. The amount of equipment being used on-site is sufficient for this kind of project, and would cost considerably more in the west. But this equipment was lying idle and costings are not yet based on real-time prices.» Although labour is relatively cheap, the number of workers is higher than on an equivalent western site. In total over 200,000 man-hours will be spent building the bridge with over 130,000 cubic metres of soil shifted.

Although no one really believes the new bridge will ever rival the Red Bridge in historical significance, its place in history has been assured. Mr Marvaldi, transplanting an ancient Roman custom to Georgia, ensured that a tube containing a paper documenting the new bridge's construction was placed in one of the giant columns supporting the bridge. The tube was placed by Jérôme Cassiers, first secretary of the European Commission's Delegation in Georgia and local Georgians in charge of constructing the new bridge are hopeful that it will be completed by the end of 1998.



*Construction of a new Red Bridge between Georgia and Azerbaijan*

### So, what does Tacis achieve?

The concrete results of the Tacis Programme are its projects. Project results are often invisible – what's left at the end of the programme is a changed mind, an altered attitude, a new concept and a different way of doing things. This is a key part of the transfer of know-how. There are also the tangible results and the legacy: training centres, business cooperation and physical structures. What is clear is that Tacis projects can make a profound difference in all the countries of operation.



# Regional programmes

## Promoting Inter-State cooperation among NIS

The regional component of Tacis is designed to meet needs that cannot be filled by country programmes alone, and 1997 offers rich examples of challenges being met, notably through strong support among partner countries for projects they see as having a high common value for them all.

Tacis encourages regional cooperation as a means to enhance peace, stability, security and prosperity. Regional cooperation is a potentially powerful ingredient in avoiding, and even defusing, the tensions that still threaten stability: where ministers and senior officials from different countries – sometimes with widely differing views – can work together, supported by Tacis, on technical problems of common concern, the chances are raised of effective contacts being made at a political level too. Azerbaijan and Turkmenistan have, for instance, put aside their discussions regarding sovereignty in the Caspian Sea while they discuss the operational aspects of oil extraction and transit in the framework of the Tacis INOGATE programme.

Inter-State cooperation is also key to achieving some of the key ambitions of the EU and the partner countries, most notably in transport, in the transit of hydrocarbon resources, and in environmental protection. In Inter-State cooperation, not only do people and projects come together to work in line with existing policies, but there is also a very real possibility that those people and projects can actually come to influence future policy too.

## INOGATE (Inter-State Oil and Gas to Europe)

INOGATE, the oil and gas supply programme run by Tacis, brings several of these strands close together – and 1997 recorded some real successes for it. They include projects that saw the first oil flow out of Kazakhstan to the Black Sea. INOGATE aims to support efforts in rehabilitating, rationalising and modernising regional gas transmission systems and oil and refined oil products supply systems, and to assess the possible alternative options for the transport of hydrocarbons from the Caspian and Central Asian regions to European and western markets.

The INOGATE objective is to produce a number of large-scale, bankable project proposals so that the necessary investments can take place, offering complementary routes to the existing transmission network. To play its part, INOGATE has launched audits of existing distribution networks, assessed the feasibility of infrastructure projects, assisted on contractual questions, and – for the first time in 1997 – invested in small-scale rehabilitation projects in the key frontier regions that present risks for human health, environmental damage and continuity of supply.

During 1997 INOGATE has developed a momentum that has helped transcend national issues. Its underlying desire to prevent conflict over access to resources and markets has acquired greater credibility and won further support. The money from Tacis spent on neutral studies is seen as the best guarantee for all players of even-handed treatment. Leaders in the region have shown, via Tacis and INOGATE,

<b>Funds allocated by sector 1991-1997 (in ECU million)*</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Nuclear safety and environment	36.27	60	100	67.5	70.5	98.5	88.5	521.27
Restructuring state enterprises and private sector development	7.6	4	15	5	0	0	1.5	33.1
Public administration reform, social services and education	44.85	0	21**	20**	23	0	4	112.85
Agriculture	5.79	3.8	0	2	10.5	1.5	0	23.59
Energy	6.7	1.5	5	3	3.5	13.5	17.5	50.7
Transport	4.78	9	14	7	8.5	34.5	10	87.78
Policy advice and SPPs	0	8.5	8	20.5	0	0	0	37
Telecommunications	0	1	1	0	2.5	0	0.5	5
Others	0	0.83	8	6.5	6	4	13	38.33
<b>Total</b>	<b>105.99</b>	<b>88.63</b>	<b>172</b>	<b>131.5</b>	<b>124.5</b>	<b>152</b>	<b>135</b>	<b>909.62</b>

\* Includes the Inter-state, Cross-border Cooperation and Nuclear Safety Programmes

\*\* Includes funds for the Tempus programme

that they are willing and able to work together, and that political convergence is a realistic possibility – and as a result the billions of dollars promised to the region have started to materialise from other donors and foreign investors. Now many of the world's leading oil firms are investing in exploration in the Caspian, partly because Tacis and INOGATE have addressed the bigger problem of how to get production out of the region, through shared access to pipelines, on the basis of mutual interest sustained by political stability and strong regional cooperation.

### Transport networks

In transport, the TRACECA programme is having a similar impact. During 1997 it made further progress on developing an additional west-east route from Europe, across the Black Sea, through the Caucasus and the Caspian Sea, to Central Asia. It is the shortest distance, and could become the fastest and cheapest route, from Central Asia to deep-sea shipping able to serve world markets.

On a technical level TRACECA fosters physical links between countries to ease trade and communications: projects worth ECU 25 million are being implemented as a result of 1997 decisions, including the rehabilitation of a ro-ro ferry terminal in the Ukraine port of Ilychevsk and the construction of a new one at Poti in Georgia, because upgrading of Caspian and Black Sea ports is a key to the route.

But, simultaneously, TRACECA builds understanding among participants: Presidents Aliyev of Azerbaijan and Shevardnadze of Georgia jointly proposed in September 1997 to host a Presidential Conference in the Caucasus in early 1998, with a view to adopting a TRACECA-initiated multilateral rail transport agreement. And Tacis organised a ministerial transport conference in Tbilisi in April 1997, with countries of the Black Sea Economic Cooperation and the NIS involved in TRACECA, which in turn led to the European Transport Ministers Helsinki Conference in June 1997 identifying the Black Sea region as a Pan European Transport Area to extend the EU's Trans-European Transport Networks (TENs) to the east.

TRACECA is also catalysing support from IFIs and private investors, including the EBRD, which has committed \$200 million to capital projects on ports, railways and roads on the route, and the World Bank, which has committed \$40 million to roads in Armenia and Georgia. EU private investors are involved in joint ventures with transport companies in the region. Tacis has provided ECU 750,000 in know-how for the feasibility and design of two highways in Turkmenistan, prior to an \$80 million EBRD loan; ECU 1.5

million for a design study and preparation for the Turkmenbashi Port ferry terminal prior to a \$50 million EBRD loan; and ECU 750,000 for know-how for the upgrading of roads in Armenia, with the second half of a \$40 million World Bank/EBRD loan.

