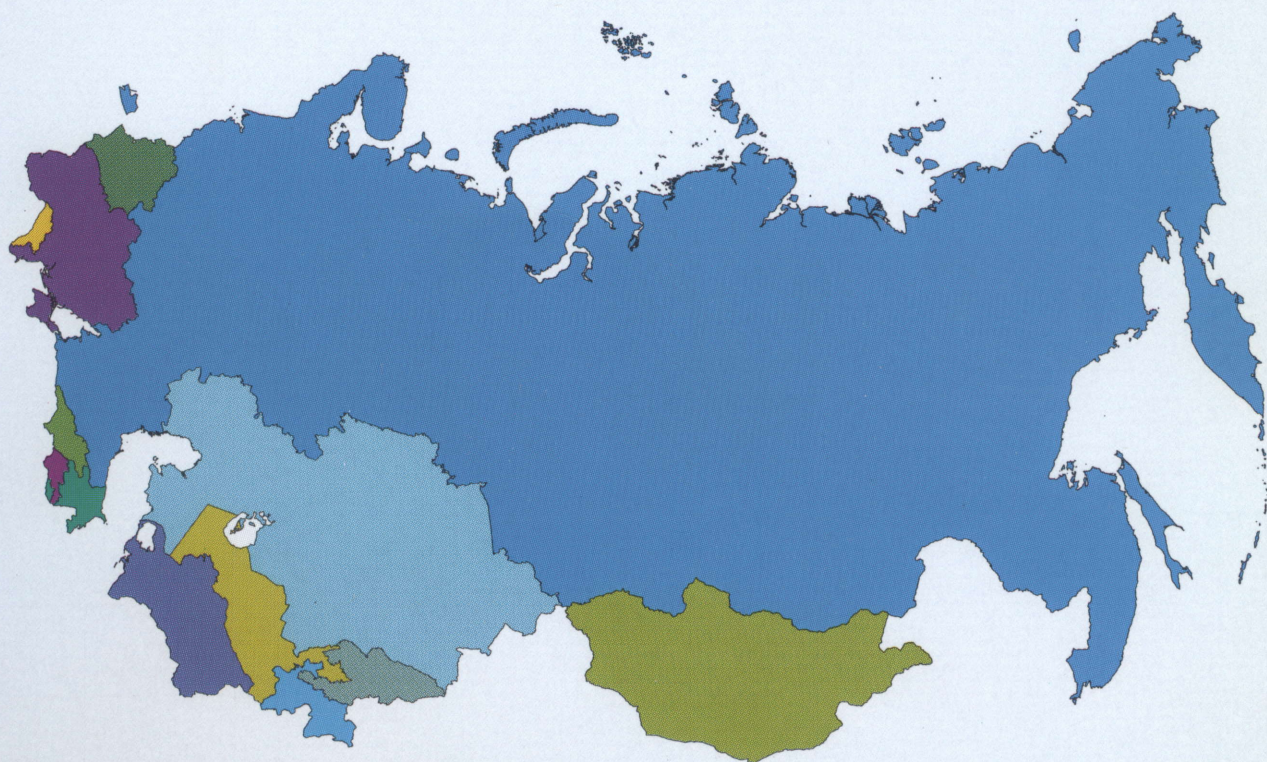




# Tacis Annual Report 1994

from the European Commission

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## What is Tacis?

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

Tacis does this by providing grant finance for know-how to support the process of transformation to market economies and democratic societies.

In its first four years of operation, 1991-1994, Tacis has committed ECU 1,757 million to launch more than 2,000 projects.

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

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

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

The main priorities for Tacis funding are: public administration reform, restructuring of state enterprises and private sector development, transport and telecommunications infrastructures, energy, nuclear safety and environment, building an effective food production, processing and distribution system, developing social services and education. Each country then chooses the priority sectors depending on its needs.



# Contents

Commissioner's statement	2
A year of change for Tacis	3
The economic and political challenges	3
Tacis and European Union policy	4
Tacis financial overview	5
Operational management of the Tacis Programme	8
Developments in Programme techniques and issues	10
Tacis and the European Community institutions	12
Bilateral and international cooperation	13
Armenia	15
Azerbaijan	17
Belarus	19
Georgia	21
Kazakhstan	23
Kyrgyzstan	25
Moldova	27
Mongolia	29
Russian Federation	30
Tajikistan	35
Turkmenistan	36
Ukraine	38
Uzbekistan	42
Multi-country programmes	44
Future outlook	47
Annexes	
Tacis funds allocated by sector	48
Tacis financial performance	53
List of major contracts signed in 1994	56

# Commissioner's statement

The European Community's Tacis Programme is unique in its breadth, the number of countries it involves and the type of support it offers. The Programme is devoted to the transfer of know-how towards economic transformation and the development of democracy.

It is implemented in the spirit of cooperation between the New Independent States and the European Union. Tacis is a demand-driven programme. Its success, therefore, is dependent on the ability to establish effective working relationships between partners. 1994 has been an important year in this respect. Tacis has taken some steps which have enabled it to become even closer to its partners and develop a greater involvement of the governments' Coordinating Units in the New Independent States as well as the organisations who benefit from Tacis projects.

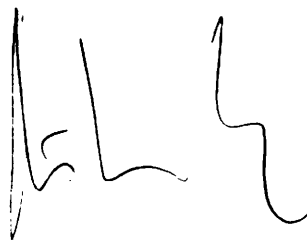
The year was also important in that Tacis became more sharply focused on those sectors and regions where its support can be used most effectively. The Programme was able to do this since 1994 was the first year that a significant number of projects were under implementation or reached completion and it was therefore possible to begin a process of monitoring and evaluating the success of projects.

The work rate of the Programme also increased substantially. Tacis was able to contract funds in 1994 that were almost as much as those for the previous three years combined, and the amount of money that the Programme paid out was 41 per cent more than the total paid out from 1991 to 1993.

That the Programme was able to achieve this is a credit to the dedication and commitment of all those involved, particularly since the Tacis Programme employs far less staff, in relation to its budget, than other major international programmes. The workload placed on individual Tacis task managers is so high that we are near to a point where the workload cannot be sustained unless it is matched by sufficient staffing.

In particular I would like to recognise the contribution made by Sir Leon Brittan, the Commissioner responsible for the Tacis Programme until December 1994. His personal involvement has played an important role in the improvement of the Programme's performance and effectiveness.

The year 1994 has seen the development of initiatives which have provided a solid platform for Tacis to build on. I fully expect to see the benefits of this reflected in its performance in the near future.



Hans van den Broek  
Member of the European Commission



# A year of change for Tacis

1994 was a significant year for Tacis. Its political framework was reinforced through the development of Partnership and Cooperation Agreements - signed with the Russian Federation, Ukraine and Moldova and initialled with Kazakhstan, Kyrgyzstan and Belarus. These Agreements draw together all the elements of European Community support to the countries of the former Soviet Union and provide the framework for economic and political cooperation within which Tacis operates.

In the area of management, Tacis has significantly improved its financial performance and taken important steps to make its operations more efficient. In particular, it has done this by introducing a greater element of decen-

tralisation in certain areas, and by establishing a comprehensive system of monitoring and evaluation.

In its relationships with the European Parliament, other institutions and key groups, significant steps have been taken to improve communication and the supply of information.

The Programme has also sharpened its focus on a number of cross-sectoral issues, including the promotion of democracy, the role of women and protection of the environment.

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

## The economic and political challenges

The achievements of Tacis have to be seen against the background of a political and economic framework which is subject to tremendous change. The governments in most of the New Independent States are still coping with the problems of establishing the mechanics of democratic government and building a new system of public administration and local government. Unsurprisingly, there are still many difficulties, both in maintaining democratic government and in developing the skills necessary to run a functioning democracy.

While this situation is stabilising, its impact on Tacis should not be underestimated given that it is a largely demand-driven programme of know-how transfer, which relies heavily on cooperation with governments and their commitment to economic and political reform. Despite the size and the diversity of the economies of the republics of the former Soviet Union the problems that Tacis has to overcome consistently have their root in common features, namely:

- industrial inter-dependence
- industrial 'monoculture'
- central planning
- command-driven production
- trade based on state orders
- service sectors that are in their infancy.

While progress has been made in addressing these issues, it takes time to develop an understanding and acceptance of economic reform and undo 70 years of central planning. Each country can only move at a pace which economic, social and political conditions allow and in these circumstances Tacis can only assist and advise, not oblige its partners to change policies or embrace reforms faster than they wish. In addition to the challenges of economic and

political transition, the Tacis partner countries are also having to come to terms with the economic effects of the demise of the former Soviet Union. For some countries the difficulties this has created have been severe, resulting in immense restructuring problems. Production levels and economic activity in general have also suffered as a result of the disruption of trade flows between the former republics. This has been heightened by acute transport and communication problems and the absence of the required inter-state payment systems.

Some countries have also become embroiled in political disputes resulting, in some cases, in armed conflict. This has damaged the reform process in these states and created difficulties for the Tacis Programme. In certain instances Tacis has had to stop its activities altogether. The break-up of the former Soviet Union also meant that Tacis was setting up its operations at the same time as most of its partner countries were establishing the mechanisms of independent government. This has meant that setting up a basic operating framework has taken some time and affected the speed of implementation of the Programme, especially in its first two years of operation (1991 and 1992).

This work has now been achieved and the improvement in the performance of the Programme over the last 18 months can largely be attributed to the fact that the operational framework both in Brussels and the partner countries is now well established and starting to work effectively. That said, there is still a need to continue the process of consolidation and if this can be maintained it can be expected that the improvements in qualitative and quantitative performance will continue in the future.

# Tacis and European Union policy

In 1994 an important development took place which provided an overall framework for future relations between the European Union and its partners. This was the negotiation of Partnership and Cooperation Agreements based on the principles of equality and partnership. They have a wide scope, covering future political, commercial, economic and cultural cooperation between the European Community, its Member States and the New Independent States.

The Agreements aim to pave the way for the integration of the former Soviet states into a wider European economy and for their progressive integration into the global economic system. Once in force, they will offer greater certainty to traders and investors from the European Community and will encourage the direct investment that the New Independent States' economies need.

Agreements were signed with the Russian Federation and Ukraine in June, with Moldova in November and were initialled with Kazakhstan, Kyrgyzstan and Belarus. Exploratory discussions were held with Georgia during 1994.

The Partnership and Cooperation Agreement provides an umbrella for the activities of Tacis. In particular the Agreement identifies those areas of economic cooperation for which Tacis is the source of funding.

Partnership and Cooperation Agreements cover four main areas:

- political dialogue
- trade relations
- the investment and business environment
- cooperation in a wide range of areas; economic, legislative, scientific, cultural and many others.

The Partnership Agreements with the New Independent States establish trade relations based on the most-favoured nation principle, which means that the parties agree not to discriminate against each other in tariff matters. In the case of the Russian Federation this status not only covers trade in goods, but is also extended to an exhaustive list of services. The Agreements confirm that quantitative restrictions applied to most categories of imports to the European Union from the New Independent States have been eliminated.

The Agreements may be suspended if the essential elements which underpin them – respect for democracy, human rights and the principles of a market economy – are breached.

At this stage, the Agreements do not establish a free-trade area. However, in the Agreements with the Russian Federation, Ukraine, Belarus and Moldova, there is a provision for a joint examination of the situation in 1998, with a view to the possible opening of free-trade area negotiations.

In the case of the Russian Federation, Ukraine, Kazakhstan and Kyrgyzstan the Agreements foresee the negotiation of agreements on trade in nuclear materials. Sectoral agreements on steel should be concluded with the Russian Federation, Ukraine and Kazakhstan.

Other significant areas of the Agreements include:

- measures to foster economic cooperation
- steps to liberalise the flow of capital
- measures to improve conditions for investment and for the establishment of businesses, including banks and other financial service providers from the European Union.

The Partnership and Cooperation Agreements will require approval by the parliaments of all Member States and by the parliaments of the partner countries, as well as by the European Parliament. Because this may take some time, the Commission is seeking to conclude, where possible, interim agreements which will enable trade and trade-related aspects of the Partnership and Cooperation Agreements to enter into force more rapidly.

In the context of the framework provided by the Partnership and Cooperation Agreements, the Tacis Programme will create a new climate for economic growth and political stability, and the development of trade and investment, which are essential to economic restructuring and modernisation.

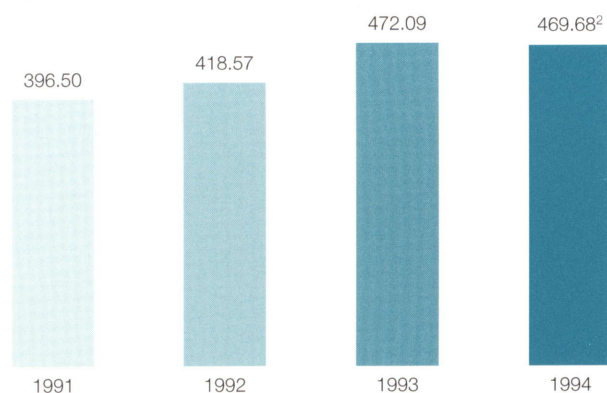


# Tacis financial overview

In 1994, the Tacis Programme committed a total of ECU 470 million to its partner countries, including ECU 10 million for the Tacis Democracy Programme. This brings the total of Tacis commitments over the life of the Programme to ECU 1,757 million.

During 1994, Tacis launched projects and contracted funds worth ECU 514.7 million - an increase of 48 per cent on the previous year - exceeding the target for the year by 11 per cent and also exceeding the annual budget commitment. This compares to a total of ECU 557.2 million contracted from 1991 to 1993, and means that in 1994 Tacis contracted almost as much as for the three previous years combined.

## Tacis funds committed from 1991 to 1994<sup>1</sup> ECU 1,756.84 million



<sup>1</sup> For 1993, figures include ECU 22 million for humanitarian aid to Armenia, Azerbaijan and Georgia (managed by Tacis); for 1994, figures exclude humanitarian aid managed by ECHO

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

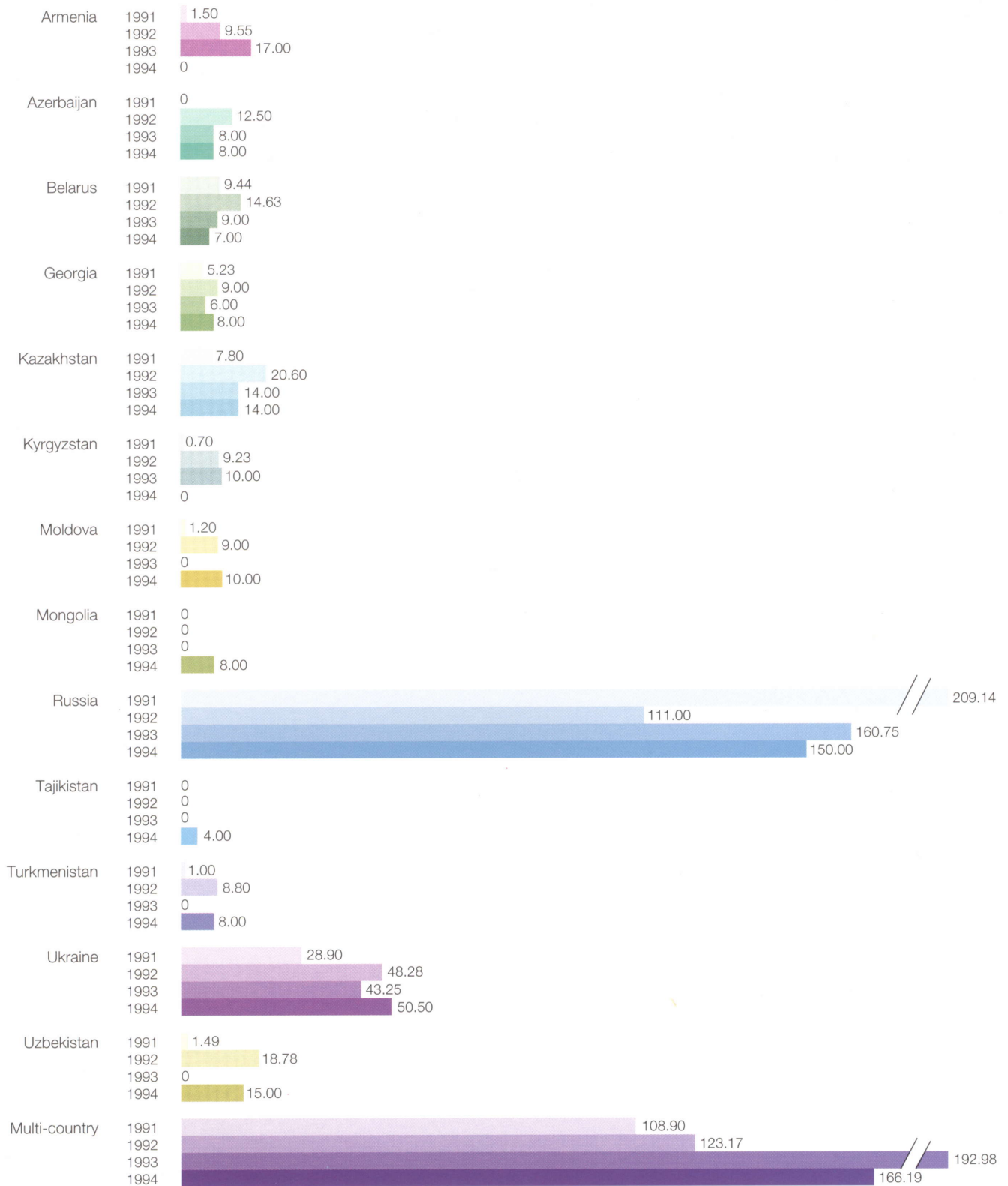
The contracting backlog from earlier years and the time-span between commitments and contracting were thus significantly reduced.

The Programme paid out ECU 300.3 million, an increase of 66 per cent from the previous year and 41 per cent more than the amount paid out over the three previous years together.

This means that of the total Tacis commitments, 61 per cent has now been contracted, and of the amount contracted 48 per cent has been paid.

