



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 20.12.2000  
COM(2000) 835 final

**REPORT FROM THE COMMISSION**  
**THE TACIS PROGRAMME ANNUAL REPORT 1999**

Introduction.....	3
Financial performance and streamlining of procedures .....	5
Armenia .....	8
Azerbaijan.....	12
Belarus .....	15
Georgia .....	16
Kazakhstan.....	19
Kyrgyzstan.....	22
Moldova.....	25
Mongolia.....	28
Tajikistan .....	38
Turkmenistan .....	38
Ukraine .....	40
Uzbekistan .....	44
The complementary Tacis programmes .....	48
Evaluation.....	58

## INTRODUCTION

In 1999 the Tacis programme made a major contribution to achieving the objectives of supporting the transition to market economies and to democracy in the New Independent States (NIS)\*.

In 1999 Tacis became even more closely integrated with EU policy in the region, with the coming into force of more Partnership and Cooperation Agreements (PCAs) between the EU and individual NIS. Tacis assistance is provided on the basis of certain shared economic and political values and practices as set out in the PCA's, in particular, respect for democratic principles and human rights, and the principles of a market economy.

Stronger links between policy and technical assistance, enabled Tacis to respond even more suitably to changing circumstances in the region. This is clearly seen in, for example, the rapid response to critical events such as the €20 million of Tacis funds diverted to help overcome the negative consequences of the 1998 Russian financial crisis in other NIS; in the new activities launched in the justice and home affairs field; and in the emphasis on regional cooperation in the Caucasus. The new strategic approach has also made Tacis more visible to policy-makers, economic interest groups and civic organisations in the NIS, offering new opportunities to ensure projects benefit from local ownership. The projects selected in 1999 also contributed to the macroeconomic reform process and the sectoral reform policies of the NIS. The EU kept stressing that implementation of the Tacis programme can be successful only when the NIS' governments undertake the necessary measures of macroeconomic reform.

Tacis projects were implemented by the Commission's Common Service for External Relations (SCR). SCR now manages all implementation aspects – technical and operational, financial and accounting, contractual and legal – of EU aid and assistance, and is also responsible for audits and evaluations. SCR has made progress in streamlining and rationalising the administration of Tacis assistance, including tendering and contract procedures, and particularly in financial management.

Links with other areas of EU policy were also reinforced. Continued progress towards EU membership for the western neighbours of the NIS – including negotiations on such questions as visa requirements or trade links – focused further attention on the role of Tacis on the important border region. The increased importance of the Baltic Sea basin in an enlarged EU and the development of the EU's Northern Dimension initiative are offering further scope for synergy with Tacis. The Northern Dimension initiative, which mainly targets the Baltic region, is a means of maximising coordination and impact of different EU activities concerning Russia and the EU candidate countries around the Baltic, to increase prosperity and respond to the specific needs of the region. Growing recognition of the special circumstances of the Barents Sea region is also leading to enhanced cooperation between Russia and the EU, and Scandinavia in particular, offering another area for Tacis to cooperate with other suitably adapted instruments. At the southern end of the area covered by the Tacis programme, Black Sea and Caspian Sea cooperation instruments are being developed, with Tacis at the forefront of the various instruments deployed to help the problems of these regions. Coordination with other donors – notably the EU's Member States and the International Financial Institutions – were strong (particularly in the light of the Common Strategies for Russia and Ukraine), offering important sources of information and a forum for seeking greater synergies.

---

\* Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan

In the southern Caucasus particularly, the emphasis of Tacis activities in 1999 was linked to the broad objective of promoting regional cooperation. 1999 was a troubled political year in the region – with the assassination of leading figures within the Armenian Parliament, questions over democratic practices in some countries, and the backdrop of Russia's military campaign in the northern Caucasus. Against this background Tacis focused heavily on reopening links of communication, both to help realise the economic potential and to consolidate deeper understanding among different governments.

In terms of programme content, the aim has been to avoid dissipating Tacis's efforts by spreading them too thinly over too wide a range of projects. Tacis has consequently focused on a number of themes agreed as priorities with the NIS and the EU Member States, to support the overall economic reform and sectoral policies of the beneficiary authorities. Emphasis has been placed on addressing the social impact of transition and supporting reform of the important health sector. Structural and institutional reform has been fostered to allow market-oriented economies to function more efficiently, particularly in government departments, and in the financial sector. Attention has been focused on taxation systems, on creating legal systems which establish a secure environment for local and foreign investment and competitive market relations, and on overcoming the challenges of weak judiciaries, which can compound the problem of arbitrary enforcement and act as a major disincentive to investors.

Environmental projects have been conducted, both nationally and in multi-country programmes. European expertise in environmental technologies and industrial processes is important because of the antiquated and sometimes obsolete environmental technology of industries in the NIS. Fostering regional cooperation has also been essential because most of the major environmental challenges facing these countries, notably those relating to air and water borne pollution, are of a trans-boundary nature and require collaboration between the countries concerned. In some border regions, the health of the population has deteriorated, notably owing to the poor quality of drinking water and dangerous discharges; obsolete and inefficient environmental technology in various industrial sectors has produced waste which has a harmful effect reaching beyond border regions.

Another key theme has been development of infrastructure (transport, energy and communications) central to modern knowledge- and information-based market economies, and vital for integrating countries in the region into the international economy. Private sector development has been pursued, to stimulate economic growth, job-creation, and welfare of the population. Human resources has been another major area of Tacis activity, since it is the educational systems which will underpin the long-term growth and prosperity of the NIS' economies, and contribute to the development of democratic societies and market economies by promoting new attitudes, modes of behaviour and skills among citizens. Furthermore, establishment of efficient and targeted social security systems which support the vulnerable groups in society, such as the elderly, is a major challenge to all countries in transition. Moreover, throughout all projects, in order to build lasting capacities in the region through transfer of know-how and two-way exchanges, encouragement was given to work with and through local counterpart institutions, experts and enterprises.

Evaluation and monitoring of Tacis programmes continued in 1999. Responding both to the higher profile which all EU activities acquired during the period, and to an earlier determination to boost the transparency of Tacis operations, a series of evaluation studies were conducted and published during the year. As was to be expected, they were not universally complimentary, but they all recognised that Tacis is moving towards self-assessment and measurement of its activities against exacting criteria. Furthermore, operating in a difficult and rapidly changing environment, Tacis realises that it has to be acutely willing to listen and learn, and not just from evaluation reports but from all stakeholders in the programme.

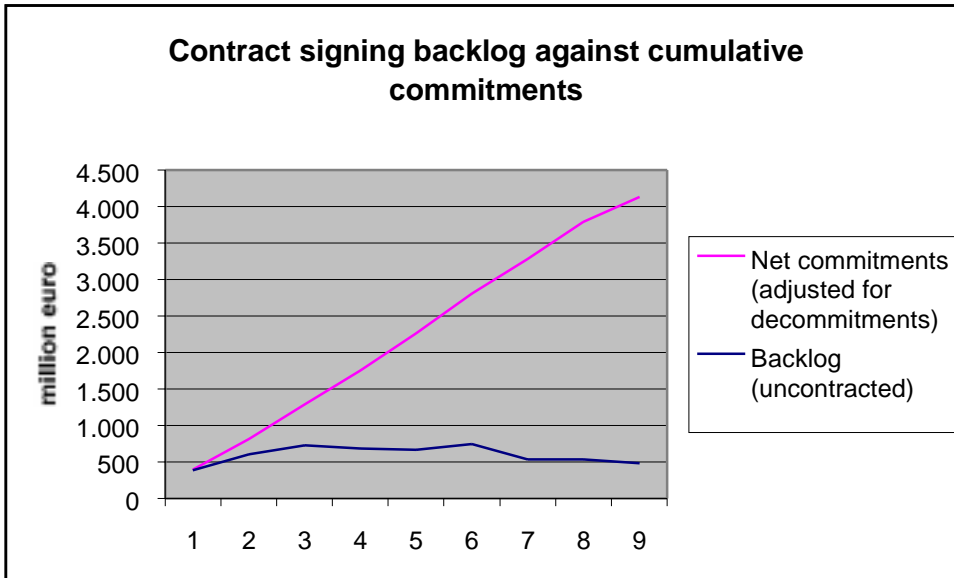
1999 was the last year of operation under the 1996-1999 Tacis Regulation. The new Regulation, covering 2000-06, adopted on 29 December 1999 following consultation of the European Parliament, builds on Tacis experience, and provides for an indicative total of €3,138 million of grant assistance over the next seven years. It provides greater scope for investment promotion activities, with a regional emphasis, and with a sharper focus. EU Commissioner for External Relations, Chris Patten, welcomed the entry into force of the new Regulation at the beginning of 2000 with the prediction that: 'The new instruments will allow us to build an ever closer and constructive relationship with our partners and neighbours in the NIS'.