TRACECA has focused on helping upgrade transport management across all transport modes, so that managers become more attuned to focusing on their international customers' needs, and more familiar with disciplines such as forecasting for planned investment so as to get maximum value from the limited funding available. The habit of working together on pricing, for instance, is not long established but will be an important element in attracting new business. Model codes and agreements are being developed to help update or fill the gaps in transport legislation: for instance market regulation, which has focused on supporting state-owned transport fleets, is being adapted to permit both competition and an emphasis on safety and operational standards. This is being done while promoting cooperation between TRACECA countries. TRACECA has helped national freight forwarding associations in Georgia, Azerbaijan and Kazakhstan to become full members of the international federation, and individual firms in many countries to become associate members.

TRACECA know-how projects which started in 1997 included restructuring and telecommunications studies for Central Asian railways, an ECU 2.5 million road maintenance programme, and feasibility studies for new terminal facilities in the Georgian ports of Poti and Batumi. And the weak link on the Georgia/Azerbaijan border is being strengthened by a new TRACECA bridge and the rehabilitation of the old Red Bridge, whose masonry arch dates back to the twelfth century, in an ECU 2.5 million 12-month investment project which began in August 1997.

### Environment

To complement its support for major transport and energy projects, Tacis' regional programming has a strong environmental component too. There are numerous environmental problems still unresolved from the days of the USSR, which require joint action because the current problems (and their potential threats) extend beyond any one country's borders. Development and implementation of the National Environment Action Programmes (NEAP) have been supported by the Tacis Inter-State Programme. It became a reality in 1997 when a budget of ECU 4 million was provided to take the National Environment Action Programmes on to the international plane.



*Environment awareness starts at an early age*

In-country advisers started work everywhere (except Tajikistan) to help national ministries draft plans and to give advice on implementation of the NEAPs. Other 1997 activities ranged from public awareness work with families in St Petersburg, the creation of video libraries for schools and universities, to training sessions for journalists on how to cover environment and energy-saving issues. In March, a joint Tacis/Phare pilot project within the Black Sea Environment Programme started to develop joint plans for coastal zone management. New regional environmental centres are being set up via Tacis funding to replicate a successful Budapest model in Ukraine, Russia, Moldova, and Georgia.

The 1997 Tacis Regional Seas Programme continued support for the Black Sea Environment Programme (work is under way to implement the Black Sea Strategic Action Plan, which was endorsed by Black Sea Environment

Ministers in Istanbul in October 1996) and the Danube River Basin Programme. And Tacis developed an information system for agro-environmental monitoring in Central Asia, to help forecast crop production in the region; the pilot project includes a component for a feasibility study to determine whether and how to enlarge the project to include other NIS and Mongolia.

### **Nuclear safety**

Nuclear safety issues remain one of the key priorities under the Tacis programme. The priorities are to provide on-site assistance, to develop independent regulatory bodies to transfer safety «culture» and to implement large-scale programmes such as the Memorandum of Understanding for Chernobyl.

Notably, in parallel to the Ukraine government's commitment to close Chernobyl by 2000, Tacis is closely involved in the efforts to replace the shelter over the damaged Unit-4 into an environmentally safe structure. The European Community is the biggest single donor to this effort, but there is widespread commitment to progress from other donors.

Tacis has provided the framework for a solution, having taken over the recommendations of an initial study to evaluate five major technical scenarios and a number of subsidiary options, which could provide short and long term measures for an environmentally safe solution for the sarcophagus. The Recommended Course of Actions, proposed in this study, was developed subsequently under another Tacis project into the 'Shelter Implementation Plan' (SIP), which was endorsed by the G7 and Ukraine in April 1997. The SIP identified 22 priority tasks that will provide stability in the short term and safety in the long term. The Chernobyl Shelter Fund was established at the end of 1997. The first meeting of the Assembly of Contributors took place in December. More than US\$ 380 million out of a total cost of US\$ 750 have already been pledged by over 20 countries and the EU. The Commission proposed to contribute up to US\$ 100 to the Fund from the Tacis envelope, with a tranche of 50 million ECU in 1998. A decision-based approach has been adopted for the project, which requires the early execution of a number of priority tasks, known as 'Early biddable projects', and tenders for these were launched at the end of 1997. In the frame of the closure of Chernobyl NPP, Tacis is also providing the assistance to the plant operator and Ukrainian nuclear utility in the preparation of the construction of decommissioning facilities at the Chernobyl Nuclear Power Plant site. An internal review process was started with the aim of fine-tuning the strategy for this programme.

## Cross-border cooperation

The Tacis Cross-border cooperation (CBC) programme was launched in late 1996. In 1997 mainly start-up issues had to be addressed due to the involvement of many actors at both regional and national level. The programme fosters cross-border cooperation actions on the western borders of the NIS with the EU and the Central European Countries (CECs). The aim is to support sustainable projects, which have a cross-border impact, are supported at local or regional level on both sides of the border, and complement other Community programmes, notably Phare and Interreg. There is wide interest from local and regional authorities in the programme, which includes the funding of a number of border crossing points, among them three on the Russian-Finnish border, as well as projects in the field of the environment, energy efficiency, regional capacity building and CBC at the local level through Tacis Small Project Facility. The programme is a key priority of the EU, also in view of the future enlargement of the European Union.

## Justice and home affairs

The European Council held in Florence in June 1996 stressed the need to develop cooperation between the EU and the NIS in the fields of Justice and Home Affairs. The Council decided to open up the Tacis programme to such actions. In accordance with the mandate of the European Council of Dublin of December 1996, particular emphasis was given to the fight against illegal trafficking of drugs in Central Asian Republics. Work on justice and home affairs introduces a new form of cooperation. Anti-corruption measures are one of the preconditions for improving the investment climate in different countries.

Some justice and home affairs issues have already been supported by Tacis in the past, such as the control of capital movements, customs controls and advice to central banks, as well as through cross-border operations, but 1997 has created the groundwork for a more extended programme. Identification missions to eleven NIS took place between February and June 1997 by high-level experts from the Member States, accompanied by the Commission through Tacis, to assess NIS interest and propose specific areas of cooperation: mutual legal assistance, cooperation between government agencies and security services, corruption, illegal migration, and the development and strengthening of NGOs. Action is also envisaged in the Caucasus, to help close off drug transit routes, for example by reinforcing controls at airports and ports or by developing a sniffer dog training centre. ECU 3 million has been reserved from the 1997 Inter-State Programme for an action programme in the

NIS and CECs. In 1997 the EU also part-financed reinforcement of NGO capacity for migration management in the Caucasus, and the participation of NIS in the Prague conference on illegal migration in October 1997.

The importance of regional cooperation was once again underlined during 1997 in the Commission's «Agenda 2000» document, and in Commission's Communications on regional cooperation in general and on cooperation in the Black Sea in particular. Support for regional and Inter-State programmes continues to be a Tacis priority.

# Small project programmes

Tacis has the capacity to provide a fast response to urgent needs. For instance, when Georgia felt the need for advice on its preparations for World Trade Organisation accession during 1997, Tacis was able to mobilise an expert within less than two months. This rapid response came through the Policy Advice Programme – one of a number of programmes for smaller projects that Tacis operates via its small project programmes (SPPs).

## The Policy Advice Programme

The Policy Advice Programme has delivered high-level advice on reform-oriented economic policies and reform-enabling legislation in all the partner countries except Belarus and Mongolia during the year. Experts have been put into the field to help central and local government, parliaments, state committees, central banks and other policy-making bodies. And this ability to deliver has sparked interest among other donors – the World Bank has recently encouraged the Ukrainian authorities to apply, via this Tacis programme, for a transport expert in conjunction with a transport sector institution-building operation.