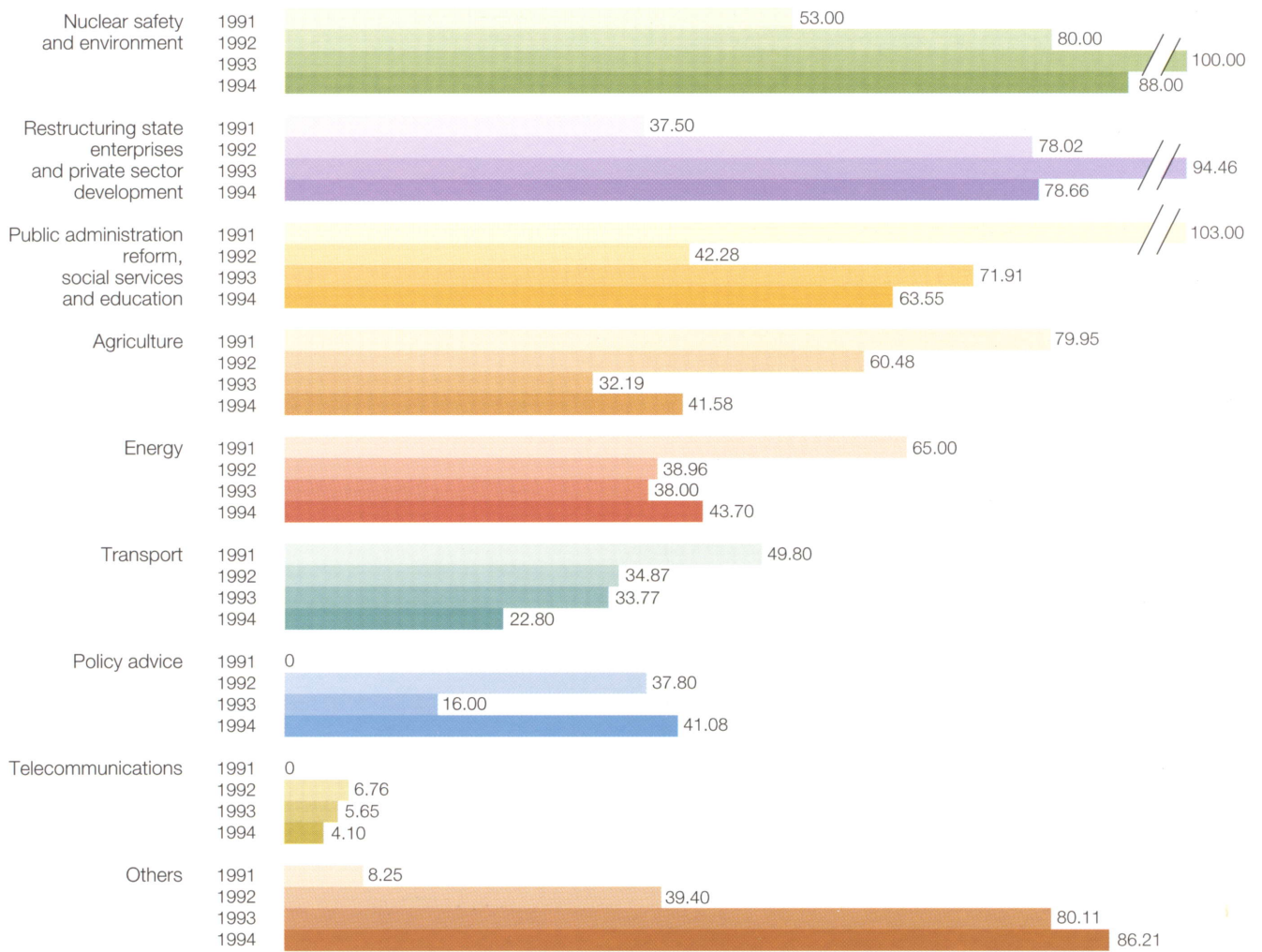
The time lag between commitment and payment is normal for a programme of this type. After four years of operation, Tacis has disbursed 67.8 per cent of its initial 1991 budget. This rate of disbursement is slightly better than average when compared to other major assistance programmes.

1991-1994 funds committed by country (in ECU million)





**1991-1994 funds allocated by sector (in ECU million)**



# Operational management of the Tacis Programme

The operational management of Tacis has focused on some key areas in 1994. These have included financial performance and streamlining internal operations and procedures, developing greater decentralisation of programme operations and establishing a system of monitoring and evaluation.

Management has also launched an initiative in communications and focused attention on important cross-sectoral issues, such as democracy, the role of women, and protection of the environment.

A key theme running through these developments has been the establishment of a customer focus for the Programme, seeking greater involvement of organisations in the partner countries and developing the role of Coordinating Units.

This has also involved using research to identify and respond to the needs of key audiences for information on the Programme's operation as well as intensifying the dialogue with other donors, organisations in the European Union and partner countries.

These management issues are examined in more detail below.

## **Improving performance**

In 1994, Tacis was able to commit its annual budget much more rapidly than in previous years. 23 per cent of the 1994 budget was approved by March, 71 per cent by July and 93 per cent was approved by the end of September. This was a significant improvement on the previous year when the bulk of the budget was only approved during the last three months of the year.

Tacis was able to achieve this improvement as a result of initiatives taken in 1993 to establish multi-annual programming. This was because the Indicative Programmes prepared in 1993 covered the period up until 1996, so there was no need to prepare Indicative Programmes in 1994 before preparing the annual Action Programmes. Tacis could therefore concentrate on the preparation of Action Programmes much earlier in the year.

For some of the smaller countries 1993 and 1994 allocations were combined, some financed under the 1993 budget and others under the 1994 budget. This avoided the need to produce an individual Action Programme every year.

In parallel, the implementation of projects accelerated significantly, as demonstrated by the rise in contracting. In total, 1994 saw an increase in contracting with some 1,300 contracts signed for a value of nearly ECU 515 million, an increase from approximately ECU 350 million in 1993.

This means that in 1994, Tacis started and implemented more projects and mobilised more experts than ever before. The time lag between the approval of Action Programmes and the start of the implementation of projects was also reduced.

The Commission plans to build on this in the future by proposing that Tacis make use of multi-annual financial planning. This would greatly improve the efficiency of Tacis, because a more long-term allocation of budget funds could be planned.

Assurance that budget funds will be available in subsequent years would remove the need to work out country allocations on the basis of each annual budget and thus preparing Action Programmes for each country every year. Preparing Action Programmes to cover two or three years would save time and permit Tacis staff resources to allow greater concentration on programming and project implementation.

## **Enhancing efficiency**

In 1994, steps were taken to improve the coordination of internal Tacis management and to clarify and simplify procedures.

Tacis has also revised and simplified the guidelines for service contracts, making tendering and contracting procedures easier to use.

In addition, in 1994 the Tacis services set up a system for the regular and comprehensive preparation of all experts working on Tacis projects.



## Assessing the impact of operations

An important new initiative in monitoring and evaluation was introduced in 1994. Teams of monitors made up of independent experts from both the European Community and the relevant partner country have been assessing the design and results of the projects as well as their relevance to the needs of the partner countries.

Monitoring experts visit projects to discuss progress against the agreed plan. They are able to warn project managers about potential problems at an early stage and can suggest solutions. At the end of the project, the results are evaluated in order to improve the quality of future programming.

By the end of 1994, around half of those projects which were up and running had been covered by these teams. The exception was nuclear safety, where the implementation of monitoring is taking longer due to the complex technical nature of the projects. Monitoring in the nuclear safety sector will start in 1995.

Although the monitoring and evaluation programme is in its first year of operation, it has shown that the majority of projects are running well and are achieving their broad objectives.

The process of monitoring and evaluation has also identified areas where changes should be made. It confirmed that it is necessary to introduce qualitative changes such as:

- decentralisation
- a regional approach
- the introduction of new techniques
- improved coordination with other donors
- familiarising experts with the new environment within which they are going to work
- closer coordination with the New Independent States partners at an early stage.

## Expanding decentralisation

It has always been a fundamental objective of Tacis to involve the partner countries as much as possible in the operation of the Programme. However, it is only recently that the conditions have started to emerge, in terms of establishing management structures in each country, that allow substantial developments to be made in this area.

The advantages that decentralisation can bring are clear. Closer coordination with partner organisations and governments allows the Programme to reflect their needs more closely. It also speeds the implementation of projects by removing the difficulties that currently occur due to remote coordination from Brussels, and ensuring that the projects selected for funding are of a high quality and can be implemented with the minimum of disruption.

However, these advantages can only be realised if greater decentralisation is implemented carefully and the necessary structures put in place to ensure that programmes can still be managed effectively.

As a basic pre-condition, this requires two elements: a strengthening of the Coordinating Units representing the partner government and the establishment of a Tacis presence on the ground.

In terms of establishing a Tacis presence, the most important step was the setting up of a Delegation in Moscow in 1991. This was followed in 1994 by a Delegation in Kiev.

The Moscow Delegation already runs certain programmes itself, such as the Bistro programme, and was given additional responsibilities during the first half of 1994 including the preparation of the terms of reference for a number of projects in each sector and the management of experts responsible for the implementation of the programmes in the regions.

More recently, Delegations were also opened in Kazakhstan and Georgia.

The Commission has also developed plans to open technical offices in some partner countries to support the preparation and implementation of Tacis programmes. Technical offices are designed as self-contained entities with close links to a Coordinating Unit or a regional authority. They will support the work of the Coordinating Units and report directly to Brussels.

Technical offices will be established in those regions of the Russian Federation where Tacis has set up separate regional programmes.

The Coordinating Units within the partner countries play a key role in the preparation and implementation of the Tacis national programmes. The Coordinating Units have become valid partners and useful counterparts for Tacis, representing an effective and credible liaison with the government authorities. They are increasingly involved with the drafting of country and sector strategy papers and the selection of project proposals on the basis of a continuous policy dialogue with Tacis services.

Since mid-1994, the local counterparts have also been given greater influence in the tendering procedures to select the experts for Tacis projects through a voting right in the evaluation of offers. Partner organisations now also receive all progress and final reports by contractors and project-related monitoring reports from the monitoring teams.

Each year, a part of the financial allocations to the Russian Federation, Ukraine and Kazakhstan is earmarked for regional programmes. However, the activities funded within these regional programmes have so far been negotiated as much with the national as with the local authorities. With a view to decentralising Tacis, increased efforts will be made to administer cooperation programmes directly through regions and municipalities, thus establishing a channel to strengthen reform and sustainable development at local or regional level.

## **Enhancing communications**

The European Community institutions and advisory bodies, Member States and the partner countries have shown considerable interest in the Tacis Programme.

During 1993, it was decided that more resources should be devoted to developing and implementing a communications programme.

Towards the end of 1993, a communications research programme was commissioned in order to understand the needs of the key decision-makers and those working with the Programme. After extensive consultation this led to a communications strategy, adopted in early 1994, and subsequently introduced mid-year.

Programmes have included: a major review of the written and visual corporate identity of the Programme and its implementation by many of those involved; a substantial publications programme, including timely release of contract information, and translations into Russian; the development of a communications database in conjunction with the Phare Programme, which holds more than 20,000 names of individuals and organisations interested in Tacis; and a specific country programme for the Russian Federation which will become fully operational in the second quarter of 1995. Other countries will follow, starting with Ukraine.

# Developments in programme techniques and issues

## **Developing new techniques**

In 1994, Tacis has been developing a number of new techniques which build on experience gained to date and are aimed at establishing a greater degree of partnership and cooperation between the European Union and its partner countries.

### **Twinning**

Tacis is increasingly using twinning to promote reform. Twinning creates partnerships between similar groups in different countries to facilitate mutual cooperation and training.

In 1994, Tacis established a two-year twinning programme designed to build links between local government administrations of cities in the European Community and their counterparts in the partner countries. Some 60 twinning projects are planned and a new scheme is being launched between hospitals in the Russian Federation and western Europe.

In addition to the immediate benefits derived from the exchange of know-how, twinning is also expected to form the basis of long-term links between eastern and western partners.



## **Partnerships**

Tacis is helping to establish partnerships between institutions and organisations with common interests. A programme which has just been established in support of this is the professional partnership programme. This establishes links between professional associations in the partner countries and in the European Community.

In the first programme, links are being financed between architectural practices in the Russian Federation and Ireland. The objective of these links is to expose Russian architects to architectural practices which operate in a market economy.

Support for the training of textile industry managers is a similar programme which has been supported over the last year.

## **Networks**

Establishing cooperation networks between organisations in the partner countries and counterparts in the European Community is becoming an increasingly important area of Tacis' work.

The major networking programmes which Tacis is developing include the Tempus (Trans-European Mobility Programme for University Studies) Programme, which promotes links between higher education institutions in the European Community and the Tacis partner countries, the network of Business Communication Centres established in many New Independent States to support small and medium-sized enterprises, as well as the ACE (Action for Cooperation in Economics) Programme, which aims to promote academic research and policy analysis in the field of economics.

## **Major cross-sectoral issues**

There are some issues which cut across all of Tacis' operations and therefore cannot be established as individual sectors in their own right. Tacis took some important initiatives concerning these issues in 1994, which are detailed below.

### **Democracy**

The Tacis Democracy Programme, which is based on an initiative of the European Parliament, became operational in the New Independent States in 1994. It aims to contribute to the consolidation of a human rights ethos and follows the successful Democracy Programme established by the Phare Programme for the countries of central and eastern Europe.

The programme is designed to respond to a double objective. The first is to give the Commission an instrument for its foreign relations in strengthening a more pluralist society in the New Independent States. The second is to be responsive to the needs of a wide range of interest groups, associations and non-governmental organisations (NGOs) which contribute to the development of a more pluralist society.

Under the first objective, Tacis has provided support to the parliamentary elections in Russia and Ukraine. In addition, Tacis supported media monitoring during election campaigns in the Russian Federation, Ukraine, Moldova and Belarus and a training programme for Ukrainian parliamentarians.

Under the second objective, two calls for proposals from these organisations were launched in 1994, in parallel with the Phare Democracy Programme. These resulted in the selection of 88 proposals from Tacis partner countries, representing a funding commitment of ECU 7.3 million.

### **Environment**

Consideration for the environment plays an important role in the Tacis Programme. Care for environmental aspects is a necessary requirement for long-term sustainable economic development.

From the Tacis perspective, this includes building an environmental dimension into individual projects, as well as fostering institutional systems which incorporate environmentally sustainable development into the framework of economic reform and growth.

The Commission has therefore decided that it is best to take account of the environment across the whole programme, thus ensuring that all reform is sustainable. At the same time, however, those environmental projects that are essential to the economic reform process are funded through an environmental multi-country programme.

A major part of this multi-country programme, established in 1994, was the Environmental Support Facility. This funds short-term, high-profile, replicable and cost-effective environmental projects which support the principles set out in the Environmental Action Plan for central and eastern Europe.

In order to ensure that Tacis projects also stimulate much needed environmental investments, there is close co-operation with the EBRD through the Bangkok facility. In order to guide the potential investor through the maze of regulations and laws, an 'Investor's Guidebook for Environment, Health and Safety' is under development for all the New Independent States. This should make it easier for investors to know what risks they are taking and thus stimulate investment.

Most sectors include environmental projects, such as the energy sector with its focus on conservation and efficiency, and the agriculture sector which has trained locals in the management of by-products and waste in food processing operations. Furthermore, Tacis is helping the central Asian countries deal with the mismanagement of water supplies that has led to the shrinking of the Aral Sea, the destruction of agriculture and serious threats to human health. Worthwhile environmental projects that do not fit into any of the sectors can be financed under the environmental multi-country programme, which is already discussing joint projects with the World Wildlife Fund for Lake Baikal, as a follow-up to one of the European Parliament's resolutions.

#### **Equality for women and men**

Many of the problems experienced by women are derived largely from the general decline in the quality of life and by

the reduction in economically sustainable employment opportunities. It is striking that women tend to be the first to be made redundant and it is those sectors of the economy which tend to employ women - health and education - which are experiencing the most severe cuts.

It is felt that the best way to address this problem is through ensuring equal access for women to all Tacis projects, and ensuring that all Tacis projects make an effort to influence favourably the situation of women. For example, there should be a balance of male and female participants in seminars and training courses.

In addition to Tacis' work directed at fostering economic prosperity, which will in itself improve the position of women, there are certain areas of Tacis activity which will have a particular impact on women. Thus actions aimed at improving social security can counterbalance pressure on women to go back to the household. The Tacis Democracy Programme offers a further framework for support of some more specifically targeted proposals, as does the Tacis LIEN Programme which provides co-financing for projects from non-governmental organisations.

Tacis also financed a conference in Moscow in December 1994 on improving the opportunities for female entrepreneurship in the Russian Federation.

## Tacis and the European Community institutions

In 1994, Tacis made a concerted effort to improve its relationship with the European Community institutions, in particular the European Parliament and the Court of Auditors. This was in response to a number of queries which came to the fore in 1994.

In particular there was a request from the Parliament for a bi-annual report on activities, a more decentralised approach to operations and for preferential treatment to be given to projects including sub-contracting to companies from partner countries.

Tacis responded to these requests by enlarging the scope of decentralised activities managed from the Moscow Delegation and by revising tender documents to make it clear that preferential treatment would be given to offers which proposed sub-contracting to local companies.

These changes, and Tacis' operations in general, were presented in a series of high-level meetings between the Parliament and the Commission, backed by an exchange of extensive information.

Another important development in Tacis' relations with the Parliament was the report prepared by the Parliament on an assessment of western aid to the Commonwealth of Independent States (the Randzio-Plath Report).

This report raised some issues in relation to Tacis including the reliance on short-term experts, lack of transparency, heavy procedures, concern for specific issues including democracy, women, environment, nuclear safety and establishing partnerships with organisations in the European Union.

Tacis took action to address the key issues. The reliance on short-term experts was reduced and procedures were streamlined.

Tacis also presented a second report of its activities to the Parliament in September. The Parliament will now be supplied with information on Tacis' operations and financial performance on a regular basis.

Relations with the Court of Auditors were also reviewed during 1994. The Commission has established regular contacts with the Court of Auditors in relation to the implementation of Tacis. Commission personnel now accompany the Court on its missions.

In 1994, the Commission's Tacis management also addressed many of the issues raised by the Court in its latest report, in particular improvements in the speed of implementation and streamlining of procedures.

## Bilateral and international cooperation

The Commission plays an important role in the co-ordination of assistance to the New Independent States. Cooperation has been pursued at both a strategic and operational level with international financial institutions and donor countries, notably the United States, to ensure the exchange and analysis of information on donor programmes. This helps to avoid duplication, fills gaps and allows the development of complementary activities.

### **Partnership and Coordination programme**

1994 saw the launch of the Partnership and Coordination programme, Tacis' most important initiative to date to promote cooperation with the Member States of the European Union and their bilateral programmes.

The wider objective of the programme is to contribute to the process of economic restructuring in the New Independent States by improving the coordination of assistance programmes thereby enhancing their effectiveness and efficiency.

By providing matching funding, the programme encourages organisations from the Member States to develop a proactive and systematic approach to the coordination of their activities with Tacis and with one another, thus creating synergies and avoiding overlapping.

The programme was approved at the end of 1993 with an initial budget of ECU 5 million to co-finance projects with Member States in the Tacis priority sectors. Based on a bottom-up approach, the programme allows public and private sector organisations in Member States to develop proposals in partnership with institutions in the partner countries. Designated authorities in the Member States pre-select projects to ensure coordination with their own bilateral funding programmes. The final selection by the Commission ensures that projects complement on-going or planned Tacis activities, and where possible those of other international donors.

A total of 72 projects was submitted in the first round, resulting in a final selection of 21 quality projects. A second round of the programme with a budget of ECU 5 million was approved in October 1994 and launched in November 1994.

### **Coordination with the World Bank**

Coordination with the World Bank has continued to develop in 1994, based on the framework of cooperation established in 1993. The cooperation includes consultation on overall strategy, exchange of project information and draft terms of reference, joint participation in information missions and use of Tacis funds to support the World Bank's loan preparation activities.



The Commission and the World Bank have signed an audit clause and interpretative letter to make it easier to dovetail programming and procedures. In 1994 the Commission also participated in consultative groups for Armenia, Georgia and Kyrgyzstan and in the informal World Bank meeting for Ukraine.

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

Tacis and the European Bank for Reconstruction and Development (EBRD) cooperate through a range of instruments. In 1994 the Bangkok Agreement allowed for ECU 20 million of Tacis funds to be used to provide the necessary know-how to support EBRD equity and lending projects.

Tacis also provides support for the EBRD outside this agreement in order to enhance the bank's ability to provide investments and loans to the Tacis partner countries.

### **Cooperation with the International Monetary Fund**

The International Monetary Fund (IMF) is highly involved, along with other donors, in the Tacis training programme for the central banks of most of the New Independent States and cooperates with Tacis on the creation of the Inter-State Bank.

The IMF also coordinates the international steering committee for the payments and clearing system within the partner countries and plays an important role in the coordination of statistics for the New Independent States.

### **Cooperation with the United States**

An informal framework for cooperation with the United States on aid to central and eastern Europe and the New Independent States, agreed at the end of 1993, was implemented in 1994. This allows coordination at the strategic level as well as on individual projects.

This is complemented by a comprehensive exchange of information, assisted in particular by US stop-overs in Brussels on return from missions to the partner countries.

Two high-level EC-US coordination meetings were held in 1994 in Washington and Brussels respectively, allowing substantial discussion at policy and operational level and confirming this forum as a most effective framework for EC-US cooperation.