## **FINANCIAL PERFORMANCE AND STREAMLINING OF PROCEDURES**

In response to the broader moves towards better management of EU external assistance programmes and to the specific challenges of a programme spread over such a wide geographical area and diverse range of beneficiaries, the Tacis programme has been subject to a range of radical improvements in monitoring and supervision. Although performance did improve in many areas during 1999 there is still some way to go, however this issue is to be addressed in the reform of all EU external assistance programmes starting in mid 2000.

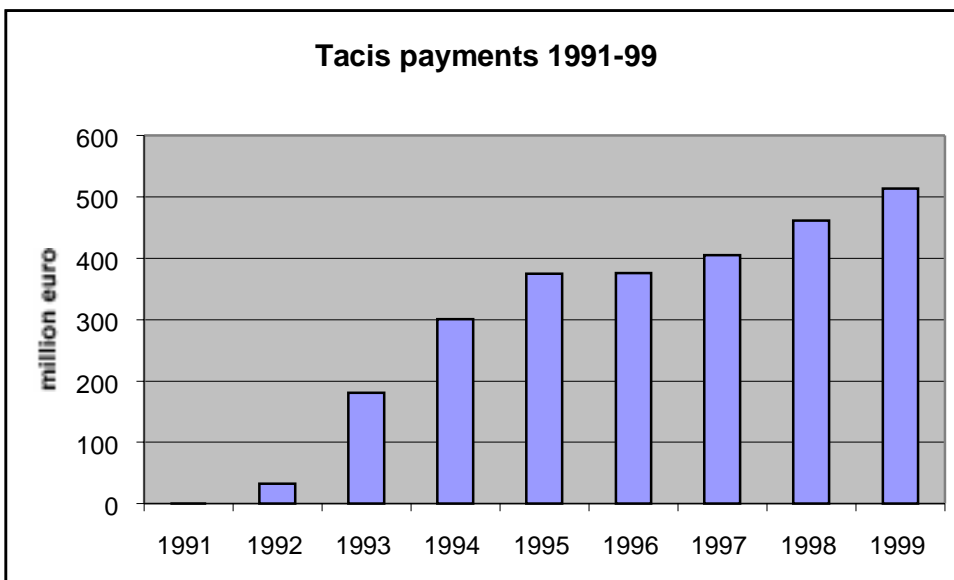
The reform will imply a new division of labour between the Commission services responsible for managing the Tacis programme, now DG Relex and SCR. On one hand, the identification and implementation of projects will be unified in order to shorten the time that it takes to implement approved projects. On the other hand, multi-annual programming will gain more importance, to ensure that it reflects wider policy issues, such as trade, foreign and security policy and the interests of the Tacis partner countries. Moreover, the gradual devolution of project management to the Commission's delegations is aimed to improve the quality and responsiveness of the programme management.

Through the efforts of the Commission to speed up procedures (in which Tacis has done better than any other EU external assistance programme), aided by a housekeeping exercise to decommit uncontracted portions from old programmes (in total €91 million in 1999), the backlog in signing contracts was cut to its lowest level since the launch of Tacis in 1991. This value, which is a cumulative measure of the residue of commitments made after deducting the value of contracts signed (and hence of commitments still available for processing into signed contracts), was down to €455 million in 1999 (after peaking at €747 million in 1996). At this level, the amount is approximately equivalent to one year's Tacis budget.



Under the present rhythm of performance, it takes on average about one year to process a financial commitment into a signed contract – that is, the start of project implementation. Critical points in this process are early commitments by DG Relex, and speedier tendering and contracting by SCR.

As well as improving the processing up-front, the Commission has also succeeded in speeding up the process of paying the contractors carrying out projects. Payments made reached new record levels in 1999: €513.5 million. Faster payments resulted in part from accelerated processing of invoices: in May 1999 there were 71 invoices totalling a value of €12 million over 40 days due; by December there were none, and the internal deadline for processing has been cut to 25 days.



The year 1999 was also a turning point for the contract execution backlog – the payments still to be made under already-signed contracts. It rose every year from 1991 to 1998, when it reached €1,155 million, equivalent to nearly three years of net commitments and over two years of contract signings. But in 1999, for the first time, the contract execution backlog fell, and by 10%, as a result of lower commitments and higher payments.



The overall state of Tacis performance in numerical or financial terms is assessed through the '*reste à liquider*' (RAL) concept, the combination of contract signing and contract execution backlogs. Tracing this cumulative value, it emerges that it peaked at €1,679 million in 1998, but was cut to €1,502 million by the end of 1999, a reduction of 11%. On current projections, the trend is now towards a period of relative stability, with the amounts for commitments, contract signings and payments converging – which is to be expected of a mature assistance programme with a relatively steady level of commitments from one year to another.

Tacis performance in 1999 reflected the figures outlined above (and provided in detail in the annex), with payments up, commitments on target, and launches and contract signings down. Contract signings reached over 99% of commitments, excepting one late commitment (for the Chernobyl Shelter Fund in December). Resource constraints meant that processing of twelve projects, worth €28 million, had to be postponed from 1999 to 2000.

The attention devoted to internal financial management of Tacis was matched by attention to project performance on the ground. The accounts and records of expenditure financed under the programme are checked at regular intervals by external auditors contracted by the Commission. In addition to regular follow-up and controls carried out on the spot, if necessary, by the Commission's services and the Court of Auditors, contracts have been concluded with independent consultants to monitor the progress of programme and contractor activities, and to undertake a comprehensive ex-post evaluation of whether the objectives of the programmes and contracts have been achieved.

In November 1999 the Commission decided to simplify award of contracts within the framework of all cooperation programmes with third countries. The adoption of a manual of instructions for all external aid contracts reduced the more than 40 different current tendering procedures to eight simplified procedures for the procurement of services, works and supplies, applicable to all Community-financed contracts worldwide, as from 2000. It also provided for enhanced transparency of procedures for the award of contracts, with wider publication of the stages of the awarding procedures. A new draft manual of instructions for external aid contracts was published, and work was started on creating a single database for all EU external aid programmes.

Within the new organisation of Tacis, responsibility is shared between the geographic operational units in the relevant Directorate of the External Relations Directorate-General (DG ER E) and the SCR, where directorate A has responsibility for the implementation of programmes and projects in Central and Eastern Europe, the Western Balkans, the New Independent States (former Soviet Union) and Mongolia. Other directorates are responsible for budget programming, financial monitoring; financial implementation, auditing and supervisory activities, publication, administration and approval of invitations to tender and the award of contracts, and evaluation.

In 1999 the SCR also began to look at ways in which the responsibility for the implementation of individual projects could be moved from Brussels to Commission staff in the field, in particular in the four Delegations in Georgia, Kazakhstan, Russia and Ukraine. A pilot scheme in the field of private sector development saw a programme officer based in the Delegation in Almaty taking over responsibility for projects. This pilot scheme has since been extended to Kiev. Moving project responsibility closer to the projects themselves will ensure more flexible project management. The lessons learnt from the pilot projects will serve as a basis for transferring further operational responsibility to staff in the field. However, it should be noted that since the Commission does not currently have a complete network of Delegations covering the NIS, decentralisation will not be able to move as fast with Tacis as it has with other Commission programmes.

## **ARMENIA**

In line with the broad objective of promoting regional cooperation, the Tacis focus for Armenia was increasingly on the improvement of communication links, both as a prerequisite for realising the full economic potential of the country, and as a mechanism to encourage the governments of the region to work together on mutually beneficial projects, despite the conflicts. Armenia benefited in this respect both from actions under the national Tacis programme and from the Inter-state Programme, especially Inogate and Traceca. This focus was complemented by Tacis's attention to enhancing skills in business, in government, and in agriculture, and to developing civil society – all of which have their role to play in the emergence of a country and a region with a population that can subordinate the bitterness of the past to its feeling that it has a stake in working for the future.

### ***Some Tacis contributions in 1999***

The main projects Tacis supported during the year included pioneering a new approach to building policy coherence in the regions, so that the market economy principles adopted by central government can be put into effect at local level. Until now, sub-national government has had only limited experience in independent economic management, so disciplines such as budgeting, cost estimations for investment, and prioritisation are new. The pilot project now underway in the Lori region will have direct impact there, and provide a model that can serve as a demonstration for other regions and other countries.