Following the success of the Russian pilot phase in 1997 on WTO accession advice, a full ECU 1 million programme was finalised at the end of the year. It will use 20 Russian experts, monitored by western experts. Ultimately the aim is for similar projects to cover Ukraine, Kazakhstan,

Uzbekistan, Georgia, Azerbaijan and Moldova. Already, at Ukraine's request, a Ukrainian policy office has been prepared for early 1998 inauguration. During 1997, when the advice started to flow even as the cement was still drying, it looked at times more like a building site than a policy and legal advice centre. However, it immediately provoked high-level interest, with policy council meetings every two months, in which the speaker to the Parliament and the chief Advisor to the President took part.

## Complementing the bigger picture

Alongside the Policy Advice Programme, there are another eight areas dealt with in the Tacis small project programmes – which until 1997 used to be called the Facilities. Overall, they provide a single umbrella for a number of technical assistance programming instruments that are complementary to the larger, free-standing Tacis projects.

As the trend within Tacis moves gradually towards larger and fewer projects, the SPPs are taking on an increasing importance as the other dimension of Tacis – in some respects a key part of its 'human face'. They can help prepare bigger projects, including pilot projects to test the water before committing larger sums. They can fill in missing links discovered during the implementation of bigger projects. And they can follow up on valuable components of big projects after their completion.

Small Project Programmes Funds allocated per year 1996-1997 (in ECU million)	Policy Advice Programme	Civil Society	Education and Training	Enterprise Support	International Standards and Commitments	Total
Armenia	1	1	1.6	1.15	0.6	5.35
Azerbaijan	1	0.5	1	0.68	1.85	5.03
Belarus	0	0	0	0	0	0
Georgia	1	0.3	1	0.63	1.65	4.58
Kazakhstan	0.8	0.35	1.90	0.65	1.30	5
Kyrgyzstan	0.3	0.1	1.2	0.2	0.5	2.3
Mongolia	0	0.5	1.14	0.76	0.5	2.9
Moldova	1.5	0.15	1	1	1.25	4.9
Russia 1996+97	3	2.5	17	22.5	12	57
Tajikistan	0	0	0	0	0	0
Turkmenistan	0.3	0	0.8	0	0	1.1
Ukraine 1996+97	1	1	9	4.5	4.9	20.4
Uzbekistan	1.3	0.5	2.5	0.7	1	6
<b>Total</b>	<b>11.2</b>	<b>6.9</b>	<b>38.14</b>	<b>32.77</b>	<b>25.55</b>	<b>114.56</b>

## Encouraging speed and flexibility

The SPPs allow services to reach partners quickly and efficiently, with simpler contracting and procurement procedures which have been further streamlined in 1997. SPPs tend to focus on themes on which partner country organisations can make project proposals for specific small-scale initiatives.

They also permit a high degree of flexibility. Projects are short-term and are not intended to target major problem areas, but rather aim to give advice and support in smaller, specific areas. And they are demand-driven, with proposals from partner countries being assessed in terms of the overall objectives of the Tacis Programme, as well as specific eligibility criteria for SPPs.

The starting point for the SPP concept is that the impact of a project is greatest when its objectives are closely targeted to a specific need in the partner country – and that is what the SPP flexibility allows. The funding mechanism has changed from 1996: the budget no longer comes out of the Tacis Inter-State Programme, but out of national action programmes, which gives more national say, and more incentive, for instance on how much Tacis money to devote to each area.

## Unlocking investment

In the SPP area Tacis can serve as a useful investment catalyst. Some recent developments have shown how this can work – such as the ECU 5 million Tacis is planning to provide for financing of feasibility studies for a joint environmental programme with the World Bank, in which there are equal proposal and initiation rights and joint decision making, with the World Bank ready to consider putting its investment resources into easy-to-implement environmental projects. The objective is to obtain a large investment multiplier from Tacis technical assistance in this priority sector.

## Building relationships at the grass roots

SPP projects also have a strong people-to-people aspect, depending as they do on close communication and cooperation between the EU and partner country

counterparts. They are also often highly visible at the level of civic groups and individual citizens – often to a degree out of all proportion to the relatively modest amounts involved. They thus offer a useful chance to build lasting relationships at citizen level, despite their relatively high management costs.

The merits of smaller projects also include the opportunity they give to Tacis Coordinating Units in the partner countries to retain a high degree of involvement in a project – something not always possible with large projects run by a major ministry. The Tacis interim evaluation concluded that these projects have had "similar or more significant effects on their partner organisations than the much larger Tacis projects". Some key aspects of the other SPP projects in 1997 follow.

## Cooperation with the IFIs

1997 saw new developments in the so-called Bangkok Facility, under which the European Bank for Reconstruction and Development is granted Tacis funding to assist the preparation and implementation of EBRD projects. Tacis examines EBRD submissions for technical assistance projects, to avoid duplication, and to ensure that EBRD projects reflect the overall priorities of the EU with regards to the NIS. There has been an initial high investment in management time as rules and procedures were worked out, but now that these are in place the Facility is operating efficiently, with a strong multiplier effect: on average as much as 10 million ECU of investment from the EBRD result from each million ECU of Tacis involvement.

The programme has also helped demonstrate how effective cooperation between international financial institutions and the Commission can be. The 1997 Tacis budget provided up to ECU 20 million for use under this programme

## Rationalising the menu

In what can be seen as a measure of a new degree of maturity in Tacis, 1997 also saw the discontinuation of

<b>Donor Coordination Funds allocated per year 1991-1997 (in ECU million)</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Partnership and Coordination Programme	0	0	5	5	10	8	0	28
EBRD-The Bangkok Facility	0	14.88	15.98	19.69	20	20	20	110.55
International Science and Technology Centre	0	20	0	0	10	15	17	62
<b>Total</b>	<b>0</b>	<b>34.88</b>	<b>20.98</b>	<b>24.69</b>	<b>40</b>	<b>43</b>	<b>37</b>	<b>200.55</b>

some programmes – a move that demonstrates a level of confidence, a sense of discernment, and an ability to adapt to changing circumstances in the partner countries. Programmes that came to an end include the Partnership and Coordination Programme, a co-financing programme with Member States. Here, a decline in the number and quality of projects proposed argued in favour of discontinuation. The decision was taken to reallocate the initially allocated budget of ECU 8 million for 1997, since there were still funds unused from earlier programming periods. And the decision was finally taken to end the programme altogether. Other programmes such as the one promoting meetings and cooperation between EU and NIS Chambers of Commerce, were discontinued, while others have been subsumed into the Policy Advice Programme.

Overall in 1997, the SPPs reduced the menu of programmes offered to the partner countries from fourteen to nine, as part of an annual review.

The SPPs have also stepped up efforts to disseminate information about programme contents and achievements to the partner countries, to ensure that the complementarity of big and small projects is maintained. The SPPs progress report, including details of country-specific sections, will be updated quarterly and distributed both within Tacis and to partner country coordinating units.