# Armenia

The conflict with Azerbaijan over Nagorny Karabakh is the dominant feature overshadowing the political and economic situation in Armenia. Although well placed to benefit from the future expansion of trade in the region, civil war in Georgia and the Azeri-Turkish economic blockade have left Armenia isolated and paralysed its trade relations. Exports which earn the country its hard currency have declined dramatically and the country's almost total dependence on energy imports has severely weakened the economy. Energy is therefore an issue of the utmost importance within the Tacis Programme.

However, longer-term prospects for Armenia are good. Important steps have been taken to establish the basic legal and institutional framework necessary to support a competitive market economy. Indeed, Armenia was among the first of the New Independent States to initiate reforms, and continues to receive help from Tacis to restructure the enterprise sector.

The Government's reform programme is ambitious, and a policy of price liberalisation and institutional reform has been launched. Tacis has played a significant role in this process, supporting the Government's actions with a number of measures, including important human resource development programmes.

Tacis help to Armenia concentrates on

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

In 1994, Tacis actions in Armenia were financed from previous 1991-1993 annual budgets.

## Addressing the energy challenge

The main focus of the Tacis Programme is directed towards energy issues, particularly the implementation of an efficient energy policy to respond to the urgent needs of the population and industry. The limited availability of indigenous energy resources is one of the main reasons why Armenia's economic growth is constrained.

Many of Armenia's industries are energy-intensive and, furthermore, housing was predominantly designed on the assumption that plentiful district heating would be available. Fuel supply structures need to be reinforced through political and commercial agreements; investment is required to improve flexibility and operating efficiency in the energy sector; and more effective use of available fuel supplies must be achieved. Tacis projects in the energy field in progress in 1994 focused on the rationalisation and diversification of the energy supply. This included a detailed evaluation of Armenia's hydrocarbon deposits, rehabilitation of mini-hydroplants, the feasibility of extending the country's gas pipeline network to link into Iranian supply sources, and guidance for the Government on appropriate energy conservation and energy efficiency measures as well as optimisation of underground gas storage facilities.

## Fostering an enterprise culture

Privatisation remains a priority policy for the Armenian Government, although some nationalised enterprises will have to continue operating under state control. Tacis is supporting the privatisation process in Armenia, with specific emphasis on the development of small and medium-sized enterprises, as well as the development of the commercial banking sector as a prerequisite for the overall success of the privatisation strategy.

Since April 1994, Tacis has been involved in a project of about ECU 1 million to advise the Government on the definition and implementation of its privatisation programme which accelerated remarkably in the last quarter of 1994. A further Tacis project, launched in September 1994 and worth ECU 1.4 million, is providing - within a structure known as a Management Advice and Services Facility (MASF) - the expertise necessary to support managers in the design, presentation and implementation of a business plan for those companies which are not suited to mass privatisation. 1994 Tacis support for private sector enterprises included the formation of a Business Communication Centre (BCC) and an SME Development Agency - now being established in Yerevan. Other Tacis initiatives design a model investment fund to attract capital into the economy, especially from the Diaspora.

<b>Funds allocated by sector each year</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994*</b>	<b>Total</b>
Nuclear safety and environment	0.3	0	0	-	0.3
Restructuring state enterprises and private sector development	0.7	3.54	2.3	-	6.54
Public administration reform, social services and education	0	1.5	1.8	-	3.3
Agriculture	0	1.66	0	-	1.66
Energy	0.5	0	4.1	-	4.6
Transport	0	0	0	-	0
Policy advice	0	2.85	0	-	2.85
Telecommunications	0	0	0	-	0
Humanitarian aid	-	-	8	-	8
Other sectors	0	0	0.8	-	0.8
<b>Total</b>	<b>1.5</b>	<b>9.55</b>	<b>17</b>	<b>-</b>	<b>28.05</b>

\* Note: Armenia did not receive funds under the 1994 budget

## Developing human resources

The human resources sector needs to adapt to the new challenges faced by Armenia as the market economy develops. Tacis support in that field includes the reform of the education system and the social security system as well as the strengthening of social services, notably by promoting cooperation between Armenia and the European Community.

Tacis is supporting the Government with ECU 1.9 million to establish a working group which will prepare an action plan for the reform of the social security system. It also focuses on reviewing the social services of the Ministry of Labour and Social Security to improve their procedures and to strengthen their system of data collection. Training and study tours for the managers of the service are also being organised.

In the area of public administration, Tacis concentrates on improving the performance of the civil service and the restructuring of the Armenian trade unions (ECU 1.5 million). This project has three components.

A School of Public Administration has been created under the aegis of the Government. The school is offering training for the public sector at central and local level which includes the design of training courses, training of the trainers and the provision of training material. In addition, a Commission for the Reform of the Public Administration is being developed to define the new legal and institutional framework. Furthermore, the project provides training and policy know-how for trade union leaders.



# Azerbaijan

The conflict in Nagorny Karabakh, and the resulting displacement of 15 per cent of the country's population, has distracted successive governments from the business of transformation to a market economy. Despite such problems, important steps have recently been taken in the reform process, including a number of anti-inflationary measures passed in June 1994 and comprehensive plans to liberalise prices by early 1995.

The country's energy sector has the potential to provide the impetus for overall economic advancement, but has suffered from a lack of investment and from poor maintenance of the pipeline network. Given this situation, energy has been identified as a key area for Tacis involvement. Tacis has also given priority to accelerating the fledgling programme of privatisation and to developing a banking sector which will support the growth of enterprise.

In parallel, help is being provided to reform the country's educational system to bring it more into line with Azerbaijan's changing economic imperatives. In order to maximise the effectiveness of the Programme, Tacis is concentrating on three areas:

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

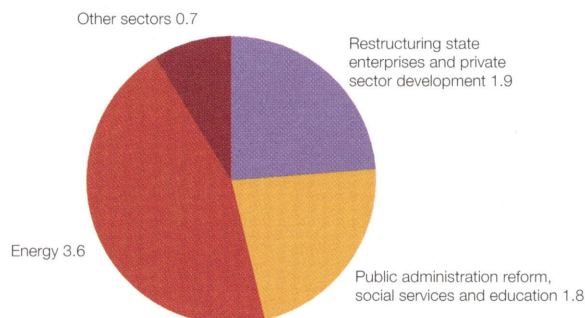
The Tacis 1994 budget commits ECU 8 million for the national programme with Azerbaijan.

## The economic dimension of energy

Positive steps have been taken in the energy sector, despite problems relating to the reduction of domestic oil and gas production. Tacis has continued to stress the need for the Government to develop a coherent policy to promote the sustainable use of energy, including the development of a rational pricing policy and energy conservation. A large Tacis project began in 1994, offering expert input on many aspects of energy policy to the Government and the State Oil Company. This has included advice on legal questions relating to the oil resources of the country, with particular emphasis on preparing for Azerbaijan's signature of the European Energy Charter.

Tacis also launched an ECU 1.5 million project to provide consultancy services to the gas distribution company Azerigaz and the electricity production and distribution company Azerenerji. This will focus on customer service issues and the promotion of metering, and will assist in establishing contacts and joint ventures with European

## Funds allocated by sector 1994 ECU 8 million



Union organisations. Finally, Tacis launched an ECU 2 million project to provide consultancy services to Azneftkhimmash, a state concern responsible for the manufacture of oil field equipment to:

- maintain and consolidate its previous expertise for products designed to Russian standards
- encourage the diversification of the present product range to include both oil field equipment produced to American Petroleum Institute (API) standards and new products
- gain technical recognition and market entry for new API products in the New Independent States and worldwide.

## The stimulation of enterprise

In the absence of a privatisation plan approved by parliament, little formal privatisation has taken place, although a number of laws have been passed to facilitate the privatisation process. A Tacis project began in April 1994 to advise the State Property Committee on all issues relating to privatisation, and Tacis is providing support for the drafting of a comprehensive privatisation programme.

A new private sector is beginning to emerge, largely at small-scale enterprise level. A small and medium size enterprise development agency has now been established under the 1994 Tacis Programme, providing advice and training in the disciplines associated with running a small business. The agency also serves as a vehicle for channeling advice to the government on the development of a climate conducive to the growth of small businesses. A further project - agreed in 1994 and scheduled to begin in early 1995 - will provide management training to businessmen in newly-formed small companies.

<b>Funds allocated by sector each year</b>	<b>1991*</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>Total</b>
Nuclear safety and environment	-	0	0	0	0
Restructuring state enterprises and private sector development	-	2.6	0	1.9	4.5
Public administration reform, social services and education	-	3	0	1.8	4.8
Agriculture	-	2.5	0	0	2.5
Energy	-	0	0	3.6	3.6
Transport	-	0	0	0	0
Policy advice	-	4.4	0	0	4.4
Telecommunications	-	0	0	0	0
Humanitarian aid	-	0	8	0	8
Other sectors	-	0	0	0.7	0.7
<b>Total</b>	<b>-</b>	<b>12.5</b>	<b>8</b>	<b>8</b>	<b>28.5</b>

\* Note: Azerbaijan did not receive funds under the 1991 budget

### **The acquisition of new skills**

Tacis actively supports the Government in the social protection sector. A small project is being developed to provide senior and middle-level staff of the Employment Services with information on institutional arrangements and management practices in European Community countries. This should raise awareness of unemployment issues and introduce new approaches to employment promotion, re-employment services and training. To

reinforce public administration reform, a major ECU 3 million project has recently been started in support of the Institute of Management of the National Economy in Baku. It seeks to provide managerial skills, as well as research and consulting services, to public administrations at both central and local level. The Institute will be able to provide a one-year programme (Master of Public Administration) and short-term courses to retrain existing public administration staff and to train public sector enterprises personnel.

# Belarus

The Government of Belarus has affirmed its support for industrial reconstruction and has moved to accelerate the voucher privatisation scheme. The restructuring of enterprises is a priority for Tacis support and government steps to hasten the creation of small businesses represent a significant initiative. The Government's pledges to establish a macro-stabilisation plan are particularly encouraging. This plan will address the current problems of inflation, falling production and unemployment, and shape the legislative and structural base for further economic reform.

Government attention is also being directed towards agriculture and the food supply chain, areas which are receiving strong backing from Tacis. The modernisation of the country's transportation systems has also been identified as meriting strong Tacis involvement.

The Government's recent decision to create a single agency to coordinate foreign financing and international cooperation is viewed as a positive step. This body will provide a conduit for the efficient disbursement of Tacis funds.

The main areas of Tacis support for Belarus in 1994 were:

- support for enterprise
- food production, processing and distribution
- transport.

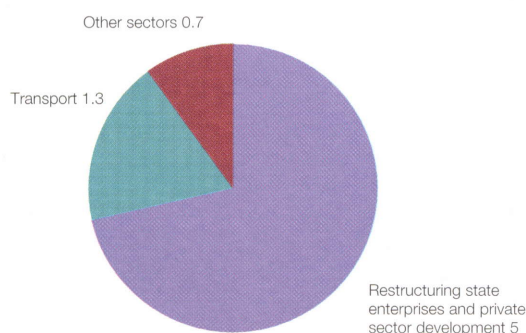
The Tacis 1994 budget committed ECU 7 million for the national programme in Belarus.

## Speeding up the enterprise reform process

During 1994 Tacis promoted industrial partnerships as a means of supporting enterprise restructuring, placing special emphasis on the electronics industry and the production of equipment for the agriculture and food-processing sectors. This programme has produced tangible results, such as commercial agreements for the local manufacture of European design food processing equipment.

In the sphere of privatisation, in 1994 Tacis started to provide advice for the Ministry of State Property on the voucher privatisation programme and its implementation. The programme is a vital part of the Belorussian Government's reform strategy.

## Funds allocated by sector 1994 ECU 7 million



Another project - started in September 1994 with a budget of ECU 450,000 - will support the work of the Institute of Privatisation and Management, recently founded in Minsk. The objective of the Institute is primarily educational, teaching key government officials, other public sector bodies - and possibly universities - on privatisation issues and post-privatisation business management. Complementary assistance in the form of equipment and training for Belorussians, both in Belarus and abroad, will also be provided.

A project to improve the long-term financing capabilities of newly-established banks and to research the feasibility of an investment fund (ECU 900,000) was begun in the first half of 1994.

In 1994, Tacis provided wide-ranging support across the spectrum of Belarus enterprise reform, including guidance on strategic policies directed at the development of small and medium enterprises.

A two-part major (ECU 1.9 million) project was launched in 1994 to develop a strategy targeting the development of the private sector. The first part of the project aims to provide advice and practical support for the ministry charged with the development of small and medium-sized enterprises (SMEs) to set up seven regional Enterprise Support Centres and train their staff. The second objective is the development of consultancy services for SMEs throughout Belarus.

<b>Funds allocated by sector each year</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>Total</b>
Nuclear safety and environment	0	0	0	0	0
Restructuring state enterprises and private sector development	0.3	7.52	4	5	16.82
Public administration reform, social services and education	0.7	1	0	0	1.7
Agriculture	1.7	2.51	2	0	6.21
Energy	4.5	1.9	0	0	6.4
Transport	2.24	1	2	1.3	6.54
Policy advice	0	0.7	0	0	0.7
Telecommunications	0	0	0	0	0
Humanitarian aid	0	0	0	0	0
Other sectors	0	0	1	0.7	1.7
<b>Total</b>	<b>9.44</b>	<b>14.63</b>	<b>9</b>	<b>7</b>	<b>40.07</b>

### **Help for Belorussian agriculture**

In the agricultural sector, an ECU 2.5 million project supporting the development of agricultural production, food processing and packaging is being implemented. This project also helps to upgrade wholesale and retail marketing and distribution systems. In addition, two major projects were started in 1994, each worth ECU 1 million. These are intended to support agricultural production increases through the provision of market information and the start-up of two pilot projects to help underpin the expansion of flax production.

### **Enhancing the transport infrastructure**

Four new projects are being launched in the transport sector in Belarus, aimed at developing the structure of transport systems and supporting their modernisation. The largest contract is to implement technical and institutional reforms in the road building industry (ECU 1.3 million). The project will address the technical considerations of road construction and maintenance - techniques that Belarus can adopt to build roads that match European standards.



# Georgia

The Georgian economy is in disarray, a condition brought about by both external and internal pressures. Industrial production is in steep decline. The privatisation of large industrial concerns is restricted in both scope and scale, reflecting low levels of confidence in the economy. Commercial growth prospects are limited by the lack of an effective bank clearing system.

The current state of the country's enterprise sector is the focal point for widespread Tacis support. Some two-thirds of Georgia's farmland has now been privatised and agriculture has increased its share of GDP. This rise, however, is due more to the substantial drop in industrial output than any markedly improved performance in the agricultural sector. Based on this, Tacis cooperation has been mobilised to support developments in agriculture and the food supply chain.

Towards the end of 1994, the Government proposed an economic policy for Georgia, covering structural policies and financing needs. It highlighted recent laws that should accelerate privatisation efforts and strengthen the focus on government reform and private sector development. Public administration reform and the framing of effective social policies are critical to the realisation of productive economic change. A comprehensive education and training is considered essential to stimulate this process, which is being provided within the Tacis Programme.

The European Commission opened a Delegation in Tbilisi in 1994. This will enhance the ability of the Tacis Programme to cooperate with the Government and ensure that Tacis activities are closely integrated with Georgian reform priorities.

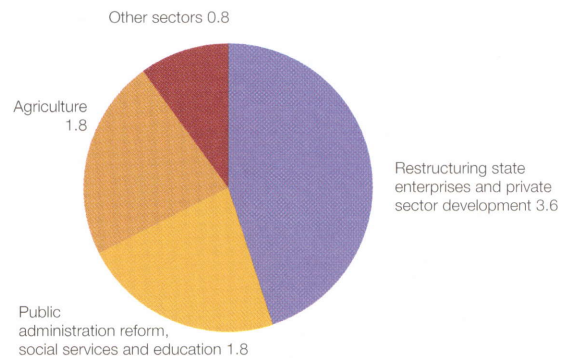
The Tacis Programme is concentrating on several key sectors and projects to avoid spreading the funds over too many activities with little impact and low rates of implementation. These are the sectors which are of particular importance for the transition process or which offer the potential to accelerate this process.

The prime sectors for Tacis action are

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

The 1994 Tacis budget committed ECU 8 million for the national programme in Georgia.

## Funds allocated by sector 1994 ECU 8 million



## Developing an enterprise economy

The Georgian Government is accelerating the privatisation process and Tacis is backing this by ensuring the continuity of work in crucial areas. In particular, this involves establishing an environment in which private business can thrive and continue to build a source of tax revenues and hard currency.

An ECU 1.8 million Tacis programme to strengthen the activities of Georgia's small and medium-sized enterprises (SMEs) progressed during 1994. This funding will be applied to widen the support offered by the SME Development Agency and Business Communication Centre in Tbilisi - established with support from the Tacis Programme. The opening of an additional support agency in Kutaisi is an integral element within this scheme.

Another project worth ECU 1.2 million started in April, to promote cooperation with the Ministry of State Property Management in the resolution of a range of legal, managerial and procedural issues. It has also supported small-scale privatisation programmes and provided essential training for Ministry officials in order to prepare the launch of the voucher privatisation programme.

## Creating a new outlook for agriculture

The development of a major food and agriculture sector policy, including a legal basis and an institutional public framework, has been identified as a major priority.

<b>Funds allocated by sector each year</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>Total</b>
Nuclear safety and environment	0	0	0	0	0
Restructuring state enterprises and private sector development	0	3.5	0	3.6	7.1
Public administration reform, social services and education	1.2	1.25	0	1.8	4.25
Agriculture	2.8	1.5	0	1.8	6.1
Energy	0.5	0	0	0	0.5
Transport	0.73	0	0	0	0.73
Policy advice	0	2.75	0	0	2.75
Telecommunications	0	0	0	0	0
Humanitarian aid	0	0	6	0	6
Other sectors	0	0	0	0.8	0.8
<b>Total</b>	<b>5.23</b>	<b>9</b>	<b>6</b>	<b>8</b>	<b>28.23</b>

A strategic ECU 3.3 million programme was introduced in 1994 which will help modernise the country's agricultural sector. This project offers expert support to the Ministry of Agriculture and Food Industry as it undergoes the process of transformation from a command to a support service. Reshaping this institutional base should prompt the development of effective, integrated agricultural policies and the promotion of 'best farming management practices'. A second project, completed in 1994 and valued at ECU 2.2 million, involved a detailed analysis and evaluation of Georgia's milk, meat, foodstuffs, fruit, cereals and vegetables sectors. On the basis of this work, practical proposals to support these sectors were presented to the Ministry of Agriculture and Food Industry for consideration and action.

### **Widening Georgia's skills base**

The development of human resources in key areas of Georgia's political and economic system will help create a nucleus for continuing growth. Tacis is providing support to the institutional reform of public administration. Several important Tacis projects were in progress during the course of 1994 which focused on this objective. They included an ECU 943,000 management and economics training programme at the Tbilisi Business School and a highly successful series of bank training seminars (ECU 890,000). An ECU 1.8 million project to train civil servants in the area of public administration reform is ready for starting operations. A notable action in the field of human resources relates to an ECU 1.4 million project to reinforce the social security safety net in Georgia. This project proceeded according to schedule in 1994.

# Kazakhstan

Contacts between the European Community and Kazakhstan were strengthened in 1994 when Kazakhstan opened an embassy in Brussels. This relationship was further enhanced by the opening of a Delegation of the European Commission in Almaty. Tacis now has a solid programme of support for Kazakhstan, directed at sustaining the Government's drive for a rapid transition to a market economy based on democratic institutions.

In July 1994, the Government adopted a plan for economic growth, seeking to stimulate production and attract the foreign investment which is essential in order to extract the country's considerable petroleum reserves. Kazakhstan also joined Uzbekistan and Kyrgyzstan in the formation of a common economic area.

Unemployment and consumption have both been affected by falling production and therefore limited financial resources have been available for social policies, especially education. Tacis activity is helping to redress this imbalance through targeted human resource development programmes. The country's agricultural sector remains underdeveloped and is one of the main areas for Tacis initiatives. The development of the private sector has been slow until now, but in June 1994 the Kazakh Government launched an accelerated mass privatisation programme - a commitment which is fully backed by a series of Tacis projects.