It also assisted in implementation of Armenia's Partnership and Cooperation Agreement with the EU, which came into effect in July 1999, and with its commitments in relation to its bid to join the WTO. An independent Economic Policy and Legal Advice Centre is being created to deliver assistance on trade and investment, and subsequently on policy and legal questions in these areas. Tacis supported the shift in Armenia's energy policy as it prepares for the close-down of the Medzamor nuclear power plant, both through assistance in identifying alternative sources of energy and energy-saving methods for the Energy Strategy Centre within the government, and through direct technical assistance such as supplying safety valves for Medzamor, to boost security during its final years.



In addition, Tacis:

- helped strengthen the effectiveness of the judiciary and reinforce its independence by establishing a judicial training school; this has started enhancing the skills of judges and court officials, and preparing and publishing commentaries on Armenian law.
- helped introduce a social security numbering system to allow wider access to benefits and more systematic planning.
- promoted new business start-ups through support centres.
- provided social work training.
- continued cooperation in higher education reform through the Tempus programme.

### **Tacis in the political context**

The EU-Armenia Cooperation Council held its first meeting, in Luxembourg, in October 1999, and expressed its confidence that implementing the PCA would ensure coherence between the various aspects of EU-Armenia relations, including assistance such as under Tacis. It also argued for 1999/2000 cooperation to focus on supporting the efforts to resolve the Nagorno-Karabakh conflict; identifying means of fostering regional cooperation in the Caucasus; implementation of the PCA in general and of measures aimed at facilitating trade and investment in particular; facilitation of measures aimed at allowing Armenia to close down the Medzamor nuclear power plant; strengthening the democratisation process and respect of human rights, as well as close cooperation in combating drug-trafficking.

Under the 1996-99 Tacis Indicative Programme for Armenia, approved in July 1996, priority was given to three areas of cooperation:

**Human resources development:** Reform of the public administration is a key element of the transition process, and Tacis projects on public administration and unemployment are intended to support policy formulation. Changes require civil servants to perform new roles in a changing political, social, economic and administrative environment, and adaptations are needed accordingly in the function and financing of public administration. Tacis has been providing assistance to establish a School of Public Administration, which has become a national training institution for the upgrading and re-qualification of enrolled civil servants and for training of the next generation. It has also been running projects in the social security field.

**Private sector development:** Tacis has worked to meet the needs of new, private or privatised companies in terms of business skills, restructuring advice, a stable banking system and adequate capital markets, and the development of a comprehensive legislative and regulatory framework for a market economy. Private sector support has been aimed at establishing an environment within which private operators can flourish. Tacis actions also included a project to establish an Accountancy Training Centre to provide longer-term training courses to graduates and upgrading courses for practitioners. Tacis has already helped establish the Agricultural Cooperative Bank of Armenia to provide credit so farmers could increase yields through buying seeds or modernising their machinery. Other Tacis projects have helped privatisation, trained the banking sector, and established Armenian institutions which are playing an intermediary role in the development of the private sector: an SME business centre, an agency providing advice to privatised companies undergoing restructuring, and a mutual investment fund intended to play a role in the developing securities market.

**Support for the implementation of the public investment programme:** Tacis is supporting reform in the energy sector. Overcoming the energy crisis has been the focus of Tacis action in Armenia since 1991. Previous Tacis projects included the development of an energy-saving strategy and the creation of an energy centre, the restructuring of the gas sector, and the management of oil and gas pipelines. The energy crisis is now over and reforms are ongoing. Tacis is helping identify alternative energy sources and to reduce energy consumption in response to Armenia's commitment to close down the Medzamor Nuclear Power Plant by the end of 2004.

### *Action Programme*

The latest Tacis Action Programme for Armenia (dated 1998-99) included six new projects, each worth around €1 million. Four of these projects addressed the theme of human resources development:

- Civil service: Tacis is aiming to assist the strengthening of the public administration through the development of a professional civil service structure and organisation at central and regional level.
- Regional administration: the Lori region has been chosen as a pilot case to demonstrate how regional administration can coordinate regional development policies, foster local democracy, and apply the market economy principles advocated by central government at local level.
- Training for the judiciary: the establishment of a judicial training school will enhance the skills of 100 judges and 200 court officials, and help in preparing and publishing commentaries on Armenian law.
- Employment policy: assistance to the National Employment Service is intended to build its capacity to implement an active employment policy, to study market demand, and to implement employment and business support strategies, including the training of unemployed persons.
- Under the heading of private sector development, it was decided that existing Tacis work to foster a climate for private operators should be extended. The aim is to give greater coherence to all levels of intervention, ranging from policy advice to the government, through assistance in setting up business support organisations, to training of local consultancies and direct restructuring assistance in pilot enterprises. In this way the experience from pilot restructuring assignments can be referred to the political level and can help deal with obstacles to development in the regulatory, legislative or fiscal environments.
- In the public investment programme area, a new project aimed at strengthening the Energy Strategy Centre and its sustainability, via creation of a national energy security and diversification plan, preparation of a plan for decommissioning the Medzamor nuclear plant, implementation of new energy projects, and preparation for privatisation in the energy sector.

Extensive use was also made of the Small Project Programmes, including Tempus, policy and legal advice, and the statistics programme. For the first time, Bistro was available in Armenia in 1999, implemented by the Delegation of the European Commission based in Tbilisi.

The 1998-99 programme received a grant of €10 million, allocated as follows (in million euro):

Human resources development	4.0
Enterprise restructuring and development	2.0
Energy	1.0
Bistro	0.3
Small project programmes	2.4
Reserve	0.3
Total	10.0

## **AZERBAIJAN**

The Tacis programme in Azerbaijan takes account of the specific needs of the country, of the overall objective of regional cooperation, and of broader EU goals. Notably, Azerbaijan's potential as a major oil-producing country is limited by the difficulties it faces in exporting its resources to international markets. And Azerbaijan is an important transit country for European producers seeking access to markets in the Caucasus and Central Asia, as well as for European importers of goods and raw materials, including oil and gas. So Azerbaijan has benefited both under the national Tacis programme and from multi-country Tacis initiatives, especially Inogate for energy and Traceca for transport, and the regional project for agricultural reform.

### ***Some Tacis contributions in 1999***

Among the projects Tacis conducted during the year, it continued to boost the private sector through the SME Development Agency which Tacis helped to set up in Baku in 1994. The latest stage in this assistance is to make the agency financially self-sustaining. Instead of just promoting institutional changes, the agency is now increasing direct benefits to SMEs: and Tacis is co-financing the services provided, to ease the cost burden for SMEs. The aim eventually is that the agency will no longer need Tacis support. The programme has also prepared the ground for a Bank Training Centre and the development of a curriculum for senior bank managers. This centre is designed as a complement to other reforms in the banking sector, and will contribute to the development of an efficient financial sector in the country.

Furthermore, Tacis has:

- provided special aid to schools, roads and irrigation through an exceptional grant of macro-financial assistance; the results included equipment and buildings for schools, and the rehabilitation of road bridges.
- helped define the form of a supervisory authority for the energy industry.
- completed training for 300 auditors and insolvency practitioners.
- set up regional agro-support units to help food producers to manage their businesses.

- continued cooperation in higher education reform through the Tempus programme.

### **Tacis in the political context**

The first EU-Azerbaijan Cooperation Council was held in Luxembourg in October 1999. It expressed confidence that implementing the PCA would ensure coherence between the various aspects of EU-Azerbaijan relations, including assistance under Tacis and regional cooperation. And it set an agenda including support for efforts to resolve the Nagorno-Karabakh conflict and identifying means of fostering regional cooperation in the Caucasus; implementation of the PCA in general and measures aimed at facilitating trade and investment in particular; strengthening the democratisation process and respect of human rights, as well as close cooperation in combating drug-trafficking.

The constituent meeting of the new EU-Azerbaijan Parliamentary Cooperation Committee in Brussels on 18 April 2000 welcomed 'the extensive economic reform policy of the Azerbaijani governments since 1991 and the assistance provided by the EU in particular through the Tacis programme in this area'.

Under the 1996-99 Tacis Indicative Programme for Azerbaijan, approved in July 1996, priority was given to three areas of cooperation: infrastructure, private sector development, and human resources.