### **The Productivity Initiative Programme**

The Productivity Initiative Programme offers the chance for partner country managers to acquire work experience in EU companies. From October 1997 to the summer of 1998, the Productivity Initiative Programme will train 250 selected young managers, coming in waves of 30 for 10-week placements in Europe, with the first arriving at the start of 1998. The idea is to equip them to manage change on their return – and to help EU firms to build business links with partner countries. As a near-term response to the mid-1997 'Yeltsin Initiative' to provide Russian managers with training abroad, the Productivity Initiative Programme's ECU 5 million budget was expanded during the year by a further ECU 10 million, with ECU 5 million allocated for 1997 and ECU 5 million for 1998.

### **The European Senior Service Network**

The European Senior Service Network (ESSN) is designed to provide firms in partner countries with low-cost access to senior experience and know-how of retired EU business managers. It is cost-efficient because it is a voluntary service – and it has had demonstrable results. A German

expert advised a traditional house-building firm in Georgia to switch to constructing rented office accommodation in Tbilisi – a course which allowed the company to expand and take on new staff. A British expert was so successful with his advice to a Russian poultry farm – which had closed down and made 150 people redundant – that it is now employing 253 staff and planning exports of 3,000 tonnes of chicken in 1998. A Spanish expert helped a Ukrainian mineral company to develop new food production technology for animal foods, broadening its range and allowing it to boost employment.

### **The Joint Venture Programme**

In October 1997 the European Venture Capital Association started a new project in Russia, Ukraine and Kazakhstan, to promote the development of start-up funding from EU investors for smaller firms there. This was part of a range of projects undertaken in connection with the Joint Venture Programme – a programme which facilitates links between firms in the EU and in the partner countries, through preliminary information research, preliminary contacts, feasibility studies, training and technology transfer, and direct financing or support. It was expanded in the summer of 1997 from Russia (where approvals for feasibility studies are now running at up to ten a month) to other Tacis countries.

### **LIEN**

Education programmes have been aimed at AIDS prevention in the Russian Federation. The quality of care for mentally handicapped children has been improved through a parents' association in Noviki in Belarus. Training programmes have been set up for mental health workers treating children in the Ashtrarak region of Armenia. These are just some of the concrete results of the LIEN programme that Tacis operates to provide support for local groups active in the social sector in the partner countries. LIEN stands for Link Inter European Non-governmental organisations - and it is focused particularly on helping local people to take responsibility for the management and development of their own communities, especially in poorer inner-city or rural areas. EU NGOs work with NIS NGOs to ensure better social integration of the deprived and marginalised sections of the population. It is more than just healthcare: it also covers training and support in job-finding for the unemployed, and improving the status of women and helping them find work.

### **Tempus**

The Trans-European Coordination Scheme for Higher Education has led to the establishment of a new School of Social Work at the Kiev Mohyla Academy, to train trainers and

practitioners, and to provide a focal point for a network of seven education institutions providing similar training across Ukraine. In Belarus it has modernised law education at the European Humanitarian University in Minsk, with new studies in property, European law and private international law. And in Kyrgyzstan it has developed and implemented new study programmes on economics, based on European standards and adapted to Kyrgyzstan's situation, with a view to creating a European and Kyrgyz Faculty of Economy at Bishkek University. Tempus provides a bridge between higher education institutes in the EU and the Tacis partner countries in a deliberately «bottom-up» fashion - so that self-generated consortia of universities can propose common projects in economics, law, international relations, European studies, social sciences, or university management.

### Customs programme

Customs cooperation was a longstanding area of EU work with the USSR and its successor states, and has remained an important part of Tacis work during 1997. Both east and

west have seen the merits of upgrading national capability of ensuring that the correct revenues are derived from goods crossing borders, and that fraud and transportation of drugs and nuclear materials are effectively combated. Some of the projects underway are bilateral - such as the twinning between customs offices at Vyborg in Russia and Lappeenranta in Finland to exchange know-how on improving cross-border flows of commercial and passenger traffic. Others are multilateral, such as the «East and West customs codes» project, bringing together Kazakhstan, Kyrgystan, Moldova, Tajikistan, Turkmenistan and Uzbekistan to help create primary customs legislation based on international standards; EU experts are collaborating with partner countries to produce customs codes adapted to European norms, and to work out long-term implementation strategies with them, as well as supplying expertise in specific domains. A process of consultation with the customs authorities of all Tacis partner countries was set up at the end of 1996 to develop project priorities in common.

### Statistics programme

Tacis statistical cooperation started in 1993 with actions centred on programmes of technical assistance and training and aimed at mutual acquaintance, preliminary assistance with building a national statistical office and the start of statistical thematic projects. In 1997 EU-Tacis statistical cooperation focused on national priorities, without disregarding multi-country initiatives, it concentrated on priority areas and selected national and regional projects, and aimed at obtaining tangible results (first pilot sample surveys were launched during the period). In Russia, which had a national budget, statistical cooperation covered a wide range of statistical themes. Through assistance provided in institution building, all Tacis countries have defined the general objectives with regard to the transformation of the statistical system, and identified priorities for further Tacis statistical cooperation at national level. Most Tacis countries have approved or are approving a statistical law. New statistical works have been introduced (external trade statistics based on customs declarations and combined nomenclature, dissemination of statistical information to the public). Activity classification based on official Russian translation of NACE is being introduced. A business register is in place in all countries. Sampling methodology is being introduced in business statistics. Strategic recommendation in key areas (implementation of statistical law, classifications, information technology, dissemination, informal economy) has been drafted through the work of task forces.



*As WTO membership is being prepared, modernisation of customs procedures is vital*



The EU National Statistical Institutes are the main source of expertise for the transfer of know how to Tacis countries. Coordination of activities and strategic planning are ensured through a Tacis Steering Committee for statistical cooperation and seminars for the presidents of the statistical service of Tacis countries.

### **City twinning**

The Tacis city twinning programme brings local and regional authorities together from the EU and the NIS to underpin the evolution of democratic structures and effective administration at local level. Exchanges of experience and good practice and training for local government officers help short-term implementation of identified reform plans and also enhance sustainable long-term cooperation. The programme has been upgraded from a pilot to a permanent programme within the small project programmes.

There were 65 projects under way at the end of 1997, predominantly covering environment, economic development, social policy and public administration. Some of the cities or regions, like Lille and Le Mans in France, Berlin and Osnabruck in Germany, and Mendip in the UK are running more than one project with their NIS partner city or region, so that altogether a minimum of 195 NIS civil servants are getting training for a minimum of 12 weeks, while at least 65 EU civil servants will spend a minimum of 8 weeks in the NIS assisting reform project implementation. (20 civil servants from Hillerød in Denmark are actively involved in the Darkhan project with Mongolia). Mayors or elected representatives from the cities and regions concerned are also involved in visits and participation in conferences and seminars within the programme, on subjects such as waste management, water management, social policy, or public administration.

# The Phare and Tacis Democracy Programme

In February 1997, the internal management of the Tacis Democracy Programme was integrated with the Phare Democracy Programme, to become the PTDP – the Phare/Tacis Democracy Programme. There were 270 proposals submitted in May 1997, of which about 45 were selected. Most of the Tacis budget in this programme has so far been spent on large projects in Russia and Ukraine, focusing particularly on development of NGOs, followed by awareness building, independent media, and human rights. Most of the rest has been used for ad hoc projects, such as parliamentary practice, election support, and rule of law. Micro-projects accounted for very little and came on stream only in 1997, in Russia.