Tacis support in 1994 was focused on three key areas, a shift from previous years when support was provided across a broader range of sectors. These three areas are

- enterprise restructuring and development
- food production, processing and development
- human resource development.

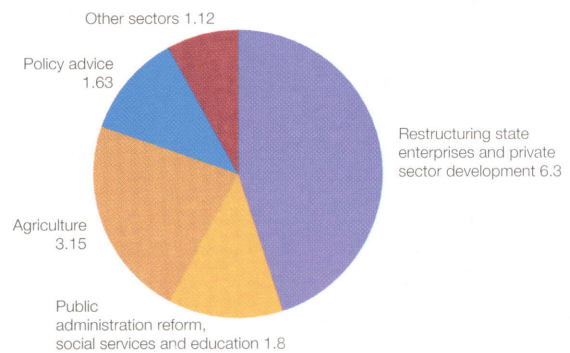
Tacis has committed ECU 14 million for the national programme in Kazakhstan under the 1994 budget.

## Restructuring for business

The focus of Tacis support in this area is on the development of a modern financial services framework, as well as the promotion of small business development at local level and support for the Government to manage the process of privatisation and the restructuring of enterprises more efficiently.

Tacis is cooperating with the Kazakh State Committee for State Property (GKI) in support of the mass privatisation programme. This project started in 1994 and aims to decentralise the privatisation programme and increase the participation of local experts.

## Funds allocated by sector 1994 ECU 14 million



In addition, Tacis is providing conceptual and organisational support for the State Privatisation Fund (GPF) in the definition and implementation of its strategy. An advisory department was also formed in 1994 within the Business Communication Centre - a resource established in Almaty under the Tacis Programme. The work of the Kazakhstan enterprise support fund will be reinforced within the framework of this project. The programme has also provided advice on business links with western companies.

Support for enterprises has been effected through a wide range of instruments, including cooperation in privatisation programmes and the establishment of a Tacis-funded banking advisory service. This project offers support to commercial banks in areas which are considered critical in the rapid upgrading and restructuring of bank operations in the new competitive environment.

## Funding for Kazakhstan's agriculture

Notwithstanding fertiliser shortages, the greatest problem in the agricultural sector in 1994 was the supply of machinery, spare parts and fuel. Tacis' strategy in Kazakhstan aims to revive the agricultural economy and generate export earnings.

A pilot development of private farming and food processing (ECU 2 million) was started in Akmola in 1994 to encourage greater efficiency in farming and increased production. A second ECU 1.2 million project seeks to reorganise a major agro-industrial factory. In addition, Tacis supports the Consumer Cooperative Union of Kazakhstan to improve supply sources and develop an efficient wholesale and retail system.

<b>Funds allocated by sector each year</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>Total</b>
Nuclear safety and environment	0	0	0	0	0
Restructuring state enterprises and private sector development	0	6.55	6.3	6.3	19.15
Public administration reform, social services and education	4.9	1.4	3.15	1.8	11.25
Agriculture	2.2	3.05	3.15	3.15	11.55
Energy	0.7	3.2	0	0	3.9
Transport	0	0	0	0	0
Policy advice	0	6.4	0	1.63	8.03
Telecommunications	0	0	0	0	0
Humanitarian aid	0	0	0	0	0
Other sectors	0	0	1.4	1.12	2.52
<b>Total</b>	<b>7.8</b>	<b>20.6</b>	<b>14</b>	<b>14</b>	<b>56.4</b>

Furthermore, Tacis supports the Ministry of Agriculture in policy formulation and statistics and is supporting private farmers by strengthening the institutional framework for agricultural producer organisations.

### **Education and training for change**

Within the human resources sector, Tacis has focused on public administration reform, both by training individuals and providing policy advice to government. Tacis has also supported the teaching of economics and management. A major examination of the public services was undertaken in 1994 analysing the structures of government and the linkages between central and local government. A project to assist in the future development of these issues, including legislative, structural and training needs, has been drawn up.

Tacis funds have supported the activities of the Kazakhstan Institute of Management and Economics, which is now a flagship for reform. A project was initiated in 1994 to help the Kazakh Ministry of Education establish a modern higher education system appropriate for the future human resources requirements of Kazakhstan. Tacis support for this scheme totals ECU 700,000. Also within the educational sector, a plan to strengthen the training capacity of the Kazakh State Academy of Management and three provincial training centres received ECU 2.33 million. This project aims to train future generations of economics teachers and economics specialists to strengthen the country's public sector administration beyond the catchment area of the capital city and into the regions of Karaganda, Jambul and Attaral.



# Kyrgyzstan

Kyrgyzstan has set the achievement of a solid macro-economic base as its highest priority. The country has largely escaped the civil unrest that has beset some of the other New Independent States. It was, however, one of the poorest republics of the former Soviet Union and since independence in 1991 it has experienced a rapid deterioration in trade with its neighbours.

The agricultural sector represents the country's strongest potential for economic growth, but this potential remains under-exploited - a situation which is now receiving priority attention in Tacis' strategy for Kyrgyzstan. There is also an urgent need to reform the country's civil service and to upgrade policy formulation. Tacis is therefore lending considerable support to human resource development initiatives. Increased prices for energy imports have been accompanied by a drastic fall in living standards - at least 70 per cent of the population is living below the Government's notional poverty line. Energy is therefore one of the main components of the Tacis programme for the country. Good progress was made until the end of 1993 with regard to structural reform, when implementation began to slow. To increase the momentum for change, a three-year reform programme to revise the privatisation strategy and reduce state interference in the economy was set in motion in 1994.

The relatively rapid pace of change in Kyrgyzstan, due in particular to the initiation of substantial programmes of assistance by other donors, has led Tacis to concentrate its resources selectively on a limited number of areas, with a geographical focus where possible.

Tacis support to Kyrgyzstan came fully on stream in 1994, with support focusing on

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

## Investing in agriculture

Although privatisation is well advanced in some other economic sectors, it is to date limited in agriculture. The Government, however, is committed to making the agribusiness sector a positive contributor to the overall transition process and significant progress was made in this field during 1994, with the initial drafting of a sector strategy.

A major ECU 2.7 million project was launched in 1994, with two main objectives for the agricultural sector. The first objective is to raise the level of agricultural production and improve food processing and distribution through the establishment of a comprehensive and coordinated framework for the development of private farming, processing and distributive enterprises. The second objective is to raise the standard of living of producers and consumers and contribute to the balanced development of the Kyrgyz economy.

After eight months of implementation, the project is making considerable progress. A detailed analysis of the agricultural and food sector was completed, identifying strengths and weaknesses and pinpointing future opportunities for development. Work is also well advanced on a number of pilot institutions including the setting up of a farmers' organisation, a pilot agriculture training and advisory service and an agricultural machinery ring. Furthermore, Tacis launched projects to improve the private livestock sector (ECU 2 million) and to supply agricultural inputs and services to private farmers (ECU 1.7 million).

## Helping to solve the energy equation

Tacis has committed support worth ECU 1.4 million for the development of a national energy strategy. This will centre on the need for organisational restructuring and the establishment of an adequate legal and regulatory framework.

A further project worth ECU 660,000 launched in 1994 aims to improve the energy efficiency of buildings in Kyrgyzstan. The objectives of the project are to reduce overall energy consumption, to implement cost-effective energy-saving measures (whilst maintaining appropriate levels of comfort) and to make consumers aware of the importance of energy efficiency. Another major project (ECU 1.1 million) is now underway. This relates to the organisation of training programmes within public energy structures, in response to a particular need for a new class of manager, equipped to deal with the demands of energy organisations undergoing transformation. The project will upgrade the skills of managers and government officials in areas such as business administration, human resources management, innovation and technology, and business and technical English.

<b>Funds allocated by sector each year</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994*</b>	<b>Total</b>
Nuclear safety and environment	0	0	0	-	0
Restructuring state enterprises and private sector development	0	0.82	0	-	0.82
Public administration reform, social services and education	0	0	2.6	-	2.6
Agriculture	0	2.71	4	-	6.71
Energy	0.7	0	2.4	-	3.1
Transport	0	0	0	-	0
Policy advice	0	5.7	0	-	5.7
Telecommunications	0	0	0	-	0
Humanitarian aid	0	0	0	-	0
Other sectors	0	0	1	-	1
<b>Total</b>	<b>0.7</b>	<b>9.23</b>	<b>10</b>	<b>-</b>	<b>19.93</b>

\* Note: Kyrgyzstan did not receive funds under the 1994 budget

### **Improving the social security system**

Tacis is contributing to the adaptation of the public sector to its essential new role in a market economy by funding projects which develop human resources in Kyrgyzstan.

A major project (ECU 3.8 million) was launched in the second half of 1994 to modernise and rationalise Kyrgyzstan's social security provisions. Support will be

made available to the Social Fund and the Ministry of Labour and Social Security to develop a benefit and collection system for invalidity and unemployment payments and retirement pensions. In addition, Tacis is cooperating with the Kyrgyz Government in the development of its civil service in areas such as legislation, structural reform and staff training.

# Moldova

The Government's structural reform programme is progressing well and the state is transforming its role from one of direct intervention in the economy to one of facilitating and supporting the productive sectors, thus supporting the country in its transition from a command to a market economy.

The economic situation, which worsened considerably over the period 1990-1993, is showing the first signs of improvement since the beginning of 1994. Strict monetary policy has brought inflation down and the introduction of the new currency resulted in a stable exchange rate during 1994.

The main economic reforms in 1994 are related to privatisation and agricultural reform.

The Ministry of Privatisation, established in April 1994, intends to step up the programme of state divestment - an initiative which is being backed by Tacis through support for enterprise restructuring and human resource development. Agricultural privatisation has been slower. Subsidies on a range of staple foodstuffs were removed in 1993/4 as part of the Government's price deregulation programme. To fuel economic growth, the Moldovan Government needs to develop its energy network and substantially upgrade its transportation infrastructure. These are areas designated to receive further Tacis support.

The 1993-1995 Indicative Programme identifies four priority sectors, with specific emphasis on food-related reforms. These are

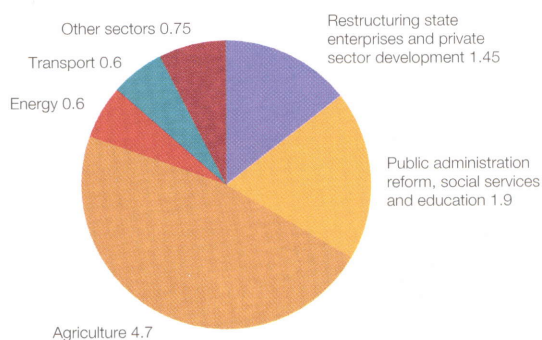
- food production, processing and distribution
- human resource development
- energy and transport
- enterprise restructuring and development.

To accelerate the implementation of projects, it was decided to combine the Action Programmes of 1993 and 1994. Under this budget, Tacis has committed ECU 10 million for the national programme in Moldova. In order to maximise the impact of projects, Tacis has concentrated its support for Moldova on a limited number of sub-sectors in 1994, as detailed below.

## Support for agriculture

In early 1994 an ECU 1.4 million project started to improve pig production, processing and distribution in Moldova, thus providing a cooperation model for producers and consumers. Another project, valued at ECU 0.9 million, is concerned with the country's wine and tobacco sectors and the evaluation and promotion of potential export

## Funds allocated by sector 1994 ECU 10 million



markets for these products. Projects currently being developed to support Moldovan agriculture include an ECU 2.4 million scheme to fund a pilot project to expedite the privatisation of farms. Plans are also advanced for placing an ECU 0.6 million project to promote and attract investment in the agro-industry sector. ECU 1.4 million has been approved to set up a federation of private farmers associations.

## The provision of knowledge and skills

Two significant projects commenced in 1994 in the field of human resources development. Phase I of an ECU 1 million scheme to promote employment, carried out in conjunction with the Ministry of Labour Force and Social Protection, has now been completed, providing a detailed analysis of the labour market. Secondly, an ECU 1.25 million project was started to extend the reach and quality of management education.

## Energy - a key factor in the Moldovan economy

The energy sector is of strategic importance for Moldova as the country is completely dependent on imported energy (energy import constitutes half of total import costs).

A major ECU 2 million project was launched in June 1994. This covers several prime action areas: the provision of expert advice to the Government on the restructuring of the energy sector; a power station demonstration project; the commercialisation of Moldenergo and Moldova gas and the establishment of a national energy efficiency office. An additional project, to be conducted in collaboration with the Department of Energy and supported by ECU 0.6 million of Tacis funding, has been conceived to identify effective energy-saving measures within the industry sector.

<b>Funds allocated by sector each year</b>	<b>1991</b>	<b>1992</b>	<b>1993*</b>	<b>1994</b>	<b>Total</b>
Nuclear safety and environment	0	0	-	0	0
Restructuring state enterprises and private sector development	0	1.73	-	1.45	3.18
Public administration reform, social services and education	0.2	2	-	1.9	4.1
Agriculture	1	2.27	-	4.7	7.97
Energy	0	2	-	0.6	2.6
Transport	0	0	-	0.6	0.6
Policy advice	0	1	-	0	1
Telecommunications	0	0	-	0	0
Humanitarian aid	0	0	-	0	0
Other sectors	0	0	-	0.75	0.75
<b>Total</b>	<b>1.2</b>	<b>9</b>	<b>-</b>	<b>10</b>	<b>20.2</b>

\* Note: Moldova did not receive funds under the 1993 budget

### **Improving Moldova's trade links**

Tacis is also supporting the development of Moldova's transportation resources. An ECU 0.45 million project, started in October 1994, is investigating the viability of developing the port of Giurgiulesti and includes a feasibility study on the proposed construction of petroleum storage tanks within the confines of the port. Another Tacis project in cooperation with Air Moldova is aimed at laying the foundations for the restructuring and commercialisation of the airline.

### **Help for Moldovan enterprises**

After a difficult start, the reform of the enterprise sector in Moldova showed encouraging results in 1994. A number of significant projects are now in progress to underpin the development of the sector. These include an ECU 1 million project launched in March 1994 to support the activities of the Ministry of Privatisation and State Property. A second project valued at ECU 1 million is designed to lend support to the Business Communication Centre which offers guidance and advice on business issues to private sector businesses. Furthermore, Tacis cooperates with several Moldovan enterprises in the area of conversion.



# Mongolia

Mongolia was formerly the Mongolian People's Republic, a one-party state. In 1990 the political system was opened to opposition parties. While the country is more than twice the size of Ukraine, the population of Mongolia is only 2.5 million. The economy, in common with those of other countries supported by the Tacis Programme, was heavily dependent upon commercial links with the former Soviet Union. Recent economic reform measures introduced by the Government in response to the collapse in trade with Mongolia's neighbours have included an accelerated privatisation scheme, which seeks to transfer 80 per cent of the country's economic base to the private sector.

European Community involvement with Mongolia was enhanced in 1994 when the country became a formal Tacis partner. The year was characterised by the establishment of the necessary operational framework to support the planned series of Tacis activities. Major emphasis is being placed on the need to develop the full potential of human resources, which is critical to the achievement of an efficient market economy in Mongolia. Enterprise restructuring is another area where there is scope for future collaboration to increase the economic contribution of SMEs, especially those within the agro-industry sector. A number of Tacis programmes are now being pursued in both these areas.

Mongolia's living standards, particularly in urban areas, have deteriorated. The availability of energy poses a continual challenge to Mongolia's economic ambitions. Tacis support centres on the stabilisation of supply and the promotion of energy efficiency schemes.

The 1994-1995 Tacis Indicative Programme for Mongolia focuses on the following activities:

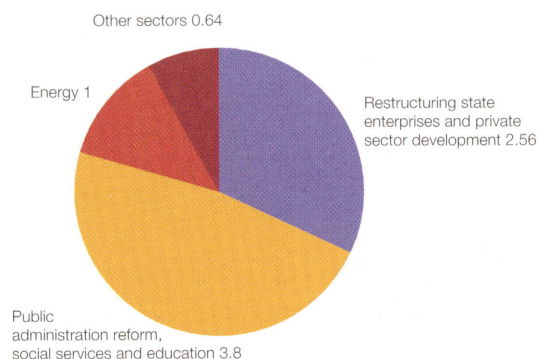
- human resource development
- enterprise restructuring and development
- energy.

The Tacis 1994 budget has committed ECU 8 million for the national programme in Mongolia.

## Upgrading Mongolia's human resources

With Tacis backing, support will be made available to the Ministry of Science and Education and to the Institute of Economy for the Government's search to define ways in which improvements can be made to the country's education system, with particular reference to the teaching of economics. The aim is to adapt higher education to meet the needs of a market economy by revising curricula, retraining teachers and reviewing the organisation of the Institute of Economy. Tacis funds will

## Funds allocated by sector 1994 ECU 8 million



be supporting the Ministry of Labour and Population Policy to strengthen employment services. In addition, the Mongolian Centre for Scientific and Technological Information will be receiving Tacis finance to upgrade an education-oriented information system.

## Putting businesses to work

Tacis activity in the sector of enterprise restructuring and development aims to help the Government define appropriate policies and stimulate an environment conducive to the rapid growth of the SME sector. To this end, a major ECU 2.4 million tender was launched in autumn 1994. The project has two main components: under the first, policy advice will be given to the National Development Board which is in charge of SME development. Under the second component, an SME Development Agency will be created in conjunction with the Mongolian Business Development Centre. An Agro-processing Advisory Centre will be incorporated in this agency to accelerate investment by SMEs in agro-processing industries.

## Improving energy efficiency

Tacis' involvement with Mongolia's energy sector concentrates on practical measures to improve the reliability and efficiency of the power and heating supply in two provincial cities. In Darkhan, Tacis will determine ways to increase the efficiency and capacity of the district heating plant. In Choibalsan, options for refurbishing the power plant will be examined. Both projects have just been launched. In both cases, Tacis will finance feasibility studies, cost estimates and preliminary design work while examining the scope for energy savings and providing training.



# Russian Federation

## The economic backdrop

The overall trend of the Russian economy continued to be unclear in 1994. On one side, the economy worsened, with inflation rising sharply following the collapse of the rouble in October. Capital investment also fell by 26 per cent during the year. However, on the other side, preliminary figures for 1994 suggest that the fall in output has come to an end. Since autumn 1994, real GDP and industrial production have started to grow after several years of decline: industrial production in the last quarter was five per cent higher than during the same period in 1993.

The prospect of macroeconomic stabilisation became more elusive. Over the past three years the country has undoubtedly made substantial progress towards establishing a market economy in terms of both liberalisation and structural reforms. However, the creation of an adequate legislative and institutional framework has slowed down recently and there is little evidence to date of real enterprise restructuring.

Official unemployment reached 7.1 per cent of the working population by the end of the year, a rise of 1.6 per cent over the year. In addition, 6.4 per cent of the workforce is either on involuntary leave or on a shorter working week.

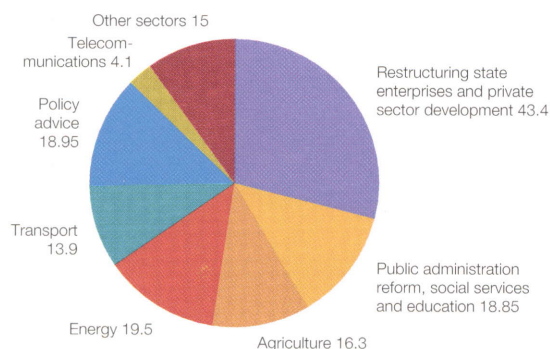
The financial position of the Russian Federation deteriorated in 1994. The consolidated budget deficit in 1994 was 9.9 per cent of GDP. The current account balance reverted to deficit (\$2.8 billion), the total external debt continued to rise (\$120 billion) and reserves were depleted, falling to \$1.9 billion by the end of the year after rising to a high of \$8 billion in June.