**Development of infrastructure:** Tacis has been helping the emergence of a more structured framework in the energy sector, with a more defined division of duties and authorities between policy-making, regulatory and operational functions. At the same time, Tacis has backed the establishment of an energy-saving centre and a management training centre for the energy sector, and helped rehabilitate gas and electricity infrastructures. It has also helped the authorities to recognise the urgent need for better organisation of the electricity distribution sector and of payment collection if international investors are to be attracted into financing the sector.

Transport has received major attention from Tacis because of Azerbaijan's key geographical position on the east-west route from Central Asia over the Caspian Sea to the Black Sea and Europe. Tacis has helped in the development of the Caspian Shipping Company, maritime training for the Baku Port Authority, road transport studies, assistance in railway maintenance and a joint venture for the trans-Caucasian railways, and a study on the reconstruction of a ferry terminal in Baku. The Ministry of Telecommunications benefits from advice on policy, a training centre, and high-level network planning and investment analysis.

**Private sector development:** Tacis is supporting a continuing reform programme to create the conditions for long-term sustainable growth, in privatisation, restructuring of industries, financial services, SME development and agriculture. Projects have included training of auditors and insolvency agents, economic and legal reform to assist trade and investment, the setting up of an SME Development Agency in Baku (Kosia), regional agro-support units to train private farmers and food processors in business management and credit applications – based on the first phase of a major regional agricultural programme which provides rural credit funds to farmers via commercial banks.

**Human resources development:** Tacis has supported the higher education system through a School of Public Administration and the development of MBA programmes, and assistance has been given to strengthening the labour market. Now assistance in pension reform and labour protection is expanding support in this sector to new areas, increasingly needed as reforms progress

and a growing number of the workforce are employed in the private sector. And advice is being given in approximation of legislation to international requirements, and the development of trade policy to foster Azerbaijan's integration into the world economy, and its trade relations with its neighbours.

Tacis assistance also complements other EU actions - including exceptional financial assistance, and the €225 million of assistance the EU has so far provided to Azerbaijan in grants alone, for humanitarian assistance to the neediest elements of the population, food aid, structural food security assistance aimed at restoring Azerbaijan's capacity to feed its population, and rehabilitation projects in areas bordering Nagorno-Karabakh. In the agricultural sector, Tacis-led agricultural reform supported by the food security programme is an essential precondition for developing systems of rural credit.

### ***Action Programme***

The latest Tacis Action Programme for Azerbaijan (dated 1998-99) included the following projects:

- continued support for the creation of a Ministry of Fuel and Energy.
- combating the environmental effects of energy production, by focusing on the rehabilitation of oil contaminated land – over 2,000 hectares on the Apsheron peninsula alone. The project includes feasibility and pilot studies of the use of local Azeri technologies, boosting the role of regulators, and attracting investment for improving the environmental impact of the energy sector.
- support for restructuring policy in the energy sector, continuing assistance to the Ministry of Fuel and Energy.
- pilot assistance to a local oil equipment manufacturing company, Azneftekhimash, to establish itself as a supplier to international oil companies.
- helping the Ministry of Fuel and Energy, Azenerjii, and the Baku municipal electricity distribution company, Bakuelectrostet, in the management of electricity distribution.
- a feasibility study for safety improvements in upgrading and rehabilitating management and control systems for high pressure gas pipelines around Baku and Sumgait, at the Kalmas and Karadagh gas storage facilities, and at the Karadagh gas processing plants.
- a study on reconstructing Azeri railways.
- support for reorganisation of transport administration, including the creation of a Ministry of Transport to cope with the general lack of investment and maintenance since the break-up of the Soviet Union, and to create opportunities for collaboration between state and private companies and ensure synergy between transport modes and help integrate Azerbaijan into the region's multi-modal transport network.
- developing financial self-sustainability for the Baku SME support unit.
- policy advice to guide the privatisation process – including regulation of post-privatisation activities of joint-stock companies to allow development of a securities market.

- establishing a Bank Training Centre and developing a curriculum for senior bank managers.
- establishing a rural credit financial institution which should become self-sustaining.
- pension system development and extension of health and safety protection for employees.
- establishing a Policy and Legal Advice Centre in Azerbaijan to promote integration into international trade.

The 1998-99 programme received a grant of €13.2 million, allocated as follows (in million euro):

Energy	3.6
Transport and telecommunications	2.4
Enterprise restructuring and development	3.5
Food production, processing and distribution	1.0
Human resources development	2.2
Small project programmes	2.8
Reserve	0.5
Total	13.2

Azerbaijan also benefited from exceptional special assistance amounting to €9.5 million in 1999, to assist it in coping with the difficult social circumstances in the country, due in particular to the conflict in Nagorno-Karabakh.

## **BELARUS**

Relations with Belarus remain strained, because of EU concerns over political developments there. Tacis activity in Belarus is accordingly limited to the terms of the September 1997 EU decision to provide technical assistance only in terms of regional programmes, programmes directly benefiting the democratisation process, and humanitarian aid.

No Indicative Programme has been agreed for the 1996-99 period, and consequently there is no Action Programme for 1999. Therefore there were no Tacis projects tendered during 1999. In November 1999 however, the Belarusian government endorsed the €5 million 1997 Tacis Civil Society Development programme for Belarus, which will be implemented in 2000. This programme will include projects working with Belarusian NGOs, media and students. In the field of higher education, projects that were approved under the Tempus programme 1996-97 were implemented during 1999.

In accordance with the above-mentioned 1997 decision, Belarus has benefited from some Tacis regional programmes, for example the Inter-state and Cross-border Cooperation programmes, notably covering activities in the environment and improvement of border crossings – and the Nuclear Safety programme. In addition, Belarus benefits from non-Tacis programmes such as the Democracy Programme and humanitarian aid provided by ECHO.

## **GEORGIA**

In common with its neighbours in the Caucasus, Tacis activities in Georgia are a support to the overall EU strategy of strengthening the independence of this important transit country between Europe and Central Asia, and its progress to a market economy and fully developed democracy. The entry into force of the PCA in July 1999 marked a positive step towards strengthening links with the EU, but 1999 also saw major developments for physical links to the west, with new ferry routes across the Black Sea to Ukraine established and further routes to Ukraine and Romania now being studied, thanks to Traceca. These new transport links are all the more important since the established routes through Russia to the north of Georgia are now disrupted because of conflict in the region.

### ***Selected Tacis contributions in 1999***

Tacis projects underway during the year included working with the government on preparations for the privatisation of the port at Poti, and guarantee equal access to all users of the port which is an important gateway on the Traceca route. Tacis provided training for judges, in support of a major reform of the judicial system. It worked towards reducing the deficit in the Georgian trade balance by promoting exports; this project is designed to provide information about markets, clients and products, standards, certifications, and transport to the Georgian export community.

In addition, Tacis:

- continued backing the CERMA project on restructuring of medium-sized privatised enterprises.
- supported the Georgia-Europe Economic Policy and Legal Advice Centre project on approximation of legislation with the EU and support for Georgia's WTO application.
- funded Georgian Economic Trends, a Tacis publication recognised by all donors as a primary source of economic analysis of the Georgian economy.
- under the Inogate project, Georgia also received assistance in mobilising investment to rehabilitate its hydrocarbon transit potential and for enhancing its competitive position as a transit country for east-west flows of oil and gas resources from the Caspian to the Black Sea region.
- continued cooperation in higher education reform through the Tempus programme.

### **Tacis in the political context**

Following the June 1999 summit meeting of Armenia, Azerbaijan and Georgia, the PCA entered into force, placing the delivery of the wide range of EU support to Georgia within a new, more coherent framework. The Cooperation Council between the European Union and Georgia held its first meeting in Luxembourg in October 1999, and expressed its confidence that implementing the PCA would ensure coherence between the various aspects of EU-Georgia relations, such as the political dialogue on foreign policy issues of mutual interest, democracy and human rights, cooperation against drug-trafficking, trade relations and economic cooperation, assistance under Tacis, and regional cooperation.



Under the 1996-99 Tacis Indicative Programme for Georgia, which was approved by Member States in July 1996, priority was given to development of infrastructure, private enterprise and human resources.

**Development of infrastructure:** The Georgian energy sector suffered severely from disruption of economic links after the collapse of the Soviet Union and the civil conflicts that followed. The sector has now been partially restructured, and privatisation is under way, but there are still acute needs for training of staff and further assistance in the establishment of an institutional framework. Meanwhile assistance is given to improve accounting and financial management of the electricity generation sector, and in energy savings. The ultimate Tacis objective is to stimulate Georgian oil and gas production both onshore and offshore and to encourage foreign investment in downstream activities, and Tacis has already provided substantial assistance to the Georgian International Oil Corporation in management, in negotiation and in developing oil-transit related services. Georgia has also benefited substantially from the Traceca transport programme: the internal transport infrastructure remains in poor condition but privatisation is being envisaged – so Tacis is working to promote infrastructure rehabilitation with private investment, but without the creation of private monopolies at points of entry to the Traceca route.