## Evaluation

The need for the programme is evident. An Evaluation Report which focused on the Tacis work in Georgia, Russia, Kazakhstan and Belarus pointed to the need for further democratic development and civic society building, in the light of local respect for rule of law, political parties, NGOs, media, human rights, minorities, local and regional government, and political culture – as well as varying degrees of weakness in formal democracy. It concluded that the PTDP "is a valuable programme", with its main impact in creating a lively NGO sector, which "both contributes to the process of democratisation and provides a bulwark against the reversal of the process of democratisation which is happening in some countries, notably Belarus and Kazakhstan". The results of this evaluation led to work on a review of priorities and of procedures to be applied.



*Under the aegis of the Phare/Tacis Democracy Programme, the Moscow Research Centre for Human Rights works to protect the rights of children*

## Investing in people

The selection of projects "was seen as well balanced", according to the report, and the programme should be seen as "an investment in people": "the practical knowledge, the contacts, and the positive values given ... have a multiplier effect since they enable key persons to develop new ideas and fresh perspectives for the improvement of civil society", building "a moral community in all these countries, groups and individuals who are essential to the construction of a democratic political culture, who lobby for democratic change and who constitute an ongoing form of public education".

Against the background of continuing tensions and current or threatened conflict in the Trans-caucasus region, a series of conflict-resolution Tacis projects under the PTDP have been aimed at NGO development and confidence building in conflict zones in Georgia (initially with young people, but moving to parliamentarians and economists, with the generation of a report which is believed to have made an input into the agreement signed in Moscow in March 1997), and at training of journalists across the region, including with the production of an English-language media digest. The contractor for the projects organised a visit for the Speaker of the breakaway Ossetian parliament to the national capital, Tbilisi, in January, which made possible a meeting with Mr. Zhvania and Mr. Shevardnadze. And another Tacis project developed a Caucasus-wide refugee committee, which has cooperated successfully in pressing for the release of prisoners of war and hostages.

In Kazakhstan, the Central Asia Sustainable Development Network (CASDIN) has worked with Tacis to support other NGOs by collecting and disseminating information, and by providing know-how and contacts to other NGOs, government, and the business sector. It publishes a regular sustainable development bulletin, and during 1997 has developed a countrywide coalition of NGOs, which helps with the training, expertise and experience often needed by NGOs struggling in an environment which is not always friendly.

# Financial and operational performance

In 1997 the Tacis budget amounted to ECU 486 million, earmarked for the transfer of know-how to the NIS. All programme proposals were approved by the Tacis Committee by September, as a result of tighter management and earlier submission of proposals. This means that implementation of projects will start earlier than in the past.

## Making great strides in the contracting of funds

However, the real leap forward came in terms of funds actually contracted. In 1997, this total was ECU 691 million, the highest figure since the Programme started, and 52 per cent up on the 1996 figure. The initial 1997 target was ECU 540 million, and thus the total actually achieved surpassed this by ECU 151 million or 28 per cent.

Another of the major achievements in 1997 was the substantial reduction in committed but uncontracted funds, which were cut from ECU 752 million in 1996, to ECU 543 million – a reduction by almost 28 per cent in a single year.

Payment performance also improved in 1997. During the year, ECU 405 million was paid out – up eight per cent on 1996's ECU 376 million. At the same time, processing times for payment were cut from 85 days to 56.

## Funds committed, contracted and paid 1991-1997 (in ECU million)

	Commitments*	Contracts	Payments
1991	396.5	5.3	0.4
1992	418.9	203.2	32.1
1993	472.1	348.7	180.3
1994	469.7	514.7	300.3
1995	511.2	527	374.5
1996	536	454.5	375.8
1997	481.7	691	405

## Cumulative funds committed, contracted and paid 1991-1997 (in ECU million)

	Commitments*	Contracts	Payments
1991	396.5	5.3	0.4
1991-92	815.4	208.5	32.5
1991-93	1,287.5	557.2	212.8
1991-94	1,757.2	1,071.9	513.1
1991-95	2,268.4	1,598.9	887.6
1991-96	2,804.4	2,053.4	1,263.4
1991-97	3,286.1	2,744.4	1,668.4

\* These figures represent initial commitments and do not take into account possible decommitments after closure

## Improving programme management

The streamlining of management in 1997 was triggered by the backlog of uncommitted funds at the end of 1996 – equivalent to about one and a half year's budget. The improvements have been brought about in part by enhanced tendering and evaluation procedures, which has included increased information about upcoming tenders, shortlisting, and awards of contracts. At the start of 1997 Tacis also introduced new contract rules. New rules on reimbursement of contract staff abroad also helped provide a clear baseline for evaluating tenders, thus encouraging competition between contractors.

The in-house management of programmes has also been tightened up, at all levels, and backed up by improved computerised systems for progress checking, more staff training (on programming, tendering, procedural and contractual matters), and staff reallocations to handle bottlenecks as they arise. The duties of managers and controllers were more clearly separated in 1997, allowing financial management to function as a counterbalance to operational management.

Another barrier to effective management took the shape of the huge number - often too small - of projects accumulated in the past. Steps have been taken to design fewer and larger projects.

## Payments in each budget year 1991-1997 (in ECU million)

Budget year	Paid in 1991	Paid in 1992	Paid in 1993	Paid in 1994	Paid in 1995	Paid in 1996	Paid in 1997	Total
1991	0.4	23.4	130.8	114.4	59.8	24.6	7.4	360.8
1992		8.7	33.9	118.5	102.1	82.5	27.4	373.1
1993			15.6	58	109.7	92.3	68	343.6
1994				9.4	76.3	96.3	104.6	286.6
1995					26.6	68.2	124.1	218.9
1996						11.9	60.9	72.8
1997							12.6	12.6
<b>Total</b>	<b>0.4</b>	<b>32.1</b>	<b>180.3</b>	<b>300.3</b>	<b>374.5</b>	<b>375.8</b>	<b>405</b>	<b>1,668.4</b>

## Cumulative contracts and payments 1991-1997 (%)

	1991	1992	1993	1994	1995	1996	1997
Cumulative contracts as a percentage of cumulative commitments	1.3	25.6	43.3	61	70.5	73.2	83.5
Cumulative payments as a percentage of cumulative contracts	7.5	15.6	38.2	47.9	55.5	61.5	60.8

<b>Tacis funds committed by country 1991-1997 (in ECU million)</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Armenia	2.3	9.55	17	0	6	14	0	48.85
Azerbaijan	0.4	12.5	8	8	6	16	0	50.9
Baltics	15	0	0	0	0	0	0	15
Belarus	8.92	14.63	9	7	12	0	5	56.55
Georgia	4.96	9	6	8	6	16	0	49.96
Kazakhstan	7.73	20.6	14	14	15	0	24	95.33
Kyrgyzstan	0.7	9.23	10	0	8	0	13	40.93
Moldova	1.1	9	0	10	9	0	18	47.1
Mongolia	0	0	0	8	0	9.5	0	17.5
Russia	211.95	111	160.75	150	161.19	133	132.9	1,060.8
Tajikistan	0	0	0	4	4	0	0	8
Turkmenistan	0.88	8.8	0	8	4	0	11.5	33.18
Ukraine	28.65	48.28	43.25	50.5	72.5	76	59	378.18
Uzbekistan	1.72	18.78	0	15	10	28	0	73.5
Regional Programmes*	105.99	88.63	172	131.5	124.5	152	135	909.62
Donor Coordination**	0	34.88	20.98	24.69	40	43	37	200.55
Programme Implementation Support***	6.2	24.03	11.11	20.99	23	37.5	34.46	157.29
Others****	0	0	0	10	10	11	11.87	42.87
<b>Total</b>	<b>396.5</b>	<b>418.91</b>	<b>472.09</b>	<b>469.68</b>	<b>511.19</b>	<b>536</b>	<b>481.73</b>	<b>3,286.1</b>