However, Russia's large trade surplus changed little in 1994, with growth in merchandise exports balancing a rise in imports. Exports to non-Commonwealth of Independent States countries increased by nearly 28 per cent in real terms, whereas the volume of trade with Commonwealth of Independent States countries decreased.

Conflicting signs emerged on structural reform. A decree was issued to liberalise the oil export regime, but Parliament failed to introduce legislation on contracts, oil and gas securities and to take a definite stance on land ownership.

However, in April, the International Monetary Fund approved a \$6.8 billion 12-month standby credit facility, based on a serious federal government budget with a limited deficit (less than six per cent of GDP), a commitment to tight monetary policy and further liberalisation of foreign trade.

## Funds allocated by sector 1994 ECU 150 million



## Agreement on Partnership and Cooperation

As a means of creating a framework for future political, economic and cultural cooperation, the European Community, its Member States and the Russian Federation signed an Agreement on Partnership and Cooperation in June 1994.

The Agreement aims to strengthen political, commercial and economic links, to pave the way for further economic integration between the Russian Federation and the European Community and to set the agenda for future negotiations on a free trade area. It provides a forum for a regular, high-level political dialogue and stresses the importance of human rights and democratic principles.

An Interim Agreement would make the implementation of the trade-related provisions possible without waiting for the approval of the full Agreement by the European Parliament, Parliaments of the Member States and the Russian Federation.

## Tacis supports the reform process

In the major areas of technical and economic cooperation outlined in the Agreement, support will be provided by the European Community through the Tacis Programme. The Agreement thus acknowledges that Tacis continues to have a practical role to play in the process of reform.

The Indicative Programme for 1993-1995 determined that Tacis support should be made available at two distinct levels: at federal level and at the level of selected geographical regions. Activities carried out at federal level are intended to support the central institutions of government in the framing and management of the overall reform strategy and in formulating practical solutions with

a national bearing. The regional programmes complement this approach by targeting areas which play a key role in the reform process and the development of the economy.

Under the 1994 budget, Tacis has committed a total of ECU 150 million to federal and regional projects within the national programme with the Russian Federation.

### **Tacis in the regions**

Two regions of concentration are chosen each year and, under the 1994 budget, south west Russia and Kaliningrad became part of the Programme.

South west Russia comprises the oblasts of Rostov, Krasnodar and Stavropol which have a concentration of large enterprises and play a key role in producing and distributing food within the Russian Federation. Kaliningrad, located in the westernmost part of the country, has the potential to take on an expanded role as a commercial gateway between Russia and the west. Tacis is therefore supporting the development of the region as a free economic zone.

Projects are also continuing in the other selected Tacis regions of Moscow, St. Petersburg, Tyumen, Samara, western Siberia and the Urals. Two more regions will be selected in early 1995.

### **Priority sectors**

The sectors identified in the Russian Federation Indicative Programme as priorities for cooperation are

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

### **Revitalising enterprise**

Much remains to be achieved in the area of privatisation, enterprise restructuring and development. In addition, the development of the private financial sector in Russia is central to economic progress as a whole.

In June 1994 the Russian government completed the first phase of privatisation which consisted largely of voucher-based auctions on a massive scale. By the end of the first stage some 10 per cent of the shares sold in voucher auctions and investment tenders had been bought by foreign investors and more than 15,000 medium and large scale enterprises had been privatised since the process started in December 1992.

In July 1994 a decree was released outlining the second stage of privatisation. This aimed to change the ownership structure of Russian enterprises by permitting investors to acquire a major interest in companies and at the same time to inject new capital into businesses and prepare them for survival in a free market environment. In addition, the decree states that enterprises should be allowed to own or sell land for the first time.

In December, however, the State Duma recommended a suspension of the decree and the pace of privatisation has been slowed. Some sales for cash and investment tenders took place towards the end of the year but land privatisation has not been widely implemented.

Indicators show, however, that enterprises are being forced to restructure because of the sharp reduction in state budget support and the government's more active use of its bankruptcy legislation. But given the large equity stakes now held by top management following privatisation, their tendency is to focus on survival rather than profit maximisation which can result in declining output, investment and innovation.

In 1994, an ECU 10 million project to support privatisation and enterprise restructuring on a national scale was started in conjunction with the Russian Privatisation Centre. The project, which is the first of its kind for Tacis, involves the provision of senior advisors seconded to the Russian Privatisation Centre who are responsible for the development of a network of technical support centres in key cities and regions and the restructuring of twelve newly privatised companies. The most promising companies were selected through a tender process and represent sectors as diverse as packaging, clothing, tractor manufacture and furniture production. The restructuring process has now started and two of the companies have already received investment commitments from foreign companies.

Tacis projects have also been supporting the growth of small and medium-sized enterprises, in particular the setting up of a number of Business Communication Centres and SME Development Agencies which can play an advisory role. Twenty-six such centres and agencies are being established throughout the Russian Federation.

Tacis continued to support the development of the financial services sector during 1994 through the projects carried out in bank training and the insurance industry. Even though foreign banks have so far been allowed only a limited presence, the banking sector itself is growing at a rapid pace. Initial Tacis support to this sector concentrated

<b>Funds allocated by sector each year</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>Total</b>
Nuclear safety and environment	12.5	0	0	0	12.5
Restructuring state enterprises and private sector development	27.2	28.1	54.5	43.4	153.2
Public administration reform, social services and education	45.8	24.57	36	18.85	125.22
Agriculture	49.7	21.47	12.5	16.3	99.97
Energy	41.3	16	21.1	19.5	97.9
Transport	32.64	15.93	13.55	13.9	76.02
Policy advice	0	0	8	18.95	26.95
Telecommunications	0	4.93	5.1	4.1	14.13
Humanitarian aid	0	0	0	0	0
Other sectors	0	0	10	15	25
<b>Total</b>	<b>209.14</b>	<b>111</b>	<b>160.75</b>	<b>150</b>	<b>630.89</b>

on the restructuring of individual institutions. This approach has now shifted towards providing know-how through advisory centres.

Tacis has also contributed to initiatives being conducted in coordination with other donors, including an ECU 5.5 million contribution to a financial institutions development project which was decided upon by the G7 summit in Tokyo.

### **Adding value to human resources**

Tacis activities in this sector initially focused on training in business, economics and management. This has now been expanded to include public administration, social protection and healthcare reform.

In the regions of St. Petersburg, Samara, Sverdlovsk and Kusbass, Tacis is carrying out an ECU 4.5 million project to reform the health system. In the Urals and western Siberia, Tacis is funding initiatives to reform the employment services sector, to address the social impact of economic restructuring and to strengthen the local public administration.

In October, an ECU 5.1 million project started to establish a viable pilot system for modern economics and business studies training, both for students and teachers at university and secondary school level. The main components of the project comprise government policy advice and a teacher training programme. By expanding the awareness of modern economics within educational circles, it is hoped to promote a wider understanding of the free market economy.

An ECU 14 million officers' retraining programme, aiming to help discharged army officers to adapt to civilian life, continued in 1994. Over 400 teachers from 15 regions were trained in general management and marketing, the principles of a market economy and modern teaching methods. They are now transferring their knowledge to 16,000 army officers.

In spring 1994, Tacis launched a pilot programme in distance learning which is testing methods such as self-instruction, videos, electronic mail and radio among a number of target groups including business women.

A Tacis funded Dictionary of Management and Economic Terms was published in 1994 and this is currently the only dictionary which translates terms from English into Russian, German and French.

### **Growing agriculture**

The development of a real private sector in agriculture and food production is proceeding at a much slower pace than in industry and commerce, with a heavy burden of subsidies falling on the federal budget. In 1994, gross agricultural production in Russia fell by 9 per cent over the previous year. The creation of private or family owned farms has slowed in pace and the restructuring of collective farms is still moving slowly. The food processing industry has moved forward, however, benefiting from the general progress in privatisation.

The primary focus for Tacis in 1994 was to help improve primary food production. Tacis concentrated its activity on the major food producing regions, especially in the south west region of Russia. The objective will be achieved by implementing projects that address the key upstream and downstream constraints on production.

The largest project to start in 1994 was in Tyumen. Tacis is helping to strengthen development in the region's agricultural and food sectors by financing a number of pilot actions in food distribution, milk production and processing, wholesale marketing and retail development. The total budget for the project is ECU 2.8 million.

Tyumen was also the location for Tacis' first forestry management project. ECU 500,000 has been granted to a project helping to improve the region's forest management practices.

An ECU 5.4 million programme comprising four projects started in Samara to support reducing post-harvest losses, wholesale marketing methods, food and commodities transport and restructuring of agricultural research institutions.

Many projects in St. Petersburg which have been supporting the development of food retail distribution and farm restructuring came to fruition during 1994. Pilot milk processing and food and vegetable packaging units were set up and pilot shops selling bread and milk were opened in St. Petersburg, where they were received with enthusiasm by local consumers.

### **Saving energy**

The energy sector continues to underperform in relation to its potential. Production in all areas apart from natural gas continued to decline, payment arrears built up and energy became cheaper by 10 per cent in real terms. Tacis activity has therefore focused on supporting the environmentally sustainable restructuring of the sector by improving energy efficiency and promoting energy saving.

Tacis projects worth ECU 2 million were launched to improve oil transport and ECU 2.3 million was committed to promoting the manufacture of energy-efficient and reliable equipment in the electricity, gas and building sectors. An ECU 950,000 project to help the federal ministry develop a legal framework for the oil and gas industries also started.

Funding of ECU 2.5 million helped the establishment of an energy centre offering practical support and advice to enterprises in the energy sector in Ekaterinburg and ECU 2.1 million supported the opening of a similar centre in Novosibirsk.

A number of other energy-related projects began, including an ECU 1 million project to reduce energy losses at installations in the Tyumen oblast and another which aims to determine how best to optimise the output value of oil and gas production in the oblast. This ECU 3 million project will also work to reduce losses and improve health, safety and environmental standards for the transport of hydrocarbons.

### **Helping transport run**

Air transport was the main focus for Tacis initiatives in the transport sector in 1994 and a total of 14 projects to help improve and develop the sector were designed. Support for air traffic control was identified as a pressing need, and projects will encompass training for staff and instructors and advice on systems modernisation. In addition, Russia received ECU 4 million from an ECU 10 million multi-country project to train air traffic controllers, the first part of which was carried out successfully during the year and will continue into 1995.

The primary area in need of support in the key regions is maritime transport. In Kaliningrad, Tacis will be helping to develop the transport aspects of the region's free economic zone and in south west Russia the port authorities will be supported in their reorganisation programme for the Black Sea ports.

The largest project to be executed during the year was an ECU 6 million project to help the Port of St. Petersburg cope with a sharp increase in the flow of trade. The project team helped to implement modernised administrative systems and operations, and by the end of the year productivity at the port had risen by 30 per cent since the project started in March 1993.

### **Framework programmes**

Support was also provided to key sectors and regions in Russia through the Tacis framework programmes which package together smaller scale projects or those of a similar type. In particular, development and cooperation in higher education continued to be fostered through the Tacis Tempus programme, and the Tacis Democracy programme became operational in 1994 to help build democratic institutions and practices at both governmental and non-governmental level.

In 1994 there have been three major Tacis framework programmes which operated mainly, or only, in Russia: the Tacis Bistro programme, the Productivity Initiative and the International Science and Technology Centre.

### **Small projects, large effect**

The Tacis Bistro programme is a framework programme which aims to approve project proposals within one month of submission, providing that the requested funding does not exceed ECU 100,000 and the activity can be completed within nine months. It thus allows Tacis to meet new needs in Russia promptly while adhering to the central objectives in the Indicative Programme which drive the Programme as a whole.

Tacis Bistro is administered by the Tacis section in the Delegation of the European Commission in Moscow. The most common types of activity funded by Bistro include conferences, seminars and workshops, training and sector studies.

During 1994, 450 project proposals were submitted and 59 contracts were signed, exhausting the available budget of ECU 3 million. Tacis Bistro is continuing to fund projects in 1995 following an allocation of ECU 4 million from the 1994 budget.

### **Piloting productivity**

The Productivity Initiative aims to train executives at middle management level in both public and private sectors in the management techniques necessary when operating in a market economy.

During 1994, the first pilot group of nearly 40 executives carried out a three-month placement in western European companies during which they gained first-hand experience of the business skills and practices applied in a market economy. Each executive had previously attended an intensive training seminar and had developed a business plan which they implemented within their own organisation on returning from Europe. The executives will be brought together once their plans have been implemented in order to share and consolidate their experiences.

The pilot has been a success, with the development of strong relationships between the western European host companies and their Russian counterparts as well as the creation of an 'alumni' of the executives themselves. As a result, subsequent groups of executives will be sent to western Europe during 1995.

### **The International Science and Technology Centre**

The Centre was established by an international agreement between the United States, Japan, the European Union and the Russian Federation and became operational in March 1994. Its main objective is to fund civilian research projects and thereby help redirect weapon scientists and engineers to peaceful activities.

The activities of the Centre are funded by the European Community's Tacis Programme, the United States and Japan. Sweden and Finland have also contributed to the funding before joining the European Union. The initial overall resources available amounted to ECU 56 million. By the end of the year, ECU 47 million had been committed for over 90 projects involving more than 5,000 scientists and engineers.

The agreement establishing the Centre is open for other countries to join and in addition to the Russian Federation, several New Independent States have become members, notably Armenia, Georgia, Belarus and Kazakhstan.

The projects cover basic and applied research and technological development in fields such as environmental protection, energy production, nuclear safety and development of medicines and pharmaceuticals. The Centre also assists scientists to establish contacts and cooperate with foreign colleagues, thereby promoting their integration into the international scientific community.



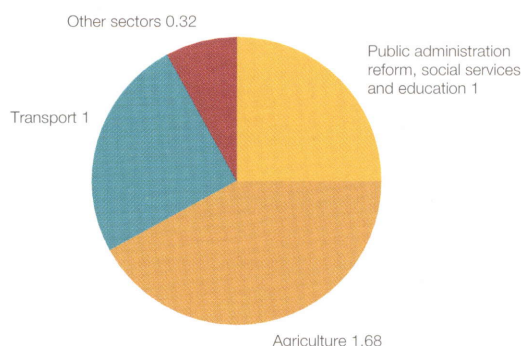
# Tajikistan

Following the establishment of Tajikistan as an independent state in 1991, civil strife and political instability prevented any real reform. Now, with the introduction of a secular constitution and a new government in power, political continuity should be more secure.

The Government has, however, inherited a tough economic legacy. Foreign debt has spiralled, severely restricting the flow of key imports, notably energy. Agricultural output is in sharp decline and industrial activity has been curtailed, despite continuing state subsidies. In response, the Government has committed itself to a process of cautious economic reform. Urban housing has largely been privatised and the small and medium-sized enterprise sector, though still in relative infancy, is growing. Price controls have largely been relaxed and the Government has approved measures to regulate the National Central Bank and commercial banks, most of which were formerly state-owned. The privatisation of state and collective farms or of prime agricultural land has not yet got off the ground. Similarly, the privatisation of Tajikistan's primary industries has not yet started on any significant scale.

Because of recent conflict within Tajikistan's borders, Tacis support - other than humanitarian aid - was temporarily suspended. With the return to comparative stability, the Tacis Programme was relaunched in 1994. Following a programming visit in early May, an Indicative Programme and an Action Programme were drawn up and agreed. The relevant Financial Memorandum was signed in December 1994. The Tacis 1994 budget commits ECU 4 million for the national programme in Tajikistan. Following extensive discussions with the Government, the following priority areas for Tacis support were identified: food production, processing and distribution, including support for privatised farms; human resource development, notably in the fields of management and economics; and support for the government in defining a strategy plan for the energy sector including a training programme for the energy decision makers.

**Funds allocated by sector 1994**  
ECU 4 million <sup>1</sup>



<sup>1</sup> Note: Tajikistan did not receive funds under the 1991, 1992 or 1993 budgets

# Turkmenistan

Turkmenistan's President recently indicated that the country will move cautiously towards democratisation. A gradual approach to the creation of a market economy is also evident. A large number of laws have been adopted to underpin the basic foundations for a free market.

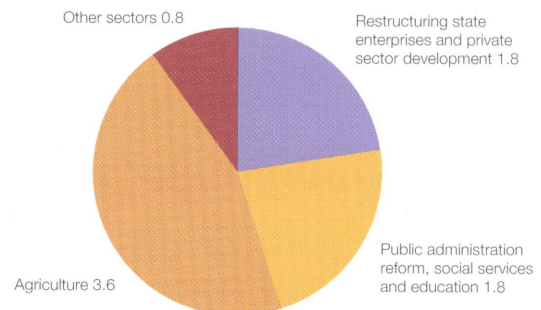
The main sectors driving the economy are cotton and natural gas, and until recently Turkmenistan's main trading partners were other members of the Commonwealth of Independent States. Reflecting the energy debts to Turkmenistan run up by these countries, links have now been opened with Turkey, Pakistan and Iran. Plans exist for the privatisation of all non-strategic state enterprises. Turkmenistan's 'National Programme for Denationalisation and Privatisation' envisages the privatisation of all small and medium-sized enterprises within five years, as well as the initial privatisation of large concerns.

For this policy to be fully effective considerable restructuring within the enterprise sector is necessary, particularly for small and medium-sized enterprises. The Tacis Programme is active in this area, expediting the transformation of businesses to reflect market economy conditions. Agricultural privatisation has been slow and food pricing and distribution are controlled by the state, although limited privatisation of the retail sector is under review. State and collective farms are likely to be privatised as well with the aim of achieving self sufficiency in food. The country's agricultural economy is heavily dependent on cotton, Turkmenistan's main source of hard currency, but possesses virtually no processing capacity to add value to this crop.

In general, agriculture has the potential to be a major export earner and a driving force within the national economy, but the sector needs to diversify rapidly the number of crops under cultivation. With Tacis support, this objective is being progressively achieved. The government has placed a high priority on public administration reform and educational policies, seeking to link training more closely with economic development needs. This strategy is receiving strong backing and support in the Tacis Indicative Programme for Turkmenistan. In order to maximise the effectiveness of Tacis in Turkmenistan, the Programme concentrates on three main areas. It covers

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

## Funds allocated by sector 1994 ECU 8 million



Under the 1994 budget, Tacis has committed ECU 8 million for the national programme in Turkmenistan.

## Restructuring the agricultural sector

Tacis support in this sector focuses on the transfer of know-how in the form of strategic government advice, training and education and support for the improvement of cereal production. A number of Tacis projects are currently in progress which, together, should help to streamline and modernise the country's agro-economy. The objective of one such project, backed by ECU 1.9 million Tacis funding, is the establishment of an agricultural advisory service. This will create a training programme for both government and producers on agricultural production and increase knowledge on the subject of ways in which the food processing industry can be expanded. In parallel, the project will also provide essential training related to 'best management practices' in the food distribution sector. A further ECU 1.7 million has been allocated to fund an expert study for farming techniques employed in the production of cereal crops. Recommendations will be made as to how this can be achieved more efficiently and yields increased.

In addition, an ECU 3.7 million project is in progress, reinforcing the government's efforts to create favourable conditions for a productive agricultural sector and providing support to the process of farm privatisation.