**Private enterprise development:** At the crossroads of the oil-rich developing markets of Central Asia and the large developed markets of Europe, Russia and Turkey, Georgia is ideally located to expand exports, particularly in light industry, agriculture and agro-processing. But the poor response of privatised large enterprises to reforms has been a major constraint on growth, and the government has designated enterprise restructuring as a key priority for the next phase of Georgia's economic reforms. The banking sector is still primarily confined to short-term activity, and the lack of financial infrastructure and limited access to affordable credit is an impediment to business development. Substantial credit and investment are hampered as long as banks do not follow transparent accounting standards themselves or require them from enterprises seeking credit – an obstacle which is being addressed through the Tacis International Accounting Standards project. The agricultural credit scheme in the Regional Agriculture Reform project has to date granted a total of €17 million in loans to private farmers and traders through private commercial banks.

**Human resources development:** The Parliament is increasingly emerging as an active player in monitoring the policies of the executive, willing to play a full part in Georgia's system of democratic checks and balances. Strengthening the capacity of the executive and the legislature is crucial for the implementation of the international obligations Georgia has taken on and for consolidating ties with Europe. Tacis actions in the past have concentrated on training the Parliament and civil servants, and there has been a recent focus on the judiciary since, for laws to be implemented, it is necessary to have a functioning and independent judicial system. Tax revenues are among the lowest in the world, and the Civil Service Reform and Training Project is one of the Tacis contributions to building a more effective administration.

### ***Action Programme***

The latest Tacis Action Programme for Georgia (dated 1998-99) included the following projects:

- assistance to improve accounting and financial management of the domestic gas distribution sector.
- training the Poti and Batumi port management as well as ensuring maritime safety, by preparing a feasibility study on rehabilitation measures in the Poti port breakwater, and by carrying out surveys and underwater inspections of the harbour areas.

- restructuring large enterprises.
- establishing a sound and efficient banking sector.
- promoting Georgian exports.
- developing an agricultural credit system.
- promoting the growth of the tourism sector.
- continuation of Tacis support for CERMA, the post-privatisation managerial support centre.
- support to accounting reform in commercial banks.
- assistance to farmers' associations by further development of rural credit schemes, building on the success of the rural agricultural reform programme (RARP).
- training of private tourism entrepreneurs, especially the small ones.
- an important project on training of judges.
- reforming the customs service in order to improve tax collection, reduce opportunities for illegal activities and implement trade commitments undertaken in international agreements such as the PCA.
- at GEPLAC (Georgian-European policy and legal advice centre) a library will be set up and a Law Review on Georgian and European legislation initiated. It will now focus on assisting in the approximation of EU legislation.
- training democratically elected deputies and officials working in the local administrations in the principles of democratic local government and local government management.
- reforming the statistical system in key areas.

The 1998-99 programme received a grant of €16 million allocated as follows (in million euro):

Transport and telecommunications	1.0
Energy	1.5
Human resources development	4.0
Support for enterprise	3.5
Food production, processing and distribution	1.0
Bistro	0.5
Small-scale technical assistance (SSTA)	0.2
Small project programmes	3.8
Reserve	0.5
Total	16.0

## **KAZAKHSTAN**

The guiding principle of Tacis actions has been to support the macroeconomic and sectoral policies of the Kazakhstan authorities, in pursuit of stability, a reversal of the decline in output, improved productivity, sustainable medium-term development, and protection of vulnerable social groups. The south-east Asian crisis and the Russian financial crisis of 1998 hurt Kazakhstan's economy, and trade in particular, showing its vulnerability to external shocks. However, following devaluation of the tenge in April 1999, Kazakhstan's exports became more competitive and the economy has started to recover steadily. The government has continued with its policy of reforms towards market economy.

### ***Some Tacis contributions in 1999***

Some of the projects supported by Tacis during the year include:

- assistance to the reorganisation of banks so they could in turn help new businesses.
- training for dog-handlers, to allow the customs service to function more efficiently in detection.
- support to the national oil company for the establishment of a monitoring system.
- support to efforts to tackle the environmental degradation around the Aral Sea.
- continued cooperation in higher education reform through the Tempus programme.

## **Tacis in the political context**

The first EU-Kazakhstan Cooperation Council took place in Brussels, in July 1999. It reviewed Tacis activities, and concluded that cooperation in 1999/2000 should focus in particular on improving the business climate; accelerating negotiations for accession to the WTO; fostering regional cooperation in Central Asia, notably through Traceca and Inogate; the setting up of a programme of assistance to the democratisation process, and close cooperation in combating drug-trafficking.

Under the 1996-99 Tacis Indicative Programme for Kazakhstan, approved by the Tacis Management Committee in November 1996, priority was given to structural and institutional reform, agriculture and agro-industry, and development of infrastructure.

**Structural and institutional reform:** Tacis assistance has consistently targeted training and education to help create independent and high-quality institutions, particularly in the disciplines of management and economics. Recently assistance has targeted skills development for the civil servants who have to conduct Kazakhstan's international relations and foreign policy. It has also focused on improving training systems within the public administration. In parallel, Tacis supported the setting up of an agency for civil service affairs responsible for nationwide public administration reform. Economic policy-making was also targeted via a macroeconomic forecasting and modelling project.

**Agriculture and agro-industry:** Agriculture is in a difficult state, and privatisation of farming is a central element in the government's restructuring plans. Agriculture still plays an important role in Kazakhstan, supporting over two million rural households and contributing an estimated 15% of GDP in 1995 – but this figure has dropped from 25% in 1986-90. With the genuine privatisation of land use constrained by economic, social and political factors at regional level, there is a risk that the farm restructuring process may stall unless it receives further impetus through oblast-level initiatives.

**Development of infrastructure:** Kazakhstan is rich in primary energy resources such as oil, gas and coal. The efficient exploitation of these resources, whether for export (much of it will be exported) or in providing domestic electricity supply, is critical to the economic development of Kazakhstan. An effective control and monitoring system in the exploitation and disposal of oil and gas products is an essential tool if the national energy resources are to be used in the best interests of Kazakhstan. Tacis is assisting the national oil company to establish such a system. In telecommunications, the national authorities face increasing demand for allocation of air waves to operators of cellular communications, satellite communications, private networks – generally all services requiring use of radio communication. Tacis has assisted in frequency management and monitoring, as well as in the establishment of an independent centre for metrology, certification and standardisation.

## ***Action Programme***

The latest Tacis Action Programme for Kazakhstan (dated 1998-99) included a total of 10 projects, with around 60% of funding allocated to the broad theme of reform and reorientation of structures and institutions in the public and private sectors, so as to support the emergence of a market economy.

The projects covered by the theme of structural and institutional reform are designed to support the emergence of a market economy, targeting both public and private sectors:

- The state programme on legal reform aims to strengthen the legal and regulatory systems, by providing technical advice in preparation of legislation, supporting development of legal education, and improving access to legal information and raising public awareness.
- Helping Kazakh industry to work with international standards, to foster competition in national and international markets.
- Improving the skills of the Ministry of Economy in using macroeconomic modelling and forecasting techniques. The improvement of the quality and the coverage of official statistics is a prerequisite for this project.
- Assisting the continued development of business education at the Kazakh Institute for Management and Economic Research (KIMEP), with a view to ensuring institutional and academic sustainability.
- Supporting the development of an environmental and transport policy strategy to improve air quality by reducing vehicle emissions. A pilot project in Almaty will aim to reduce the impact of pollution on health.
- Strengthening the institutional capacity of the Ministry of State Revenue in tax collection and administration.

In agriculture and agro-industry, Tacis assistance is primarily directed at supporting small private farms, through the establishment of an effective rural marketing infrastructure. The rural marketing project will assist the Ministry of Agriculture and the oblasts' administrations in developing a rural market infrastructure, building on previous initiatives on wholesale markets and market information.

In infrastructure development, transport and oil and gas are the focus. In transport, the project will complement the multi-country Traceca project, by improving regulation and standards, and administrative procedures on other transport corridors linking up with the Traceca routes. With oil and gas restructured in 1997, putting operations in the hands of KazakhOil, this project will aim to strengthen the state's ability to execute the supervisory role, as well as assisting in developing quality control and safety procedures.