\*Includes the Inter-state, nuclear safety and cross-border cooperation (1996 & 1997 only) programmes

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

\*\*\*Includes Coordinating Units, information, monitoring and evaluation

\*\*\*\*Includes Democracy Programme

<b>Funds allocated by sector 1991-1997 (in ECU million)</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Total</b>
Nuclear safety and environment	53	60	100	88	108	141.5	98	648.5
Restructuring state enterprises and private sector development	37.5	79.64	94.46	78.66	72.4	55.2	60.92	478.78
Public administration reform, social services and education	103	42.28	79.91	63.55	99.4	55.7	44.75	488.59
Agriculture	79.95	60.54	32.19	41.58	48.33	18.5	26.5	307.59
Energy	65	38.96	38	43.7	42.35	45.8	43.9	317.71
Transport	49.8	33.19	32.77	22.8	21.1	43	20.7	223.36
Telecommunications	0	6.76	6.65	4.1	7.9	6.4	7.3	39.11
Policy advice and SPPs	0	37.8	8	41.08	0	61.01	55.32	203.21
Others*	2.05	0.83	48.02	40.53	48.71	28.39	52.88	221.51
Donor Coordination**	0	34.88	20.98	24.69	40	43	37	200.55
Programme Implementation Support***	6.2	24.03	11.11	20.99	23	37.5	34.46	157.29
<b>Total</b>	<b>396.5</b>	<b>418.91</b>	<b>472.09</b>	<b>469.68</b>	<b>511.19</b>	<b>536</b>	<b>481.73</b>	<b>3,286.1</b>

\*Includes the Democracy Programme and miscellaneous

\*\*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

Programme implementation support Funds allocated per year 1991-1997 (in ECU million)	1991	1992	1993	1994	1995	1996	1997	Total
Coordinating Units	0	15	0	8	8	8.5	7	46.5
Multidisciplinary	6.2	9.03	9.11	9.99	10	13.5	12.56	70.39
Monitoring and Evaluation	0	0	0	0	0*	8.5	8.5	17
Information and Communication	0	0	2	3	5	7	6.4	23.4
<b>Total</b>	<b>6.2</b>	<b>24.03</b>	<b>11.11</b>	<b>20.99</b>	<b>23</b>	<b>37.5</b>	<b>34.46</b>	<b>157.29</b>

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

## Funding procedure

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

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

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

**Payment** - Payment is the final stage of the funding process. It takes place over the period of each contract, reflecting the completion of each component of the project. As projects may take several years, payments are often spread over the same time. It is for this reason that payments always lag behind the committed and contracted amounts. Another reason is that contracts are sometimes cancelled before completion, or that contingencies or reserves do not have to be fully used up

# Tacis funds allocated by sector 1991-1997

## Agriculture

	1991	1992	1993	1994	1995	1996	1997	Total
Armenia	0	1.66	0	0	0	0	0	1.66
Azerbaijan	0.4	2.5	0	0	0	0	0	2.9
Baltic States	5.95	0	0	0	0	0	0	5.95
Belarus	1.6	2.51	2	0	2	0	0	8.11
Georgia	2.65	1.5	0	1.8	0	0	0	5.95
Kazakhstan	2.16	3.06	3.15	3.15	3	0	2.4	16.92
Kyrgyzstan	0	2.71	4	0	3.7	0	2.2	12.61
Moldova	0.97	2.27	0	4.7	2.5	0	3.7	14.14
Mongolia	0	0	0	0	0	0	0	0
Russia	50.85	21.49	12.5	16.3	17	10.6	13	141.74
Tajikistan	0	0	0	1.68	1.75	0	0	3.43
Turkmenistan	0.88	3.68	0	3.6	1.68	0	3.7	13.54
Ukraine	7.67	12.31	10.54	5	4	0	1.5	41.02
Uzbekistan	1.03	3.05	0	3.35	2.2	6.4	0	16.03
Regional programmes	5.79	3.8	0	2	10.5	1.5	0	23.59
<b>Total</b>	<b>79.95</b>	<b>60.54</b>	<b>32.19</b>	<b>41.58</b>	<b>48.33</b>	<b>18.5</b>	<b>26.5</b>	<b>307.59</b>

## Restructuring state enterprises and private sector development

	1991	1992	1993	1994	1995	1996	1997	Total
Armenia	0.7	3.54	2.3	0	2	5.7	0	14.24
Azerbaijan	0	2.6	0	1.9	1.8	1.7	0	8
Baltic States	0	0	0	0	0	0	0	0
Belarus	0.3	7.52	4	5	5	0	0	21.82
Georgia	0	3.5	0	3.6	1.9	4.85	0	13.85
Kazakhstan	0	6.54	6.3	6.3	5.9	0	7.2	32.24
Kyrgyzstan	0	0.82	0	0	0	0	0	0.82
Moldova	0	1.73	0	1.45	1.5	0	4.5	9.18
Mongolia	0	0	0	2.56	0	1.4	0	3.96
Russia	27.2	29.76	54.5	43.4	40.6	31.3	28.77	255.53
Tajikistan	0	0	0	0	0	0	0	0
Turkmenistan	0	0.57	0	1.8	1	0	2.9	6.27
Ukraine	1.7	16.8	12.36	4.3	10.7	10.25	16.05	72.16
Uzbekistan	0	2.26	0	3.35	2	0	0	7.61
Regional programmes	7.6	4	15	5	0	0	1.5	33.1
<b>Total</b>	<b>37.5</b>	<b>79.64</b>	<b>94.46</b>	<b>78.66</b>	<b>72.4</b>	<b>55.2</b>	<b>60.92</b>	<b>478.78</b>

## Energy

	1991	1992	1993	1994	1995	1996	1997	Total
Armenia	1.3	0	4.1	0	2	0	0	7.4
Azerbaijan	0	0	0	3.6	2.5	4.8	0	10.9
Baltic States	3	0	0	0	0	0	0	3
Belarus	4.1	1.9	0	0	3	0	0	9
Georgia	0.4	0	0	0	2.3	3.5	0	6.2
Kazakhstan	0.7	3.2	0	0	0	0	1.4	5.3
Kyrgyzstan	0.7	0	2.4	0	1.7	0	1.5	6.3
Moldova	0	2	0	0.6	1.5	0	0	4.1
Mongolia	0	0	0	1	0	1.7	0	2.7
Russia	41.5	16	21.1	19.5	18	11.5	13	140.6
Tajikistan	0	0	0	1	0.95	0	0	1.95
Turkmenistan	0	1	0	0	0	0	3	4
Ukraine	6.2	8.08	5.4	15	6.9	6.3	7.5	55.38
Uzbekistan	0.4	5.28	0	0	0	4.5	0	10.18
Regional programmes	6.7	1.5	5	3	3.5	13.5	17.5	50.7
<b>Total</b>	<b>65</b>	<b>38.96</b>	<b>38</b>	<b>43.7</b>	<b>42.35</b>	<b>45.8</b>	<b>43.9</b>	<b>317.71</b>