<b>Funds allocated by sector each year</b>	<b>1991</b>	<b>1992</b>	<b>1993*</b>	<b>1994</b>	<b>Total</b>
Nuclear safety and environment	0	0	-	0	0
Restructuring state enterprises and private sector development	0	0.6	-	1.8	2.4
Public administration reform, social services and education	0	1.05	-	1.8	2.85
Agriculture	1	3.65	-	3.6	8.25
Energy	0	1	-	0	1
Transport	0	0	-	0	0
Policy advice	0	2.5	-	0	2.5
Telecommunications	0	0	-	0	0
Humanitarian aid	0	0	-	0	0
Other sectors	0	0	-	0.8	0.8
<b>Total</b>	<b>1</b>	<b>8.8</b>	<b>-</b>	<b>8</b>	<b>17.8</b>

\* Note: Turkmenistan did not receive funds under the 1993 budget

### **Mobilising Turkmenistan enterprise**

The restructuring and privatisation of businesses is essential to make the enterprise sector a more powerful driving force in the country's programme of economic regeneration. The government has been receiving support in managing this process from Tacis experts who have been working with the Ministry of Economy and Finance since April 1994. A scheme was introduced in December 1994 which will reorganise those enterprises unsuitable for mass privatisation. These are organisations that need profound restructuring, new investment, new technology, a different product portfolio and expanded export markets. Tacis cooperation covers the provision of expert consultancy for framing and implementing business plans. ECU 2.2 million has been made available to support this scheme (which also covers Azerbaijan), administered through a Management Advice and Service Facility structure.

Help for small and medium-sized enterprises (SMEs) is a strategic economic imperative. This will now be provided through the establishment of an SME Development Agency in Ashkabad, set up to counsel the managers of SMEs across a wide range of business-related issues.

### **Optimising human resources**

The development of the economy and sustained reform relies heavily on developing people's skills. The support of the Tacis Programme is focused primarily on establishing modern management structures and practices in the civil service. Among the Tacis measures in progress in 1994 was an ECU 1.8 million project to advise government authorities on the ways in which the educational system could be reformed to strengthen training capacities in the discipline of economics.

In addition, Tacis has been training civil servants and trainers in management, computer and language skills.



# Ukraine

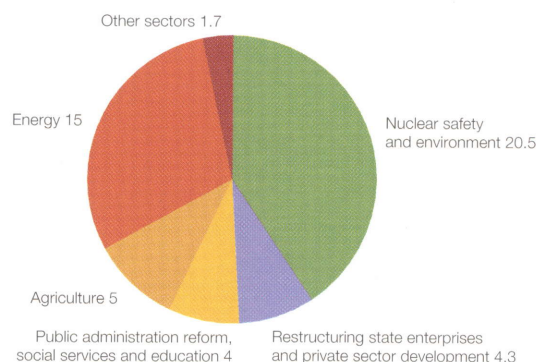
Until recently, the Tacis Programme for Ukraine was managed from Brussels. In 1994, the Delegation of the European Commission in Kiev became fully operational, establishing a presence in the country which has improved the process of coordination with Ukrainian authorities and allowed Tacis to match its support more closely to the needs of the country.

Further improvement in the programme is anticipated following a review, carried out in 1994, of the previous three years' programmes. This has helped to identify a number of areas where improvements can be made in the preparation and implementation of projects, and these will be introduced into the 1995 programme.

Ukraine's heavy industries, until recently strongly dependent on the defence sector, are unwieldy, inefficient and require major restructuring. State enterprises in general continue to require substantial subsidies. The medium to long-term solution to this problem centres on accelerating the privatisation process and the creation of a thriving enterprise sector - objectives which are accorded high priority in the Tacis Programme. The country's balance of payments position remains resolutely negative - reflecting Ukraine's bureaucratic and fiscal constraints on exports and massive energy imports. Energy issues are key to Ukraine's economic prospects and substantial Tacis funding is allocated to projects in this sector. In this context, Tacis' contribution to the G7/ European Union Action Plan aiming at the rapid closure of Chernobyl is a key element of reform in the energy sector.

Positive reform moves were made in 1994 by the Ukrainian Government, notably the reinforcement of democratic processes and the election of a new president and parliament. Although certain constitutional issues remain to be resolved, the Government - with the cooperation of the International Monetary Fund - has embarked on an economic programme which calls for wide-scale structural reform, including change within the agriculture and food distribution sectors. This task is receiving the strong backing of Tacis. To underpin the process of overall economic transformation the development of the nation's human resources is a priority area for Tacis action.

## Funds allocated by sector 1994 ECU 50.5 million



In summary, Tacis Programme priorities are:

- enterprise restructuring and development
- agriculture
- energy
- nuclear safety and environment
- transport and telecommunications
- human resources development

The Tacis budget for the national programmes with Ukraine in 1994 totalled ECU 50.5 million.

## Encouraging the growth of the private sector

Enterprise restructuring and development is a major priority since a large part of the formal economy is still controlled by government. To support the programme of privatisation and industrial reform, a series of actions were agreed or initiated in 1994.

A major ECU 3 million initiative which assists the Ukrainian mass privatisation programme has started providing advice to the State Property Fund for the privatisation of some 200 Ukrainian enterprises. The project prepares the enterprises for corporatisation and privatisation, it includes the organisation of voucher and cash auctions and supports the emerging investment fund industry. All these aspects will encourage the mobilisation of foreign investors in the Ukraine.

An ECU 1.8 million project was launched to support the development of small and medium-sized enterprises in the Ukraine. This programme will provide selected innovative companies with support, channelled via the SME Development Agency - an organisation previously established with Tacis support. To reinforce this effort, an additional business centre will be established in Zaporyzhye.

This region of Ukraine also provides the focus for a project conceived to support privatisation and restructuring plans. Through this involvement, Tacis financial support is being directed at establishing local investment funds and supporting the reorganisation of regional enterprises.

Another important planned initiative calls for the allocation of ECU 2.8 million with the objective of helping six key enterprises - previously heavily engaged in armaments manufacture - to switch their production focus towards products that Ukraine urgently needs: energy control systems, medical equipment, domestic appliances, etc. The scope of this action ranges from the provision of expert advisers to each company concerned to the establishment of a monitoring team in Kiev to maintain relations with the Ukrainian Ministry of Conversion, track progress and evaluate the outcome of this initiative.

To support the transfer of expertise to commercial banks in Kiev, the creation of a European Banking Advisory Service has been supported by Tacis with ECU 1.6 million. The service and its western experts offer advice to Ukrainian banks in the areas of foreign exchange, payment systems, credit analysis and risk management, privatisation and general management skills.

Another Tacis project in the financial sector is the Ukrainian Finance and Banking School (ECU 2.7 million). In 1994, Tacis supported the establishment of the school to ensure the provision of quality training for the personnel who will have to deal with the new procedures.

## **Support for agriculture**

Substantial Tacis funding has been made available to help Ukraine's agricultural and food distribution sector, which remains a continuing priority. Support has been provided primarily to central and regional administrations to help in institutional and legislative reform and in the restructuring of the sector. In this context, a number of significant projects are in hand. ECU 5.7 million was taken up in 1994 in the form of a programme conceived to support the national government in the formulation of new agricultural policies and the establishment of support services.

The conservation of grain stocks has historically posed a problem for Ukrainian cereal farmers, due to poor storage facilities and practices. To address this need a Tacis grant of ECU 1 million is financing work that upgrades the country's grain storage capacity. A further Tacis initiative launched in 1994 offers support to farmers in the Zaporyzhye region. Amounting to ECU 1.9 million, this project reinforces privatisation efforts within the region's important sunflower farming sector. A further project launched in 1994 relates to an ECU 1.8 million scheme in the cities of Donetsk and Dnipropetrovsk. Tacis supports a programme conducted by the respective municipal authorities aimed at the privatisation of food wholesaling and distribution - the objective being to increase both the quantity and quality of food made available to urban populations.

Further agriculture-related projects already underway in Ukraine in 1994 include an ECU 2.9 million pilot programme for restructuring the agricultural sector in the Lviv region. An ECU 2.7 million programme, applied in five Ukrainian regions, is also being put into effect. This is directed at establishing an efficient food distribution chain to make fresh food more readily available to consumers. A direct spin-off from the success of these ventures should be the promotion of efficient, privatised food processing enterprises and the virtual elimination of perishable produce losses in the present network of supply.



<b>Funds allocated by sector each year</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>Total</b>
Nuclear safety and environment	3.6	0	0	20.5	24.1
Restructuring state enterprises and private sector development	1.7	16.8	12.36	4.3	35.16
Public administration reform, social services and education	4.7	3	7.36	4	19.06
Agriculture	7.6	12.31	10.54	5	35.45
Energy	6.4	8.08	5.4	15	34.88
Transport	4.9	7.26	3.22	0	15.38
Policy advice	0	0	0	0	0
Telecommunications	0	0.83	0.55	0	1.38
Humanitarian aid	0	0	0	0	0
Other sectors	0	0	3.82	1.7	5.52
<b>Total</b>	<b>28.9</b>	<b>48.28</b>	<b>43.25</b>	<b>50.5</b>	<b>170.93</b>

In parallel, an additional grant has been made available to increase the efficiency - domestic and international - of food transportation. Other significant Tacis programmes within the Ukrainian agricultural sector include ECU 3.2 million to establish vegetable and meat processing resources in the area of Bila - Tserkva.

### **Energy: a scarce and costly resource**

The economic prospects of Ukraine depend upon the energy sector and reform in this sector is now recognised as one of the most urgent and difficult aspects of economic reform. Detailed discussions were held with Ukrainian Ministry of Power and Electrification officials in the course of 1994. Talks centred on thermal power plans proposed by the World Bank, investment needs for new generating capacity, and requirements to make existing obsolete capacity redundant. The mission additionally reviewed the supply and demand situation for electricity.

A number of projects were launched during the year to help solve Ukraine's chronic energy problems. ECU 500,000 was allocated to assist the government frame an effective energy pricing policy. Further support is being offered to government authorities for the development of a comprehensive framework of measures designed to save energy.

Two major consumers of electricity are to undergo detailed energy audits with Tacis support. An ECU 500,000 contract has been signed to finance a detailed energy appraisal of the Kriviy Rig iron and steel production complex, and a further ECU 440,000 project has been approved to undertake a similar audit at the Radehof-Lviv sugar refinery. These studies will assess all heat, gas and power requirements at the two locations and should reveal areas where appreciable energy savings can be achieved.

Also within the energy sector, an ECU 650,000 contract was awarded to prepare the ground for the restructuring and transition of the Ukrainian coal industry in the context of an emerging market economy.

### **Helping Ukraine to shut down Chernobyl**

With a total budget of ECU 25 million, drawn from the 1994 Tacis nuclear safety and energy sector allocations for Ukraine, Tacis is also a major contributor to the G7/European Community Ukraine Action Plan. The plan aims at the rapid and definitive closure of Chernobyl. It provides support for the completion and upgrading to adequate safety standards of three new VVER 1000 reactors under construction.

In addition, the Action Plan supports Ukrainian safety authorities with supplies of basic equipment and fosters structural reforms in Ukraine's energy sector, including energy-saving measures and a realistic pricing structure.

### **Transport and telecommunications**

In the area of transport and telecommunications, Tacis has been focusing on the restructuring of the Black Sea ports, on support for the establishment of a viable national and international airline sector and on cooperation with Ukrainian Railways as well as on a study to establish an international fibre optic telecommunication link. The support for the construction of two optical fibre cable links (ECU 550,000) comprises an engineering study which will prepare the ground for the construction of a major optical fibre route connecting Kiev westward to the Polish border and eastward to Lugansk. The construction of the transmission routes will be financed through a World Bank investment loan.

Tacis also launched a national network study (ECU 600,000) to determine expenditure priorities in the roads sector and to define a strategy for network development, and launched the establishment of a transport and logistic training centre (ECU 350,000) to promote the development of new and more efficient transport enterprises and to provide training.

### **Human resources**

In this sector, Tacis is concentrating on public administration reform, strengthening of management training for managers, reform of the employment services and the retraining of military officers. Under the 1994 Action Programme, a project dealing with the social impact of restructuring of private enterprises (ECU 4 million) has been financed.

With a budget of more than ECU 7 million, the retraining of ex-military officers in Ukraine is one of the largest programmes undertaken by Tacis. It involves a national retraining and reintegration scheme for former officers of the Ukrainian army.

Experts from the European Community have been appointed to help design and develop an inter-linked, computerised information system containing detailed data relating to employment opportunities and skills development. The training of tutors and management has been complemented by the design and development of a system of self-learning by a multi-media computer system.

# Uzbekistan

Uzbekistan has adopted a gradual approach to the reform of its economy and society. This reflects the conviction of the Government that economic and social stability should not be compromised by radical change. The objective of the Tacis Programme is to give the Government confidence to broaden the reform process.

The potential for growth is good and economic and political reform gained momentum during 1994. In January, a presidential decree concerning economic reform declared that the pace of privatisation and price liberalisation would accelerate.

In the same month, Uzbekistan joined Kazakhstan and Kyrgyzstan in a single economic space, intended to lead to a common market and the improved coordination of economic policies. Uzbekistan also signed an economic cooperation agreement with the Russian Federation and has since made it clear that, while it wishes to develop more intense cooperation with its southern neighbours, in principle it wants to see the strengthening of mechanisms for exchange between the Commonwealth of Independent States.

Uzbekistan has traditionally been a supplier of raw materials, predominantly of cotton. To help reduce the agricultural sector's dependency on one product, one of the main objectives of Tacis support is to broaden the base of the Uzbek agro-economy. The diversification, restructuring and transformation of the country's enterprises are core to economic regeneration and represent another area in which Tacis is heavily involved.

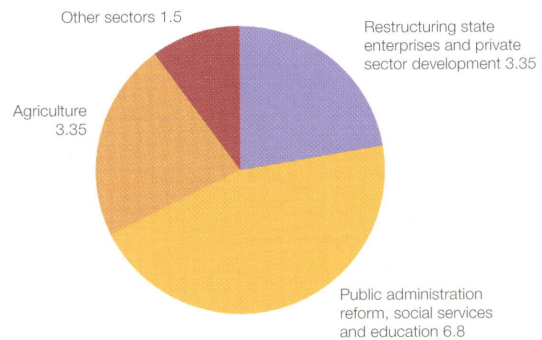
The population of Uzbekistan remains an under-utilised economic asset in the Government's quest for growth. Tacis cooperation with Uzbekistan therefore emphasises the acquisition of relevant skills and the strengthening of the public sector, especially in the areas of higher education and employment.

Tacis addresses the following activities:

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

The 1994 Tacis budget committed ECU 15 million for the national programme in Uzbekistan.

## Funds allocated by sector 1994 ECU 15 million



## Broader competence for human resources

Within the human resources sector, Tacis is focusing on education and training in the management of a market economy. The development of the skills of public sector staff and developing employment services is a further priority.

A major project was initiated in 1994 offering support for a Market Skills Development Centre (ECU 3.6 million). Training packages will be produced and used by prospective trainers to deliver short, practical courses on management and business topics relevant to the management of a market-oriented economy. A second significant project started in the year - valued at ECU 2.3 million - seeks to extend the reach of management training through 'train the trainer' programmes and the creation of seminar modules for universities.

## Reshaping the enterprise sector

The priority for Tacis support in the enterprise sector is on the development of small and medium-sized enterprises, restructuring and privatisation of state-owned enterprises and the development of financial institutions.

Several significant projects funded by Tacis began in 1994. The new Business Communication Centre was established in January. This establishment is helping Uzbek SMEs to identify foreign markets and export partners, potential joint ventures, and foreign investment sources with Tacis funding of ECU 1.5 million.

<b>Funds allocated by sector each year</b>	<b>1991</b>	<b>1992</b>	<b>1993*</b>	<b>1994</b>	<b>Total</b>
Nuclear safety and environment	0	0	-	0	0
Restructuring state enterprises and private sector development	0	2.26	-	3.35	5.61
Public administration reform, social services and education	0	3.51	-	6.8	10.31
Agriculture	0.8	3.05	-	3.35	7.2
Energy	0.4	5.28	-	0	5.68
Transport	0.29	1.68	-	0	1.97
Policy advice	0	3	-	0	3
Telecommunications	0	0	-	0	0
Humanitarian aid	0	0	-	0	0
Other sectors	0	0	-	1.5	1.5
<b>Total</b>	<b>1.49</b>	<b>18.78</b>	<b>-</b>	<b>15</b>	<b>35.27</b>

\* Note: Uzbekistan did not receive funds under the 1993 budget

Later in the year, work started on an ECU 1.8 million project for the foundation of an SME Development Agency. This agency is intended to support and increase the number of new businesses starting up, and provide help for existing SMEs so that they can improve their business performance.

Furthermore, Tacis has been supporting the Uzbek Committee for Privatisation in the long-term privatisation and restructuring process and has been working with a number of key companies which serve as pilot projects in this area. In addition, Tacis has allocated ECU 1.5 million to co-finance the Regional Bank Training Centre in Tashkent which began operating in 1994.

### **Finance for agricultural reform**

The diversification of agricultural production away from cotton, the development of food-processing and packaging capabilities and the development of exports are priorities in the agricultural sector.

In 1994, a number of actions were completed or set in motion. One such initiative in operation which began in March 1994, is directed at offering support services to farmers in their transition to private farming in the Gulistan and Fergana oblasts (ECU 3 million). A project to support the implementation of improvements and the removal of constraints affecting the production, storage, packaging, marketing and distribution of food in the Bulungur district (ECU 1.8 million) was also launched. This integrated development programme will prepare both private and state concerns for the advent of a free market economy. The experience gained in this exercise will be shared with other regions and districts. Other projects include an ECU 4.5 million plan for water resource management in the Aral Sea basin, and the establishment of a food and agricultural policy advisory unit to support the Uzbek Government (ECU 1.6 million).

# Multi-country programmes

Many of the problems that the New Independent States are facing require cooperative solutions. Tacis is a catalyst for greater cooperation between the partner countries and has set up a number of multi-country programmes. The common element in all of these programmes is that either the solution to the problems is the same for each country or that groups of countries have to work together to achieve a significant impact.

The 1994 multi-country programme, with a Tacis financial allocation of ECU 47 million, was approved by the Commission in November 1994. It concentrates on the areas of government advice (ECU 20.5 million), transport (ECU 7 million) and enterprise restructuring (ECU 5 million). In 1995, Tacis multi-country programmes will place particular emphasis on networks (transport, energy and telecommunications) and environment.

Another ECU 67.5 million was allocated for the nuclear safety programme and ECU 17 million for the Tacis Tempus programme.

Major multi-country programmes are outlined below.

## Nuclear safety programme

The nuclear safety programme is the largest single Tacis programme. It is fully in line with the G7 Action Programme adopted in 1992 at the G7 summit in Munich.

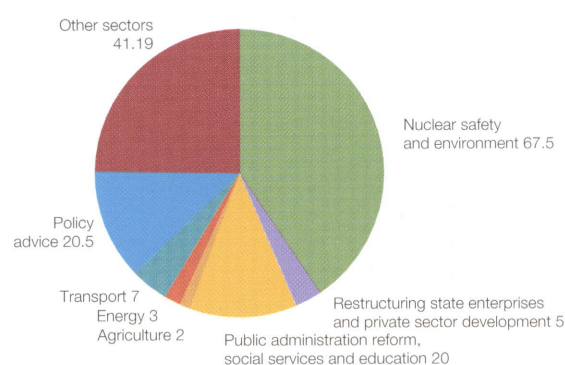
The programme seeks to improve the safety of operating power plants and other civilian nuclear fuel and waste management activities, to strengthen regulatory regimes and to promote regional cooperation on nuclear safety among countries operating Soviet-designed nuclear power facilities.

The Commission committed ECU 67.5 million to the programme in 1994. Tacis contributes a considerable amount (ECU 25 million in 1994) to the G7/European Community action plan for Ukraine. Furthermore, an additional ECU 6 million programme aims to stimulate the economic rehabilitation of territories affected by the Chernobyl accident and to help Ukraine, the Russian Federation and Belarus to cope with the social and health problems which resulted from the accident.

### Design safety studies

The programme includes a large number of generic safety studies covering specific types of reactors. Studies are being launched on VVER-213 and 1000, RBMK and fast breeder reactors, as well as fuel cycle operations and waste treatment. Some activities for the provision of know-

## Funds allocated by sector 1994 ECU 166.19 million



how are subcontracted to Russian research centres, manufacturers and institutes. Due to the issue of liability and ensuing blockages, most of these projects began in late 1993 with the results becoming available in 1994.