The Bistro programme, managed by the Commission's Delegation in Almaty, complements mainstream Tacis activities, providing accessible, flexible support to a wide variety of small-scale projects. Successful Bistro projects have included support to a retraining programme for the unemployed in northern Kazakhstan, the promotion of energy efficiency within hospitals and the setting up of a Foreign Investment Council designed to improve the overall business climate.

The 1998-99 programme received a grant of €23.9 million, allocated as follows (in million euro):

Structural and institutional reforms	9.1
	2.0
Agriculture and agro-industry	4.0
Infrastructure development	0.8
Bistro	7.3
Small project programmes	0.7
Reserve	23.9
Total	

## **KYRGYZSTAN**

Kyrgyzstan is an agricultural country, rich in mineral resources such as gold and rare metals. However, exploitation of these natural resources is hindered by the poor state of its industrial infrastructure and market links. Although this did not prevent it being one of the first NIS to join the WTO. Tacis support has focused on supporting the transition to market economy, including helping in the development of the private agricultural sector. In addition, it has targeted the development of transport and infrastructure links, including through Traeca, which helps the Central Asian countries gain more efficient links with Europe, and to some extent putting in place structures which will help the economy diversify.

### ***Some Tacis contributions in 1999***

Among the projects Tacis conducted during the year, it provided support for the Ministry of Transport and Communication for development of the post office, Department of Air Policy and the national air company. It helped set up a bank advisory service, and provided hands-on advice to individual banks and other financial institutions in cooperation with the Training Centre of the National Bank and the Regional Bank Training Centre. Tacis also delivered training on energy efficiency in production and distribution; advised on the building of a new airport; provided agri-business advisory services; and set up private livestock farmers' associations. There was continued cooperation in higher education reform in the framework of the Tempus programme.

Furthermore, under structural and institutional reform, the focus was on policy making and on putting in place administrations and financing institutions to nourish the medium to long-term production capacity expansion of enterprises. This included improving the interaction of ministries with foreign donors and other international bodies. Finally, Tacis responded to a government request to provide technical assistance to the Rural Finance Project being prepared with the assistance of the World Bank to encourage farmers and farm groups with credits, in the interests of generating a more dynamic and profitable agricultural sector. Tacis provides advice to the Kyrgyzstan Agricultural Credit Corporation, including on treasury management systems, loan application appraisal and identification of agri-business enterprises and large farms, and support to farmer groups seeking joint credits. Another project aimed at building on earlier Tacis work in helping develop profitable private businesses in the agricultural sector, with an emphasis on

marketing and food processing, and on stimulation of national and international trade through contacts and systematic information.

### **Tacis in the political context**

The first Cooperation Council between the European Union and the Kyrgyz Republic took place in Brussels in July 1999, and expressed its confidence that implementing the PCA would ensure coherence between the various aspects of EU-Kyrgyzstan relations, including assistance under Tacis, and regional cooperation. Ministers concluded that cooperation in 1999/2000 should focus in particular on economic issues; on the best use of Traceca (Transport Corridor Europe-Caucasus-Central Asia) and Inogate (Interstate Oil and Gas Transport to Europe programmes), for the improvement of infrastructure links between Central Asia and Europe; on Tacis assistance to make European businesses more aware of the opportunities in Kyrgyzstan; on the monitoring of political developments affecting the stability of Central Asia; on following the democratisation process in Central Asia and, on close cooperation in combating drug-trafficking.

Under the 1996-99 Tacis Indicative Programme for Kyrgyzstan, which was approved by the Tacis Management Committee in September 1996, priority was given to structural and institutional reform, agriculture and agro-industry, and development of infrastructure.

**Structural and institutional reform:** The broad theme for Tacis is the reform and reorientation of structures and institutions towards supporting the emergence of a market economy. Projects address areas that are critical to the transformation process such as social reforms, support to SMEs and trade development. The upgrading of the capacity of governance and administration, through training, restructuring and policy advice, is a prerequisite for the entire reform process. The PCA sets out the framework for trade and political relations between the European Union and the Kyrgyz Republic. In addition whilst Kyrgyzstan joined the WTO in 1998, there are legislative and institutional issues to be addressed to ensure that Kyrgyzstan can meet its WTO and PCA obligations and reap the full benefits. Kyrgyzstan has begun to move towards the creation of a more favourable business climate for foreign investment by establishing a proper legislative environment. But foreign direct investment is slow in the small- and medium-sized enterprise sector, and despite high levels of technical skills and education, the capability of Kyrgyz entrepreneurs to promote themselves effectively to potential foreign partners remains weak and underdeveloped. The economic transition process brought radical social changes and deeply affected the labour market. More than half of the Kyrgyz population lives below the poverty line, unemployment being one of the major problems, and the government has set up a National Training Fund to help tackle this problem.

**Agriculture and agro-industry:** Agriculture is the leading sector in the Kyrgyz economy, playing a dominant role in employment (49%), and accounting for a major share of GDP (46%), and foreign exchange earnings (38% of exports), as well as being crucial for national food security. After a major fall from 1990 to 1995, a recovery is being led by crop production; livestock production still remains depressed. Despite massive privatisation and progress in price deregulation, trade liberalisation, and land reform, the transition to efficient, private agriculture based on market principles is still slow. Tacis has helped the transition with support for the preparation of a strategy plan, and with agricultural inputs to private farmers, improvement of the private livestock sector, development of agribusiness, and creation of a rural credit service. In addition, Tacis is addressing a problem with seeds, with many farmers currently using low quality seeds which germinate poorly and allow the spread of diseases.

**Development of infrastructure:** The transport and communications infrastructure in the Central Asian republics was developed as part of the extensive, inward-looking, Soviet transport system, and consequently does not serve east-west links. The existing transport infrastructure would be sufficient to support a moderate recovery in economic activity if maintenance and rehabilitation activities were undertaken. However, the lack of funds for maintenance is responsible for a severe deterioration in the system to the point where major rehabilitation is required. Road transport is the principal mode of transportation in this mountainous country (over 80% of total freight), but there is a lack of real competition.

### *Action Programme*

The latest Tacis Action Programme for Kyrgyzstan (dated 1998-99) included the following projects:

- Assisting implementation of international commitments through the PCA and accession to the WTO, via dialogue with the administration and the Kyrgyzstan Parliament, to ease adoption of legislation, and via a 'Kyrgyzstan-Europe Policy and Legal Advice Centre' (KYRPLAC).
- Support to the SME sector, via a Business Cooperation Centre in Bishkek to act as a 'first stop shop' for cross-border collaboration, with a branch office in Osh, and technical assistance to the State Agency for Foreign Investment.
- Improve the capacity of the Training Development Fund through modern technologies adapted to the country, and through training of officials, as well as direct training of the unemployed and disadvantaged groups.
- Provide farmers with good quality seeds of selected varieties, support the farmers' advisory consulting services, and improve the technical, agronomic and business knowledge of farmers and managers involved in the production of seeds, as well as implementation of a pilot project for seed production.
- Prepare a comprehensive feasibility study to rehabilitate the roads between Osh and the towns of Erkech Tam and Isfana, with a view to enabling the government to negotiate finance from the international financial institutions. The construction works themselves and the reduction of transport costs due to improved road conditions would have a positive impact on the region's economy.

The 1998-99 programme received a grant of €12 million, allocated as follows (in million euro):

Structural and institutional reform	5.0
	1.5
Agriculture and agro-industry	1.4
Infrastructure development	3.3
Small project programmes	0.7
Reserve	12.0
Total	



## MOLDOVA

Moldova, on the western edge of the Tacis region, borders directly onto Romania, one of the countries negotiating to join the European Union. In common with the other NIS in Eastern Europe, as these negotiations gather pace, relations between the EU and Moldova will shift gradually to reflect this growing proximity. For Tacis in Moldova, this means supporting the development of the market economy, encouraging in particular the establishment of new trading relationships. This requires the integration of international standards and quality procedures if Moldovan producers are to gain new markets.

### *Some Tacis contributions in 1999*

Tacis actions conducted during the year:

- allowed for work experience periods for Moldovan managers in the EU, through the Managers Training Programme – formerly Productivity Initiative Programme.
- helped small enterprises, created by staff previously employed in defence industries, in developing new business and seeking foreign partners.
- continued support to regional information centres for private farmers, who, after privatisation, directly manage their own businesses.
- assisted the Moldovan administration in starting the implementation of the Partnership and Cooperation Agreement.
- sponsored the work of the Regional Environmental Centre.
- helped the Moldovan administration in developing the concept of the Moldovan Export Promotion Organisation, which, if well managed, will be an essential tool for Moldova's trade policy.
- continued cooperation in higher education reform through the Tempus programme.