## Public administration reform, social services and education

	1991	1992	1993	1994	1995	1996	1997	Total
Armenia	0	1.5	1.8	0	1.5	2	0	6.8
Azerbaijan	0	3	0	1.8	1.3	0	0	6.1
Baltic States	0	0	0	0	0	0	0	0
Belarus	0.68	1	0	0	0	0	0	1.68
Georgia	1.18	1.25	0	1.8	1.3	1.5	0	7.03
Kazakhstan	4.87	1.4	3.15	1.8	2.9	0	3	17.12
Kyrgyzstan	0	0	2.6	0	1.6	0	4	8.2
Moldova	0.13	2	0	1.9	2	0	4.25	10.28
Mongolia	0	0	0	3.8	0	2.9	0	6.7
Russia	46.64	24.57	44	18.85	52.8	33.8	27	247.66
Tajikistan	0	0	0	1	1	0	0	2
Turkmenistan	0	1.05	0	1.8	1	0	0	3.85
Ukraine	4.65	3	7.36	4	7	7.8	2.5	36.31
Uzbekistan	0	3.51	0	6.8	4	7.7	0	22.01
Regional programmes	44.85	0	21	20	23	0	4	112.85
<b>Total</b>	<b>103</b>	<b>42.28</b>	<b>79.91</b>	<b>63.55</b>	<b>99.4</b>	<b>55.7</b>	<b>44.75</b>	<b>488.59</b>

Note: The Baltic States only received funding in 1991

## Nuclear safety and environment

	1991	1992	1993	1994	1995	1996	1997	Total
Armenia	0.3	0	0	0	0	0	0	0.3
Kazakhstan	0	0	0	0	0	0	0	0
Russia	12.89	0	0	0	0	5.5	5	23.39
Ukraine	3.54	0	0	20.5	37.5	37.5	1.5	100.54
Regional	36.27	60	100	67.5	70.5	98.5	91.5	524.27
<b>Total</b>	<b>53</b>	<b>60</b>	<b>100</b>	<b>88</b>	<b>108</b>	<b>141.5</b>	<b>98</b>	<b>648.5</b>

## Transport

	1991	1992	1993	1994	1995	1996	1997	Total
Armenia	0	0	0	0	0	0	0	0
Azerbaijan	0	0	0	0	0	0	0	0
Baltic States	4	0	0	0	0	0	0	4
Belarus	2.24	1	2	1.3	0	0	0	6.54
Georgia	0.73	0	0	0	0	0	0	0.73
Kazakhstan	0	0	0	0	0	0	0	0
Kyrgyzstan	0	0	0	0	0	0	1.7	1.7
Moldova	0	0	0	0.6	0	0	0	0.6
Mongolia	0	0	0	0	0	0	0	0
Russia	32.87	14.25	13.55	13.9	12.6	8.5	7	102.67
Tajikistan	0	0	0	0	0	0	0	0
Turkmenistan	0	0	0	0	0	0	0	0
Ukraine	4.89	7.26	3.22	0	0	0	2	17.37
Uzbekistan	0.29	1.68	0	0	0	0	0	1.97
Regional programmes	4.78	9	14	7	8.5	34.5	10	87.78
<b>Total</b>	<b>49.8</b>	<b>33.19</b>	<b>32.77</b>	<b>22.8</b>	<b>21.1</b>	<b>43</b>	<b>20.7</b>	<b>223.36</b>

## Telecommunications

	1991	1992	1993	1994	1995	1996	1997	Total
Armenia	0	0	0	0	0	0	0	0
Azerbaijan	0	0	0	0	0	1	0	1
Baltic States	0	0	0	0	0	0	0	0
Belarus	0	0	0	0	0	0	0	0
Georgia	0	0	0	0	0	1	0	1
Kazakhstan	0	0	0	0	0	0	2.8	2.8
Kyrgyzstan	0	0	0	0	0	0	0	0
Moldova	0	0	0	0	0	0	0	0
Mongolia	0	0	0	0	0	0	0	0
Russia	0	4.93	5.1	4.1	5.4	3	4	26.53
Tajikistan	0	0	0	0	0	0	0	0
Turkmenistan	0	0	0	0	0	0	0	0
Ukraine	0	0.83	0.55	0	0	0	0	1.38
Uzbekistan	0	0	0	0	0	1.4	0	1.4
Regional programmes	0	1	1	0	2.5	0	0.5	5
<b>Total</b>	<b>0</b>	<b>6.76</b>	<b>6.65</b>	<b>4.1</b>	<b>7.9</b>	<b>6.4</b>	<b>7.3</b>	<b>39.11</b>

## Policy advice and SPPs

	1991	1992	1993	1994	1995	1996	1997	Total
Armenia	0	2.85	0	0	0	0	0	2.85
Azerbaijan	0	4.4	0	0	0	0	0	4.4
Baltic States	0	0	0	0	0	0	0	0
Belarus	0	0.7	0	0	0	0	0	0.7
Georgia	0	2.75	0	0	0	0	0	2.75
Kazakhstan	0	6.4	0	1.63	0	0	0	8.03
Kyrgyzstan	0	5.7	0	0	0	0	0	5.7
Moldova	0	1	0	0	0	0	0	1
Mongolia	0	0	0	0	0	0	0	0
Russia	0	0	0	18.95	0	0	0	18.95
Tajikistan	0	0	0	0	0	0	0	0
Turkmenistan	0	2.5	0	0	0	0	0	2.5
Ukraine	0	0	0	0	0	0	0	0
Uzbekistan	0	3	0	0	0	0	0	3
Regional programmes	0	8.5	8	20.5	0	0	0	37
Small Project Programmes	0	0	0	0	0	61.01	55.32	116.33
<b>Total</b>	<b>0</b>	<b>37.8</b>	<b>8</b>	<b>41.08</b>	<b>0</b>	<b>61.01</b>	<b>55.32</b>	<b>203.21</b>

## Others

	1991	1992	1993	1994	1995	1996	1997	Total
Armenia	0	0	8.8	0	0.5	0.95	0	10.25
Azerbaijan	0	0	8	0.7	0.4	3.47	0	12.57
Baltic States	2.05	0	0	0	0	0	0	2.05
Belarus	0	0	1	0.7	2	0	0	3.7
Georgia	0	0	6	0.8	0.5	0.57	0	7.87
Kazakhstan	0	0	1.4	1.12	3.2	0	2.2	7.92
Kyrgyzstan	0	0	1	0	1	0	1.3	3.3
Moldova	0	0	0	0.75	1.5	0	0.65	2.9
Mongolia	0	0	0	0.64	0	0.6	0	1.24
Russia	0	0	10	15	14.79	2.8	4.23	46.82
Tajikistan	0	0	0	0.32	0.3	0	0	0.62
Turkmenistan	0	0	0	0.8	0.32	0	0.8	1.92
Ukraine	0	0	3.82	1.7	6.4	3	18.7	33.62
Uzbekistan	0	0	0	1.5	1.8	2	0	5.3
Regional programmes	0	0.83	8	2.5	6	4	13	34.33
Facilities	0	0	0	0	0	61.01	0	61.01
Donor coordination*	0	34.88	20.98	24.69	40	43	37	200.55
Programme implementation support**	6.2	24.03	11.11	20.99	23	37.5	34.46	157.29
Others***	0	0	0	14	10	11	12	47
<b>Total</b>	<b>8.25</b>	<b>59.74</b>	<b>80.11</b>	<b>86.21</b>	<b>111.71</b>	<b>169.9</b>	<b>124.34</b>	<b>640.26</b>

\*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

# Chronology 1991-1997

The Tacis Programme started in 1991, as a mechanism of support for the transition process in the 15 countries of the former Soviet Union (Russia, Ukraine, Estonia, Latvia, Lithuania, Moldova, Belarus, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, Tajikistan). In 1992, the Baltic States left the programme to join the Phare Programme for the Central and Eastern European countries. In 1993 Mongolia was added to the beneficiary countries of Tacis. The programme was conceived at a meeting of the European Council in Rome in December 1990, where EU Member States decided to support the reform initiatives of the authorities of the former Soviet Union, via the transfer of know-how.