In 1994, the RBMK Safety Review was presented by a consortium of European Union organisations. In addition, the feasibility study for the early warning system was completed and equipment supply contracts have been tendered and signed. A major multifunctional simulator project for VVER 230/213 reactors has also been contracted. Major projects were launched in 1994 at Chernobyl to deal with the safe enclosure of the unsafe current shelter which contains the damaged remains of unit 4. In addition, the decommissioning operations of the Chernobyl nuclear power plant have been prepared.

Tacis actions to promote nuclear safety in Ukraine also include a decontamination project to clear up more than 800 nuclear dumps located within a 30 km radius of Chernobyl. Tacis has furthermore financed a project to train Chernobyl staff in fire protection and decontamination.

### On-site assistance

The nuclear safety programme concentrates to a large extent on on-site assistance. Operational support has been given for the operation and technical improvement of nine plants: Smolensk, Sosnovy Bor, Kola, Kalinin, Balakovo, Beloyarsk (Russia), Rovno, South Ukraine, Zaporozhye (Ukraine). Since June 1993 and throughout 1994, Tacis experts have been present at each of the nine sites, advising on the operational safety and general safety culture as well as the supply of safety equipment for up to 50 per cent of the budget.



<b>Funds allocated by sector each year</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>Total</b>
Nuclear safety and environment	36.6	80	100	67.5	284.1
Restructuring state enterprises and private sector development	7.6	4	15	5	31.6
Public administration reform, social services and education	45.5	0	21	20	86.5
Agriculture	7.2	3.8	0	2	13
Energy	7	1.5	5	3	16.5
Transport	5	9	15	7	36
Policy advice	0	8.5	8	20.5	37
Telecommunications	0	1	0	0	1
Humanitarian aid	0	0	0	0	0
Other sectors	0	15.37	28.98	41.19	85.54
<b>Total</b>	<b>108.9</b>	<b>123.17</b>	<b>192.98</b>	<b>166.19</b>	<b>591.24</b>

In 1994, large-scale equipment tendering and procurement was carried out for all sites. A number of important deliveries were made to the various sites in the Russian Federation and in Ukraine, including spare parts worth ECU 4.5 million to the Ukrainian sites.

#### **Assistance to safety authorities**

Experts from safety authorities in the European Community are working with the Russian and Ukrainian authorities on two major projects which have been underway since December 1993. A detailed programme has been established to develop a strong legal and technical basis for the national regulators in areas such as licensing, training and inspection. In addition computer equipment has been procured and installed for safety authorities including computer equipment and communications links between headquarters and regional offices.

#### **Policy and legal advice programme**

The policy and legal advice programme provides short-term advice on macroeconomic, economic and social policy, restructuring, institution building, and drafting of legislation. The programme launches short-term projects involving high-level decision-making bodies in the New Independent States. The implementation of the programme is managed by the European Expertise Service (EES).

In 1994, more than 50 projects were completed in all the New Independent States except Tajikistan. All the projects were assessed during the year by a Permanent Steering Committee composed of officials of the European Commission.

In the Russian Federation, assistance was offered to the Working Centre of Economic Reforms, the think-tank of the Ministry of Economy and the government of the Russian Federation, to the publication 'Russian Economic Trends', to the Ministry of Finance by a Russian-European expert group and to the Central Bank. During 1994, negotiations were also concluded with the Russian Government for the establishment of the Russian Centre for Analysis of Policies (RECAP) in Moscow. It will concentrate on promoting synergies and coordination between various projects, to maximise the effectiveness of the programme in Russia.

In Ukraine, support included the launch of the publication 'Ukrainian Economic Trends' and advice on demonopolisation and encouragement of competition as well as the development of SMEs. In Kazakhstan, projects concentrated on industrial policy and restructuring, the production of a unified tax code, the distribution of powers between central and local government and the development of a business plan for the region of Aktubinsk.

Tacis has also launched a seminar programme bringing together representatives of all or several partner countries to discuss, develop and extend experience on issues of common concern. Subjects covered include aspects of the Partnership and Cooperation Agreements like trade and fiscal matters, or the policies and functioning of the European Community.

### **Support to the Commonwealth of Independent States (CIS)**

Tacis is supporting the institutional structures of the CIS through an ECU 8 million programme which supports the institutions of economic cooperation in the region, including the Inter State Economic Committee in Moscow, the CIS Executive Secretariat in Minsk and the Central Asia Common Market secretariat to be established in Almaty. Programme activities for these institutions concentrate on training and institution strengthening and on a number of key issues for inter-state cooperation such as trade, transport, energy and payment mechanisms.

### **Tacis framework programmes**

#### **The Tacis Tempus Programme**

This programme is a cooperation scheme aiming to develop and restructure higher education institutions in the New Independent States. Tacis Tempus received a total of ECU 24 million (ECU 17 million from the 1994 budget and a further ECU 7 million from the balance of the 1993 budget).

The programme is based on networking of universities from the European Community and the New Independent States. In 1994, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Ukraine and Uzbekistan participated in Tacis Tempus.

The main instruments of the programme are joint European projects. In these projects, higher education institutions from two or three different European Community countries cooperate with one university or teacher training institution from the New Independent States to enable the latter to adapt its curricula, teaching methods and degrees to the challenges of democracy and the market economy. Funding is spent on communication equipment, textbooks, teaching assignments and mobility. In 1994, 27 full-scale and 76 preparatory projects were funded.

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

#### **The Phare and Tacis Democracy Programme**

The Democracy Programme was launched by the Commission in 1992, originally within the European Commission's Phare Programme for central and eastern Europe. However, it was extended to Tacis partner countries in 1993. The programme aims to contribute to the consolidation of pluralist democratic procedures and practices as well as the rule of law, with a view to supporting the overall process of economic and political reform.

In particular the Democracy Programme seeks to support the activities and efforts of non-governmental bodies.

The Democracy Programme received, in 1994, a budget of ECU 10 million from each of Phare and Tacis and is managed jointly by Phare and Tacis. A bi-annual call for proposals is launched to identify activities that could be supported through the programme. More information on the Democracy Programme is included in the section of this report on 'Developments in Programme techniques and issues'.

#### **The Phare and Tacis LIEN Programme**

This programme supports the development of non-governmental organisations working in the social sector and promotes their activities in support of deprived communities so that local people in the poorest areas can assume responsibility for the running of their communities. The programme is jointly managed by Phare and Tacis. Its funding amounted to ECU 4 million in 1994.

The programme gave rise to 12 projects in 1994. These included projects such as a rehabilitation centre for physically and mentally disabled children, a project to promote biological farming and an Aids prevention and education programme.

# Future outlook

The transition process in the countries of the former Soviet Union is well underway. Since it is a dynamic process it is necessary for Tacis to adapt to ensure that the support it offers reflects the needs of the partner countries.

The management of Tacis has therefore analysed in 1994 a number of areas where changes could be introduced to support the changing needs of its partners and reflect the experience gained in implementing the Programme over the last four years.

One area concerns establishing an overall multi-annual financial framework. The problems which the current annual budget allocation cause have been covered earlier in this report. Providing some assurance of continuity of funding would make the current multi-annual programming process more effective and improve Tacis' overall efficiency.

Another area for consideration concerns the need to provide support in the important area of the development of small businesses. In 1994 a joint venture programme - based on the successful JOPP programme (Joint Venture Opportunities Phare Programme) run by the Phare Programme in central and eastern Europe - was introduced by Tacis for the Russian Federation. Unlike Phare, the Tacis initiative did not allow for the provision of equity funding. However, if the Tacis initiative proves successful, providing equity capital for joint ventures is an option which could be developed.

Similarly, providing limited investment support through the financing of certain small infrastructure projects for cross-border schemes is an option. Such support would only be used where it supports follow-up activities for Tacis projects.

Tacis management has also reviewed the basis for determining the Programme's sectoral allocations. The conclusion is that this sectoral breakdown is still relevant but that some issues should be considered in relation to all sectors - these issues being environment and the promotion of women in economic and social life - while increased attention should be given to nuclear safety.

Strengthening support for multi-country economic and political cooperation is also an area which must be taken into account when considering changes to the focus of the Programme. This is particularly important given the initiatives of the Tacis partner countries to re-establish economic links to foster sustainable development.

Furthermore, it is important to underline respect for democratic principles, human rights and economic reforms as a condition for Tacis support.

# Tacis funds allocated by sector

This section contains a detailed breakdown of how Tacis funds allocated to each sector have been committed to various countries.

For each sector, the following information is given:

- an overview of total funds allocated by year
- an overview of how total funds allocated have been committed by country.

## Nuclear safety and environment

<b>Funds committed by country each year</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>Total</b>
Armenia	0.3	0	0	0	0.3
Azerbaijan	0	0	0	0	0
Baltic States	0	0	0	0	0
Belarus	0	0	0	0	0
Georgia	0	0	0	0	0
Kazakhstan	0	0	0	0	0
Kyrgyzstan	0	0	0	0	0
Moldova	0	0	0	0	0
Mongolia	0	0	0	0	0
Russia	12.5	0	0	0	12.5
Tajikistan	0	0	0	0	0
Turkmenistan	0	0	0	0	0
Ukraine	3.6	0	0	20.5	24.1
Uzbekistan	0	0	0	0	0
Multi-country programmes	36.6	80	100	67.5	284.1
Other	0	0	0	0	0
<b>Total</b>	<b>53</b>	<b>80</b>	<b>100</b>	<b>88</b>	<b>321</b>

## Restructuring state enterprises and private sector development

<b>Funds committed by country each year</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>Total</b>
Armenia	0.7	3.54	2.3	0	6.54
Azerbaijan	0	2.6	0	1.9	4.5
Baltic States	0	0	0	0	0
Belarus	0.3	7.52	4	5	16.82
Georgia	0	3.5	0	3.6	7.1
Kazakhstan	0	6.55	6.3	6.3	19.15
Kyrgyzstan	0	0.82	0	0	0.82
Moldova	0	1.73	0	1.45	3.18
Mongolia	0	0	0	2.56	2.56
Russia	27.2	28.1	54.5	43.4	153.2
Tajikistan	0	0	0	0	0
Turkmenistan	0	0.6	0	1.8	2.4
Ukraine	1.7	16.8	12.36	4.3	35.16
Uzbekistan	0	2.26	0	3.35	5.61
Multi-country programmes	7.6	4	15	5	31.6
Other	0	0	0	0	0
<b>Total</b>	<b>37.5</b>	<b>78.02</b>	<b>94.46</b>	<b>78.66</b>	<b>288.64</b>

## Public administration reform, social services and education

<b>Funds committed by country each year</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>Total</b>
Armenia	0	1.5	1.8	0	3.3
Azerbaijan	0	3	0	1.8	4.8
Baltic States	0	0	0	0	0
Belarus	0.7	1	0	0	1.7
Georgia	1.2	1.25	0	1.8	4.25
Kazakhstan	4.9	1.4	3.15	1.8	11.25
Kyrgyzstan	0	0	2.6	0	2.6
Moldova	0.2	2	0	1.9	4.1
Mongolia	0	0	0	3.8	3.8
Russia	45.8	24.57	36	18.85	125.22
Tajikistan	0	0	0	1	1
Turkmenistan	0	1.05	0	1.8	2.85
Ukraine	4.7	3	7.36	4	19.06
Uzbekistan	0	3.51	0	6.8	10.31
Multi-country programmes	45.5	0	21	20	86.5
Other	0	0	0	0	0
<b>Total</b>	<b>103</b>	<b>42.28</b>	<b>71.91</b>	<b>63.55</b>	<b>280.74</b>



## Agriculture

Funds committed by country each year	1991	1992	1993	1994	Total
Armenia	0	1.66	0	0	1.66
Azerbaijan	0	2.5	0	0	2.5
Baltic States	5.95	-	-	-	5.95
Belarus	1.7	2.51	2	0	6.21
Georgia	2.8	1.5	0	1.8	6.1
Kazakhstan	2.2	3.05	3.15	3.15	11.55
Kyrgyzstan	0	2.71	4	0	6.71
Moldova	1	2.27	0	4.7	7.97
Mongolia	-	-	-	0	0
Russia	49.7	21.47	12.5	16.3	99.97
Tajikistan	0	0	0	1.68	1.68
Turkmenistan	1	3.65	0	3.6	8.25
Ukraine	7.6	12.31	10.54	5	35.45
Uzbekistan	0.8	3.05	0	3.35	7.2
Multi-country programmes	7.2	3.8	0	2	13
Other	0	0	0	0	0
<b>Total</b>	<b>79.95</b>	<b>60.48</b>	<b>32.19</b>	<b>41.58</b>	<b>214.2</b>

## Energy

Funds committed by country each year	1991	1992	1993	1994	Total
Armenia	0.5	0	4.1	0	4.6
Azerbaijan	0	0	0	3.6	3.6
Baltic States	3	0	0	0	3
Belarus	4.5	1.9	0	0	6.4
Georgia	0.5	0	0	0	0.5
Kazakhstan	0.7	3.2	0	0	3.9
Kyrgyzstan	0.7	0	2.4	0	3.1
Moldova	0	2	0	0.6	2.6
Mongolia	0	0	0	1	1
Russia	41.3	16	21.1	19.5	97.9
Tajikistan	0	0	0	1	1
Turkmenistan	0	1	0	0	1
Ukraine	6.4	8.08	5.4	15	34.88
Uzbekistan	0.4	5.28	0	0	5.68
Multi-country programmes	7	1.5	5	3	16.5
Other	0	0	0	0	0
<b>Total</b>	<b>65</b>	<b>38.96</b>	<b>38</b>	<b>43.7</b>	<b>185.66</b>

## Transport

Funds committed by country each year	1991	1992	1993	1994	Total
Armenia	0	0	0	0	0
Azerbaijan	0	0	0	0	0
Baltic States	4	0	0	0	4
Belarus	2.24	1	2	1.3	6.54
Georgia	0.73	0	0	0	0.73
Kazakhstan	0	0	0	0	0
Kyrgyzstan	0	0	0	0	0
Moldova	0	0	0	0.6	0.6
Mongolia	0	0	0	0	0
Russia	32.64	15.93	13.55	13.9	76.02
Tajikistan	0	0	0	0	0
Turkmenistan	0	0	0	0	0
Ukraine	4.9	7.26	3.22	0	15.38
Uzbekistan	0.29	1.68	0	0	1.97
Multi-country programmes	5	9	15	7	36
Other	0	0	0	0	0
<b>Total</b>	<b>49.8</b>	<b>34.87</b>	<b>33.77</b>	<b>22.8</b>	<b>141.24</b>

## Policy advice

Funds committed by country each year	1991	1992	1993	1994	Total
Armenia	-	2.85	0	0	2.85
Azerbaijan	-	4.4	0	0	4.4
Baltic States	-	0	0	0	0
Belarus	-	0.7	0	0	0.7
Georgia	-	2.75	0	0	2.75
Kazakhstan	-	6.4	0	1.63	8.03
Kyrgyzstan	-	5.7	0	0	5.7
Moldova	-	1	0	0	1
Mongolia	-	0	0	0	0
Russia	-	0	8	18.95	26.95
Tajikistan	-	0	0	0	0
Turkmenistan	-	2.5	0	0	2.5
Ukraine	-	0	0	0	0
Uzbekistan	-	3	0	0	3
Multi-country programmes	-	8.5	8	20.5	37
Other	-	0	0	0	0
<b>Total</b>	<b>-</b>	<b>37.8</b>	<b>16</b>	<b>41.08</b>	<b>94.88</b>

## Telecommunications

Funds committed by country each year	1991*	1992	1993	1994	Total
Armenia	-	0	0	0	0
Azerbaijan	-	0	0	0	0
Baltic States	-	0	0	0	0
Belarus	-	0	0	0	0
Georgia	-	0	0	0	0
Kazakhstan	-	0	0	0	0
Kyrgyzstan	-	0	0	0	0
Moldova	-	0	0	0	0
Mongolia	-	0	0	0	0
Russia	-	4.93	5.1	4.1	14.13
Tajikistan	-	0	0	0	0
Turkmenistan	-	0	0	0	0
Ukraine	-	0.83	0.55	0	1.38
Uzbekistan	-	0	0	0	0
Multi-country programmes	-	1	0	0	1
Other	-	0	0	0	0
<b>Total</b>	<b>-</b>	<b>6.76</b>	<b>5.65</b>	<b>4.1</b>	<b>16.51</b>

## Other sectors \*

Funds committed by country each year	1991	1992	1993	1994	Total
Armenia	2.05	0	8.8	0	10.85
Azerbaijan	0	0	8	0.7	8.7
Baltic States	0	0	0	0	0
Belarus	0	0	1	0.7	1.7
Georgia	0	0	6	0.8	6.8
Kazakhstan	0	0	1.4	1.12	2.52
Kyrgyzstan	0	0	1	0	1
Moldova	0	0	0	0.75	0.75
Mongolia	0	0	0	0.64	0.64
Russia	0	0	10	15	25
Tajikistan	0	0	0	0.32	0.32
Turkmenistan	0	0	0	0.8	0.8
Ukraine	0	0	3.82	1.7	5.52
Uzbekistan	0	0	0	1.5	1.5
Multi-country programmes	6.2	39.4	40.09	62.18	147.87
Other	0	0	0	0	0
<b>Total</b>	<b>8.25</b>	<b>39.4</b>	<b>80.11</b>	<b>86.21</b>	<b>213.97</b>

\* Including Multidisciplinary and Humanitarian Aid

# Tacis financial performance

The financial performance of the Tacis Programme can be measured from the following indicators

- the level of commitments compared with the budget
- the amount contracted
- the level of payments compared with the budget for payments established at the start of the year
- the amount paid
- cumulative contracts as a percentage of cumulative commitments and cumulative payments as a percentage of cumulative contracts.

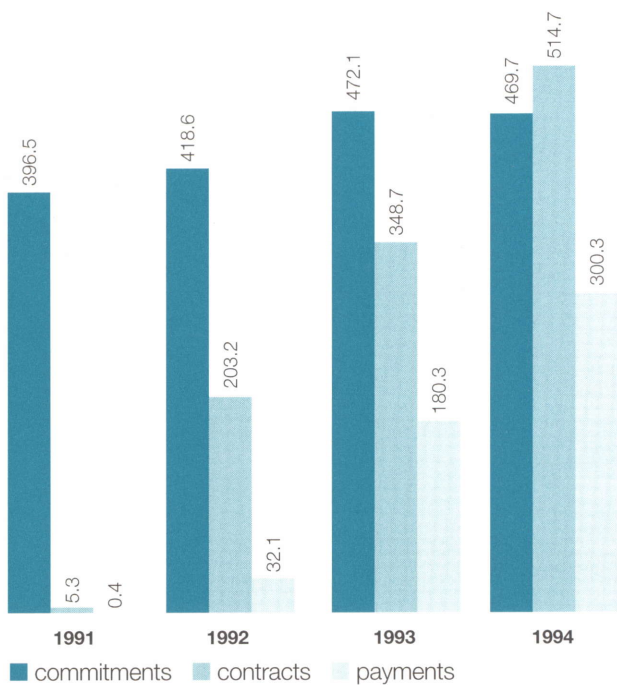
## Commitment of the Tacis Budget

Since the beginning of the Programme, Tacis has been able to commit a very high percentage of its annual budget, with an average of 99.8 percent of the budget committed over its four years of operation.