### **Tacis in the political context**

The PCA between Moldova and the EU entered into force on 1 July 1998. The implementation of the PCA involves activities in a wide range of areas, and the Cooperation Council, in its first meeting, approved a 1998-99 Joint Work Programme identifying the priority areas.

Under the 1996-99 Tacis Indicative Programme for Moldova, which was approved by the Tacis Management Committee in September 1996, priority was given to food production, processing and distribution, private sector development, and human resources development.

**Food production, processing and distribution:** Moldova remains a predominantly agricultural country, and the importance of the sector to the national economy is significant. The possibilities for a recovery in agriculture are very high, reform of agriculture is under way but production continues to fall. Tacis has stepped in to assist reform so that progress in the restructuring of this mainstay of the economy can drive overall economic growth. The goals laid out in the 1996-99 Indicative Programme, namely improving the policy-making capacity in this area and developing rural credit, were key features in the 1996-97 Action Programme. Recently, Tacis activities have

focused on improving the capabilities of farmers to produce, with a focus on rural community development, which includes extension and information services, and promoting the development of small private agri-business.

**Private sector development:** The Tacis objectives are restructuring of larger enterprises, encouraging the growth of SMEs, and promoting exports and investment. This is particularly important because the economic crisis in Russia – Moldova's major trading partner – is producing serious effects on the economy. The private sector is crucial to ensuring economic growth, integrating Moldova into the world economy, and raising the standard of living of the population. The projects will seek to assist relevant public and governmental entities, as well as private companies, in coping with the economic difficulties.

**Human resources development:** reform of the social protection system, support to the development of public administration. Human resources development will continue to be a key area for Moldova's transition to a modern market economy, and the difficult economic situation will put additional strains on public administration and the social sector.

The implementation of the PCA will place additional burdens on the administration. The Moldovan administration needs advice to progress in many of the areas for cooperation included in the PCA. Although some areas may already be partially covered by Tacis projects (e.g. education, customs, environment, cross-border) or by other programmes (e.g. science), a tailor-made project for PCA implementation was necessary to provide specific advice and training, according to the extensive needs existing in various fields. Tacis supports the public administration by providing training, advice to law makers in matters related to PCA implementation.

### *Action Programme*

The latest Tacis Action Programme for Moldova (dated 1998-99) included the following new projects:

In food production, processing and distribution:

- The largest project was intended to create a class of well-informed, well-trained private farmers. It would cover reform, restructuring and rationalisation of agricultural education, training and research, allowing more efficient use of resources, the introduction of modern techniques and curricula, and improved cooperation between educational institutions.
- Another project was proposed to support a network of agricultural advice centres created by the Ministry of Agriculture to provide ongoing technical advice to farmers. These extension services will help increase output and improve efficiency on farms – thus strengthening private farms and rural communities.
- A smaller project was proposed to ease the supply of agricultural machinery by helping the few existing enterprises to improve services to farmers, and boosting new actors in the market.

Whilst the first two projects have subsequently been combined in a single project, the third project is still under discussion.

In private sector development, projects aim to counteract the effects of the Russian crisis, particularly through the promotion of agricultural, industrial, and service sectors exports, and enhanced transport links.

- The largest project is to support the creation of the Moldovan Export Promotion Organisation, a non-state, non-profit organisation, through close cooperation between the government and private sectors.
- Another project supports the independent Competitiveness and Productivity Centre, building on previous enterprise restructuring projects, by assisting privatised or restructured enterprises as well as start-ups. The Centre is being equipped to provide enterprises with specific expertise such as quality systems and control, and managerial techniques, so they can increase their international competitiveness.
- Support for restructuring of the extensive but under-used Moldovan railway system. The project helps the Ministry of Transport analyse the future role of public or private railway transport in the overall Moldovan transportation scheme, and to draw up a restructuring and/or privatisation plans.
- A special project with high priority is designed to bring back into use the war-damaged bridge over the river Dniestr near Gura Bicului, at the request of the Ministry of Transport. Since the 1992 fighting between Moldova and Transdnistria, the lack of river crossings has hampered economic development and living conditions. Reopening bridges also has clear political significance.

In the human resources development sector, health reform and regional administration are the targets, along with assistance on implementation of the PCA.

- One project focuses on strengthening the regional public administration, through work with the State Chancellery, while the Moldovan government is pursuing a reform in which the number of regions will be reduced significantly, and their functions consolidated. This presents an opportunity for Tacis to provide assistance in defining the role and functions of the regional administrations, and in establishing well-trained, efficient personnel.
- Tacis is assisting in implementation of the PCA, particularly through advice and training of staff.
- The Moldovan Ministry of Health is being helped to redefine its health policy, with management training and capacity building at regional level, and a feasibility study on obligatory health insurance.

The 1998-99 programme received a grant of €19.5 million, allocated as follows (in million euro):

Food production, processing and distribution	4.1
Enterprise restructuring and development	3.6
Human resources development	4.5
Transport	2.0
Small project programmes	4.8
Reserve	0.5
Total	19.5

## MONGOLIA

Perhaps the most isolated of NIS, wedged between two huge neighbours in Russia and China, Mongolia faces many difficulties in developing its presence in the global economy; although it did join the WTO some years ago, something which neither of its big neighbours has yet done. Tacis activities in Mongolia have focused on structural reforms, to support the development of market economy, but also to modernise the infrastructure needed to ensure business and people have adequate energy sources. Transport links into and out of Mongolia present particular difficulties, and therefore Tacis has also encouraged Mongolia to seek ways of developing its links to outside markets.

### *Some Tacis contributions in 1999*

Among the many projects Tacis conducted during the year, it:

- delivered advice on tourism development;
- backed the emergence of SMEs;
- helped reintegration of ex-prisoners and eased the plight of street-children through the Link inter European non-governmental organisations (LIEN)programme;
- boosted the quality of crop production;
- improved history, medical sciences and education and teacher training via Tempus;
- encouraged the younger generation in introducing and developing democratic procedures through the Democracy Programme;

Under the 1996-99 Tacis Indicative Programme for Mongolia, which was approved by the Tacis Management Committee in September 1996, priority was given to structural and institutional reform, enterprise and financial development and development of infrastructure.

**Structural and institutional reform:** Tacis assistance is backing the government's reform programme, which is focused on reducing the size of the government itself, improving governance, and facilitating the expansion of the private sector. Reform of the public administration is continuing and capacity-building measures are under way. The educational sector in Mongolia is also changing: it was developed in the context of a centrally planned economy and on the basis of full budgetary support. This model has proved to be unsustainable in the context of a constrained budgetary climate, and unsuited to a market-oriented economic system. The current budgetary expenditure is insufficient to run the education system along pre-transition lines. The government is implementing a programme to rationalise the education sector, reduce staff and redesign the curricula on the basis of internationally acceptable standards and concepts. The health sector is almost entirely supported by the public sector and is also suffering from budgetary constraints. Hospitals and clinics have insufficient resources to maintain their equipment and procure adequate services and drugs. This has resulted in a decline in several of the health indicators in Mongolia over the last four years. To reverse this situation, the Government is trying to focus resources on the primary health care systems and to redesign the delivery mechanism for health services.

**Enterprise and financial development:** The legal and regulatory environment still presents obstacles to the development of enterprises and access to credit, and investment, especially in the

regions, remains a major problem. The continuing commitment of the government of Mongolia to the reform process is welcomed and will speed up the removal of remaining obstacles. Tacis activity under previous budgets has focused on policy advice for the promotion of enterprise and entrepreneurship, the establishment of a Mongolian Business Development Agency (including an Agro-Processing Advisory Centre) and the enhancement and strengthening of SME access to foreign investment and market information.

**Development of infrastructure:** Mongolia's shift towards market economy requires the improvement of infrastructure, multimodal transit arrangements, border crossing facilities and an adequate internal and international network. Transport of petroleum products is given a high priority by the government in order to provide more efficient, cost-effective, and reliable energy supplies. Up until now, the bulk of petroleum imports have been from Russian refineries. Imports were formerly made mainly through barter deals (mostly in exchange for copper and molybdenum concentrates) within the framework of five-year plans but, increasingly, purchases have had to be made in hard currency. Since 1992 the barter deal system has no longer applied. Both for strategic reasons and to introduce competition into procurement negotiations, Mongolia is now trying to diversify its sources of supply through China.