Since its early days, Tacis has evolved into a closely focused tool, which supplies know-how in support of broad EU policy objectives, in a process of dialogue with the partner countries. But by way of comparison, it is worth noting that as recently as ten years ago, there were only some twenty staff in the European Commission covering all political and economic relations with the USSR and China. Dialogue was limited, and there was no conception of partnership, or of exchanges in ideas and goods. During the lifetime of Tacis, much has changed.

Key dates in the evolution of Tacis and EU relations with Tacis partner countries include:

## 1991

Council Regulation 2157/91 laid down principles by which the European Community offers economic support for the Tacis partner countries in the transition to a market economy, and established the European Commission as the body responsible for managing the Programme.

## 1992

Adjustment of Tacis to take account of the dissolution of the Soviet Union. Accord signed with 12 of the Newly Independent States; the Baltic States join the Phare Programme.

## 1993

Council Regulation 2053/93 updated 1991 Regulation, to allow for three-year Indicative programming, to take account of "reinforcing democracy", and to include Mongolia.

## 1994

- European Commission Communication on EU-Ukraine relations
- Partnership and Cooperation Agreements signed with Russia, Ukraine and Moldova
- Mongolia becomes a member of Tacis

## 1995

First INOGATE meeting brought senior ministers together in Brussels to talk about common issues on oil and gas in Central Asia.

- European Commission Communications on EU-Russia, EU-Caucasus and EU-Central Asia relations
- PCAs signed with Belarus, Kazakhstan and Kyrgyzstan
- PCAs initialled with Armenia, Azerbaijan and Georgia
- PCA talks started with Uzbekistan
- European Parliament gave assent to PCAs with Kyrgyzstan, Moldova, Russia and Ukraine
- Interim Agreements signed with Russia, Ukraine, Moldova and Kazakhstan
- Interim Agreement initialled with Belarus

## 1996

Council Regulation 1279/96 replaced 1993 Regulation. An explicit link was made to the PCAs, and it allowed up to 10% of the budget to be spent on investment in infrastructure for cross-border networks, and equity support for joint ventures between EU and NIS small and medium size enterprises. It also strengthened the attention to democracy and human rights.

- PCAs with Uzbekistan, Georgia, Azerbaijan and Armenia signed
- Interim Agreements with Russia, Ukraine and Moldova came into force
- Interim Agreements with Armenia, Georgia, Kyrgyzstan, Uzbekistan and Belarus signed
- Interim Agreement with Azerbaijan initialled

## 1997

- PCA with Russia entered into force on 1 December
- New high-level Tacis consultation group set up with Russia
- Interim Agreement with Georgia and Kyrgyzstan came into force
- Interim Agreement with Azerbaijan signed
- Tacis Technical Offices came into full operation in Irkutsk, Novosibirsk, Ekaterinburg, Krasnodar and Petrozavodsk
- Tacis Information Centre opened in Brussels
- European Commission Communications on Regional Cooperation in Europe and on Regional Cooperation in the Black Sea area



# Upcoming milestones

Because Tacis continues to evolve, a number of upcoming milestones in 1998 and beyond can already be signalled. They include:

## 1998

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Ukraine PCA comes into force on 1 March; first meeting of EU-Ukraine Cooperation Council scheduled for July.

Moldova PCA scheduled to come into force mid 1998.

Work starts on preparation of new Tacis Regulation.

## 1999

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Discussion of draft new Tacis Regulation in Council of Ministers, European Parliament, and Economic and Social Committee. The Regulation will determine the shape and character of the Programme after 2000. Further PCAs are expected to come into force during the year.

Current Tacis Regulation expires December.

## 2000

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New Tacis Regulation scheduled to come into force on 1 January.

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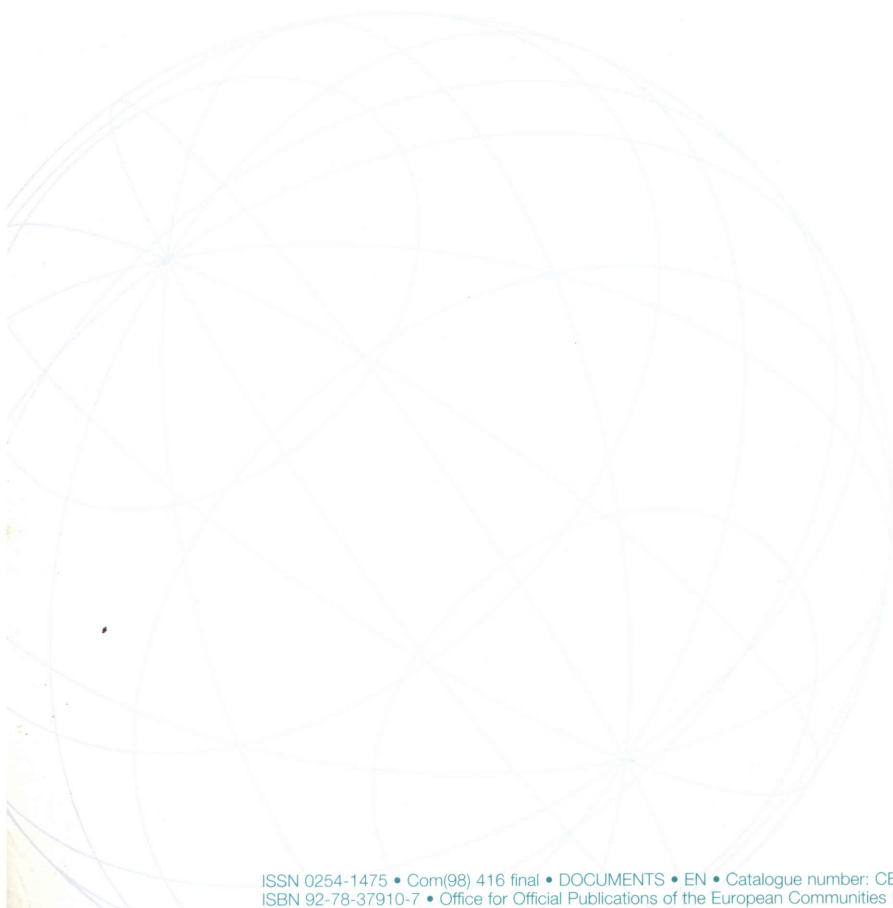
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