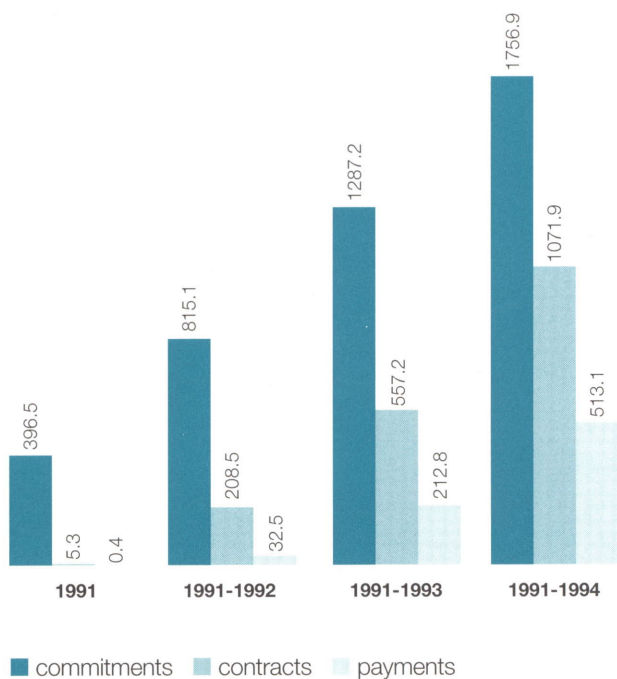
## Amount contracted

In 1994, Tacis dramatically increased the level of funds contracted. Funds contracted were almost as much as for the three previous years combined. ECU 514.7 million was contracted in 1994, compared with a total of ECU 557.2 million contracted from 1991 to 1993 (see fig. 1 and 2).

**Fig. 1 - Funds committed, contracted and paid 1991-1994 (in ECU million)**



**Fig. 2 - Cumulative funds committed, contracted and paid 1991-1994 (in ECU million)**

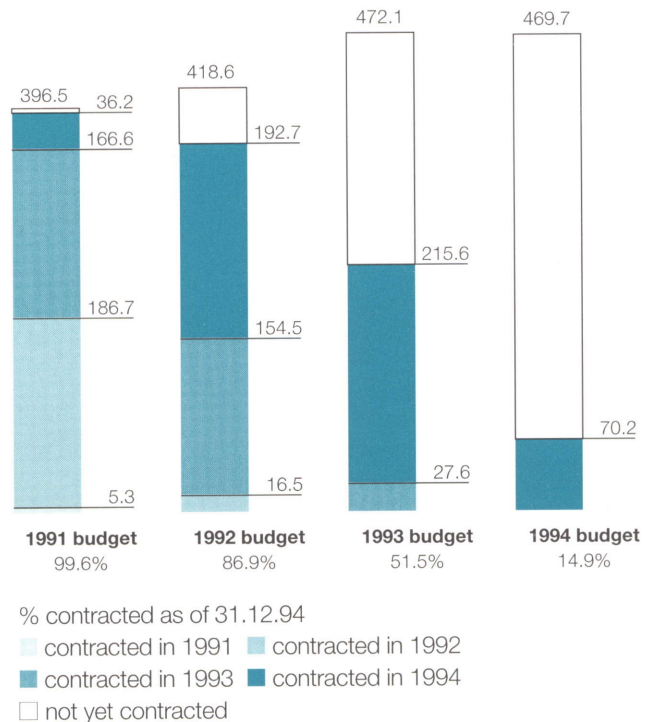


During the course of 1994, Tacis signed about 1,300 contracts. As a general rule, service contracts over ECU 300,000 are awarded through restricted tendering procedures. The average size of the tendered contract is ECU 1.3 million. The budget year which the contracts signed in 1994 relates to can be seen in figure 3.

### Payments compared with the budget

The Tacis Programme establishes at the beginning of each year a budget for payments to be disbursed during the course of the year. For 1994, Tacis payments reached 100 per cent of ECU 300.3 million budgeted.

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



### Funding procedure

As part of the Tacis programming process, there are three steps which take the annual budget approved by the European Parliament through to the point where projects are implemented and funds disbursed.

Tacis has a financial management procedure which matches this process, starting from the time when detailed programmes (Action Programmes) are drawn up through to eventual disbursements of funds over the life of an individual project.

**Commitment** - The design of financing proposals for Action Programmes is the basis for the commitment of funds. Once a financing proposal has received the favourable opinion of the Tacis Committee, the relevant funds associated with that proposal are committed by the Commission. Tacis must commit its entire annual budget in the calendar year to which that budget applies. Uncommitted money is cancelled.

**Contracting** - The conclusion of contracts for the implementation of the agreed projects contained in the Tacis Action Programmes marks the start of implementation on the ground. As soon as a tendering or negotiation process has been successfully completed and a contract signed, the relevant funds are said to have been contracted.

Tacis signed about 1,300 contracts in 1994. As a general rule, service contracts over ECU 300,000 are awarded through restricted tendering procedures. The average size of a contract is about ECU 400,000.

**Payment** - Payment is the final step in the funding process. This takes place over the length of the project, which can be up to three years.

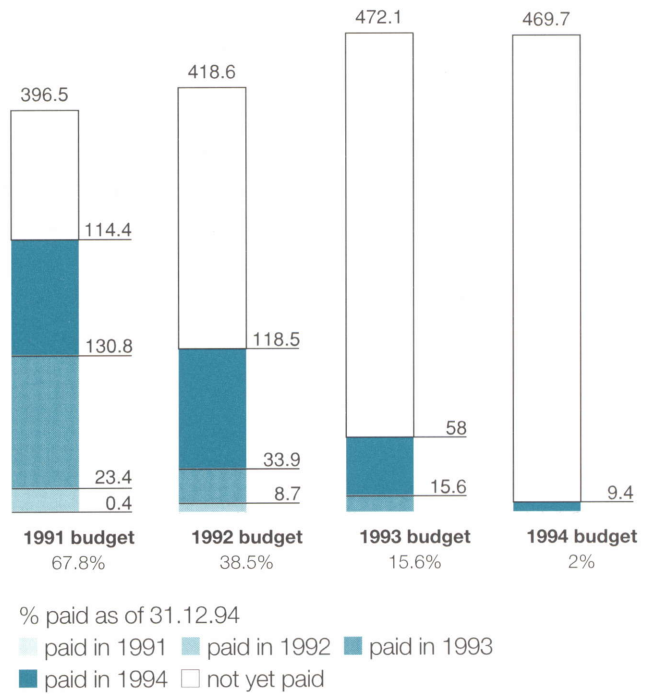
In 1994 Tacis made about 2,700 payments.



### Amount paid

The Tacis Programme greatly increased its payment level in 1994. Payments reached ECU 300.3 million, a figure which is 41 per cent more than the amount paid over the three previous years together (payments from 1991 to 1993 reached a total of ECU 212.8 million). The budget year which 1994 payments relate to can be seen in figure 4.

**Fig. 4 - Payments in each budget year (in ECU million)**



### Cumulative contracts as a percentage of cumulative commitments and cumulative payments as a percentage of cumulative contracts

Over the life of the Programme, both ratios have significantly improved (see fig. 5). In 1991, only 1.3 per cent of funds committed were contracted and 7.5 per cent of funds contracted were paid. These figures reached respectively 61 and 47.9 per cent by the end of 1994.

**Fig. 5 - Cumulative contracts and payments 1991-1994**

	1991	1992	1993	1994
Cumulative contracts as percentage of cumulative commitments	1.3%	25.6%	43.3%	61.0%
Cumulative payments as percentage of cumulative contracts	7.5%	15.6%	38.2%	47.9%

# List of major contracts signed in 1994<sup>1</sup>

## Armenia

Advice to the government	ECU	500,000
Privatisation strategy	ECU	950,000
Irrigation extension and farmer services	ECU	1,659,000
Energy saving strategy	ECU	1,100,000
Management advice	ECU	1,245,000
Provision of know-how for mutual and investment funds	ECU	900,000
Reform of the social security system	ECU	1,799,000
Policy advice	ECU	500,000

## Azerbaijan

Privatisation strategy	ECU	1,400,000
Strengthening of the public administration	ECU	2,977,000
Assistance to family and commercial farms	ECU	653,000
Privatisation of the food distribution sector	ECU	1,391,000
Development of the Caspian shipping company	ECU	618,000
Institutional support	ECU	600,000
Energy advisors group	ECU	1,500,000
Emergency centre for refugees	ECU	7,604,000
Management advice and service facilities	ECU	1,200,000

## Belarus

Strengthening employment - Belarus	ECU	600,000
Integrated programme in food production and distribution	ECU	2,505,000
Global energy strategy	ECU	828,000
Training for entrepreneurs	ECU	577,000
Advisory group for enterprises	ECU	706,000
Support for a long-term financing capability	ECU	898,000
Support for product market information and agriculture	ECU	952,000
Development of pilot extension services	ECU	830,000
Support for the voucher privatisation programme	ECU	614,000
Strengthening of employment	ECU	775,000
Conversion to telecommunications	ECU	1,259,000
Monitoring and evaluation of energy projects	ECU	1,599,000

## Belarus and Ukraine

Procurement of the early warning system 3	ECU	2,174,000
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## Georgia

Civil service reform and training	ECU	1,800,000
Privatisation strategy	ECU	1,200,000
Management training	ECU	843,000
Parliamentary research center	ECU	935,000
Development of the energy policy	ECU	500,000
Oil energy supply	ECU	5,580,000

## Kazakhstan

Advice to the government for the energy sector	ECU	1,400,000
Technical assistance to the Ministry of Education	ECU	677,000
Establishment of an energy centre	ECU	1,234,000
Management training centre for the energy sector	ECU	885,000
Assistance to the state committee for the management of state property and investment funds	ECU	1,493,000
Banking advisory services	ECU	1,800,000
Political formation and agriculture statistics	ECU	800,000
Tutoring to small and medium enterprises	ECU	1,665,000
Improvement and reorganisation of production and servicing of farm and agro-industrial machinery and equipment	ECU	1,080,000
Akmola private farmers	ECU	2,070,000

## Kyrgyzstan

English and German training	ECU	813,000
Civil service reform and training	ECU	998,000
Energy advisory group	ECU	1,405,000
Social insurance reform	ECU	2,600,000
Assistance for support to agriculture inputs and services	ECU	1,716,000
Assistance for the improvement of the private livestock sector	ECU	1,999,000
Improving energy efficiency in buildings	ECU	660,000

<sup>1</sup> Contracts under ECU 500,000 are not listed. Individual projects may comprise several contracts, likewise one contract may cover more than one project.

Management training in the energy sector	ECU	995,000	Assistance to Russian enterprises and managers in their negotiations with foreign partners	ECU	1,100,000
Social insurance reform	ECU	1,200,000	Advice to industry in the Moscow region	ECU	2,299,000
Government policy advice	ECU	750,000	Advice to regional authorities in Moscow	ECU	799,000
Institutional support	ECU	672,000	Assistance in the modernisation of refinery and power generation facilities at Kirishi - Russia	ECU	1,346,000
<b>Moldova</b>			Support to the committee of St Petersburg in charge of municipal hotels	ECU	746,000
National Bank of Moldova	ECU	500,000	Integrated agriculture project - Tyumen	ECU	2,842,000
Management training	ECU	958,000	Training in enterprise management - Tyumen	ECU	2,888,000
Privatisation implementation Phase 1	ECU	540,000	Energy savings for Tyumenergo	ECU	992,000
Small and medium-sized enterprises support	ECU	685,000	On-site nuclear safety Kola - Phase II	ECU	2,398,000
Assistance to the development of the energy sector	ECU	2,000,000	Analysis of Russian documentation on VVER nuclear power plants for safety upgrading	ECU	771,000
Moldova employment service	ECU	1,042,000	On-site assistance Phase 2 Beloyarsk	ECU	571,000
Conversion of six enterprises in radio electronics in Chisinau	ECU	1,043,000	On-site assistance Phase 2 Balakova nuclear power plant	ECU	946,000
<b>Russian Federation</b>			On-site assistance Phase 2 Smolensk nuclear power plant	ECU	2,354,000
Post-privatisation of enterprises - Urals region	ECU	9,000,000	On-site assistance Leningrad nuclear power plant project management	ECU	945,000
Oil equipment certification Yekaterinburg - Urals region	ECU	2,500,000	Nuclear safety procurement agent Russia	ECU	638,000
Support to employment services - Urals region	ECU	2,498,000	Spareparts for energy control	ECU	617,000
Models for farm management on newly privatised farms - Urals region	ECU	2,799,000	Transfer of western methodology and practices to nuclear safety authorities of Russia	ECU	3,092,000
Advice to the Russian Federation in the oil and gas sector	ECU	907,000	Trade unions in market economy - Moscow	ECU	500,000
Bistro facility	ECU	3,000,000	Policy advice on General Agreements on Tariffs and Trade to Russia	ECU	926,000
Business education programme - Voronezh	ECU	1,350,000	Support to the privatisation centre - Russian Federation	ECU	4,116,000
Food and agriculture information system - Samara	ECU	2,175,000	Support to the privatisation centre - Russian Federation	ECU	1,597,000
Reduction of post-harvest food losses - Samara	ECU	1,610,000	Committee for the management of state property - Russian Federation	ECU	4,200,000
Human resources development - Samara Oblast	ECU	1,330,000	Russian steel industry review and assistance - Russian Federation	ECU	1,956,000
Assistance to the food supply chain - Moscow	ECU	2,282,000	In-house training for the Central Bank - Russian Federation	ECU	1,500,000
Didactic equipment for regional training centre - Moscow	ECU	1,400,000	Support to the Russian investment scheme - Russian Federation	ECU	729,000
Assistance to the development of private transport - Moscow	ECU	950,000	Technical assistance to develop the network of small and medium enterprises - Russian Federation	ECU	3,440,000
Restructuring of banks from Moscow and Samara	ECU	700,000	Small and medium enterprises institution and capacity building - Russian Federation	ECU	886,000
Training managers in the Russian textile industry	ECU	523,000			
Enterprise conversion and development - Voronezh	ECU	750,000			
Privatisation of wood processing industry - Moscow	ECU	1,860,000			

Restructuring of Soyouz enterprise			Management advice and service facilities	ECU	900,000
- Russian Federation	ECU	920,000	Small and medium enterprises support unit	ECU	900,000
Creation of a private pension fund					
- Russian Federation	ECU	1,500,000			
Teaching of economics and business in secondary schools and technical and general universities in Russia	ECU	5,100,000			
Science and technology management in the Russian market economy					
- Russian Federation	ECU	4,184,100			
Land registry - Russian Federation	ECU	762,000			
Development of capacity in oil equipment - Russian Federation	ECU	1,970,000			
Development of food wholesale and retail market chain - west Siberia	ECU	2,760,000			
Development of agricultural marketing groups - west Siberia	ECU	2,652,000			
Coordinating Unit - Moscow	ECU	799,000			
Fruit & vegetable warehouse - Samara	ECU	1,709,000			
Agro - Industrial food complex - Moscow	ECU	779,000			
Agriculture Bank - St Petersburg	ECU	1,492,000			
Addition to restructuring of food wholesale and retail distribution system - St Petersburg	ECU	501,000			
Conversion of Lomo and Svetlana (St Petersburg) enterprises to the production of civilian optical equipment	ECU	673,000			
Bank training and bank support - St Petersburg	ECU	3,086,000			
Valorisation of oil and gas streams and effective oil and gas production - Tyumen	ECU	2,987,000			
Strengthening of the regional employment - west Siberia	ECU	2,183,000			
Join venture programme	ECU	3,000,000			
Support to the public administration - west Siberia	ECU	2,418,000			
<b>Russian Federation and Ukraine</b>					
Office equipment and computerisation of the state committee for the supervision of radiation and nuclear safety of Russia (GAN) and Ukraine (SCRNS)	ECU	1,348,000			
<b>Turkmenistan</b>					
Energy advisory group	ECU	1,000,000			
Technical assistance for agriculture and food training	ECU	1,847,000			
Government policy advice	ECU	1,500,000			
Civil servants training	ECU	942,000			
Advice to the Ministry of Agriculture	ECU	3,680,000			
Improvements in wheat production	ECU	1,494,000			
			<b>Ukraine</b>		
			Term track improvement	ECU	990,000
			Reduction of losses in food distribution chain	ECU	2,799,000
			Coordinating Unit Kiev	ECU	1,147,000
			Telecommunication sector analysis	ECU	830,000
			Global energy saving strategy	ECU	1,015,000
			Transition of the coal industry to market economy	ECU	660,000
			Energy pricing and tariffs	ECU	503,000
			Procurement of spare parts for Ukraine's nuclear power plants	ECU	1,649,000
			On-site assistance south Ukraine		
			Phase 1 - nuclear safety	ECU	2,123,000
			On-site technical assistance to Rivne	ECU	1,820,000
			Stabilisation of existing shelter - Chernobyl unit 4	ECU	2,992,000
			Transfer of western methodology and practices to nuclear safety authorities of Ukraine	ECU	2,010,000
			Nuclear safety procurement agent - Smolensk	ECU	22,000,000
			Implementation of mass privatisation	ECU	2,998,000
			Privatisation and restructuring in Zaporyzhye region	ECU	900,000
			Training for Oshadny Bank	ECU	944,000
			Restructuring of the Bank of Ukraina	ECU	660,000
			Policy formulation and training	ECU	5,400,000
			Improving farming support in Zaporyzhye	ECU	1,789,000
			Grain storage improvement project	ECU	916,000
			Fruit and vegetable sector demonstration project	ECU	1,665,000
			Construction of two optical fibre cables	ECU	549,000
			On-site assistance for Zaporyzhye nuclear power plants	ECU	553,000
			Nuclear safety procurement agent - Ukraine and Zaporyzhye	ECU	7,447,000
			Pilot agro-industrial food chain in the Lviv region - Ukraine	ECU	3,148,000
			Processing vegetable and meat	ECU	3,203,000
			Advice on the labour market	ECU	1,385,000
			Improvement of transport for the Black Sea area	ECU	1,484,000
			EC bank advisory service	ECU	1,600,000
			Training for tax administration	ECU	1,006,000
			Monitoring of food projects	ECU	912,000
			Management of radio-active waste - Chernobyl	ECU	995,000

## Ukraine and Kazakhstan

Support to small and medium enterprises ECU 1,197,000

## Uzbekistan

Small and medium enterprise development ECU 1,700,000  
 Government policy advice ECU 2,000,000  
 Project management training ECU 2,358,000  
 Employment services ECU 1,152,000  
 Support services for private farmers ECU 2,781,000  
 Government advice for the oil industry ECU 1,000,000  
 Support for the market skills development centre ECU 3,599,000  
 Government advice for the oil industry ECU 943,000

## Uzbekistan, Turkmenistan and Kyrgyzstan

Technical assistance for privatisation ECU 740,000

## Multi-country

Customs equipment supply ECU 2,300,000  
 Monitoring and evaluation of programme 1991 ECU 604,000  
 Oil and gas pipeline management ECU 1,500,000  
 EBTRA (EC Bureau for Bank Training) ECU 2,750,000  
 Seminars programme ECU 1,000,000  
 On-site technical assistance to Rivne phase 2 ECU 2,400,000  
 Equipment procurement - nuclear safety ECU 12,052,000  
 On-site assistance Kalinin Phase 2 - nuclear safety ECU 1,626,000  
 Preparation of decommissioning operation Unit 1 and 3 at the Chernobyl nuclear power plant ECU 1,431,000  
 Telecommunication training ECU 986,000  
 First 6 months 1994 projects of the International Science and Technology Center ECU 978,000  
 Multifunctional simulator - nuclear safety ECU 774,000  
 Regional venture fund, project manager - Smolensk (EBRD) ECU 600,000  
 Restructuring of Incar enterprise in relation to privatisation activities ECU 614,000  
 Legal advice ECU 1,000,000  
 Policy advice ECU 4,000,000  
 Policy and legal advice ECU 6,500,000  
 On-site assistance to Rivne phase 2 ECU 1,600,000  
 European Training Foundation (Tempus) ECU 14,865,000

Tempus programme ECU 6,200,000  
 Tempus programme ECU 834,000  
 Early warning system - nuclear safety ECU 1,637,000  
 Local computer network - nuclear safety ECU 547,000  
 Confinement - nuclear safety ECU 2,000,000  
 Monitoring food aid ECU 1,700,000  
 Multi-country policy advice, except for Uzbekistan, Kyrgyzstan, Armenia, Moldova and Turkmenistan ECU 1,000,000  
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