### ***Action Programme***

The latest Tacis Action Programme for Mongolia (dated 1998-99) included the following new projects:

- Facilitating the restructuring of the public administration sector. Tacis will strengthen the Institute of Administration and Management Development – the only training institution for public administration. The government wants to train more than 2,600 employees, so Tacis is boosting the capacity of the IAMD.
- Helping the National University of Mongolia adapt to the tighter budgets and tougher disciplines of a market economy: the University is to lose half its guaranteed financial public assistance, so changes in its management system and administrative structures have to be implemented urgently and quickly. A reform of economics education is also needed to train future generations of students in market economy-based policies.
- Improving the financial management of the health sector, by strengthening the skills of provincial staff so that decentralisation functions, and by using limited financial resources in the most efficient way.
- Extension of SME development activities in Mongolia: this will further strengthen the support to institutions that provide training and advisory services for SMEs; it will also develop a distance learning programme for the regions of Mongolia, and support the establishment of an investment and credit fund for small and micro enterprises. Special attention is being paid to activities which involve women and young entrepreneurs.
- Improving crop production: this project delivers both policy development advice to government, and training and management support to agricultural enterprises. Key staff in the Ministry of Agriculture and Industry and local officials will receive advice on crop production, food security and supply, and the programmes on land reform, land use management and land market development will be reviewed. And the technical agronomic and business knowledge of farmers and managers of agricultural service enterprises will be improved, including through pilot demonstration projects of how to manage, produce and market agricultural products, and

through encouraging and training traders in business development and modern commercial banking.

- Exploring new transport links with China: Tacis will conduct a feasibility study and an investigation of investment prospects for new facilities (including for oil trans-shipment) at the railway station at Zamyn Uud, on the south-east border – the most important station for all rail trade exchanges with China. Tacis is updating a 1993 World Bank study, taking into account recently-discovered Mongolian oil fields and the potential for export.
- Smaller projects under the SPPs include setting up a clinic for the prevention and treatment of eye diseases; assistance in course development in applied economics, law, applied science and technologies, and teacher training; protection of women and children, civic education, and professional standards in journalism, and legal support for consumers; improvement of statistical data quality, dissemination and comparability with international standards; and better control of borders and provision of information on imports, exports, trade movements and traffic in prohibited substances.

The 1998-99 programme received a grant of €11 million, allocated as follows (in million euro):

Structural and institutional reforms	2.8
Enterprises and financial development	3.1
Infrastructure development	1.6
Small project programmes	3.0
Reserve	0.5
Total	11.0

### **Russian Federation**

Tacis is the largest technical assistance programme in Russia, with total cumulative commitments reaching almost €2,000 million since 1991. By far the largest of the NIS, Tacis activities in Russia target a wide range of sectors, with the ever-present aim of encouraging and supporting the development of market economy and stable democracy in Russia. The 1998 financial crisis has required a significant response from Tacis in 1999, with the banking and finance sector receiving particular assistance from Tacis as a result. Russia is the only Tacis country which currently shares a border with the EU, and in 1999, under the Cross-border programme, Tacis supported the redevelopment of two border crossing points on the Russo-Finnish border. Once opened in 2000, these will make transit more efficient in this region, as well as signifying closer relations between the EU and Russia.

#### ***Some Tacis contributions in 1999***

Tacis conducted a wide range of projects in Russia during the year. In the field of restructuring of enterprises and private sector development, it was involved in preparing business plans, feasibility studies and market studies for Russian enterprises. Tacis trained Russian business people in market management techniques and organising exchange programmes with companies in the European Union. It helped set up business information centres for small- and medium-sized enterprises, and encouraged links between Russian SMEs and those in the European Union. Tacis also provided

know-how to support the conversion of the chemical industry, in order to develop and produce new, civilian products, and provided support to set up or restructure commercial and specialised banks.

In the area of public administration reform, social services and education, Tacis projects assisted the main ministries responsible for designing an improved system of social protection and health care, and provided training for civil servants and local government officials. It developed regional programmes to retrain the unemployed, and through the Tempus programme has promoted cooperation between universities in Russia and other countries. A continuing Tacis project is retraining discharged army officers to adapt to civilian professions.

In agriculture, Tacis concentrated on farm restructuring, focusing on assistance to the establishment of an appropriate framework for restructuring through policy and legal advice in areas such as land markets, agricultural education and training, and food quality control. Furthermore, it has promoted access to finance through pilot credit operations in selected regions and appropriate policy advice. To help farmers secure their economic viability, Tacis has worked to develop dealer and wholesale networks to ensure adequate availability of inputs and agricultural products, as well as promoting agricultural advisory and extension services for private farmers.

Work in the energy sector aimed to provide information on energy saving methods, as well as support pilot projects which put conservation theory into practice. Tacis cooperated with city authorities to evaluate the urban-heating sub-sector, and helped to introduce a modern computer-based automatic power distribution billing and settlement system.

Tacis supported the reorganisation of the energy sector administration at national level, including developing the laws and regulations necessary to encourage foreign investment in the industry. It has assisted in the modernisation of heating units at oil refineries and provided know-how on prospecting and production in the gas sector. Tacis projects have provided know-how and training on the modernisation of energy production facilities, and improved the efficiency of power generation and supply through the introduction of automated power generation, transmission and distribution control. Finally, Tacis has worked to foster technology transfer for the modernisation of existing and new design power stations.

In nuclear safety and the environmental sector, Tacis is supporting the development of strong and independent authorities which can regulate the nuclear industry; is analysing certain reactor types to identify weaknesses and planning short or medium-term solutions for the reactors concerned; and designing an early warning system, safety reviews and seismic design reviews. It is also providing essential safety equipment and reviewing operating procedures, management organisation and quality assurance, and working with the design institutes to identify potential weaknesses in plant design and to arrange short- and medium-term solutions at the reactors concerned. Tacis is also developing national environmental programmes, regional environmental cooperation plans (Black Sea, etc.).

In the telecommunications field, Tacis has provided experts to work with the Ministry of Communications, researching market needs, reviewing the telephone network and developing standards; is providing know-how on the modernisation of cable and satellite communications links; assisting the management of telephone network operators; and providing advice for establishing economically efficient systems of pricing and control.

In the transport field, Tacis support focused on developing more effective transport links with the EU to facilitate trade. One project which has redeveloped the Volga river for navigation means that the heart of Russia's industrial region is now accessible by river-sea vessel from both the Black Sea

and the Baltic. Another project facilitating trade supported the use of the trans-Siberian railway to enable the transport of containers from the Far East to the EU, offering a transit time half that of the traditional sea routes. By running a programme to improve the English (the common language of air transport) of some 400 air traffic controllers, Tacis is making the air routes across Russia safer for airlines crossing from the EU to Japan (with the most direct route to the Far East being across Siberia).

A major shortfall is the lack of capacity for freight-forwarding: while long distance transport by rail or water is reasonably efficient, capacity for local delivery of goods is insufficient. Two small Tacis projects address this need – one for training freight forwarding companies, which are still very small and not yet established, and the other to develop private trucking companies. Finally, in 1999, Tacis completed the design of the transport system in north-west Russia, an area the size of the EU, running from St Petersburg to the Komi peninsula. The region, with only 20 million people, will benefit from new economic opportunities, in particular the development of trade with the neighbouring Scandinavian countries.

Using the mechanism of the small project programmes, including the policy advice programme, Tacis is:

- providing policy advice to Government, parliament and other policy-making bodies.
- supporting democratic initiatives (free press, proper treatment of minorities, protection of human rights and electoral freedoms).
- supporting NGOs, local and regional authorities in small-scale initiatives.
- supporting enterprise through the Productivity Initiative Programme and the Managers Training Programme, the European Senior Service Network (ESSN), and cooperation between Chambers of Commerce.
- supporting SMEs with preparation and limited investment funding for the setting up of joint ventures.
- promoting harmonisation in the fields of customs; statistics; standards, certification and metrology; and intellectual and industrial property protection.
- supporting small technical assistance activities through the Bistro scheme.



### **Tacis in the context of political contacts**

The EU-Russia summit in Moscow in February 'agreed that efforts to promote cooperation under the PCA and through the Tacis programme of technical cooperation should for the immediate future be directed particularly at helping to stabilise the economic situation in Russia and facilitating investment in the productive sector of the Russian economy through enterprise restructuring, strengthening the commercial banking system and supporting the tax, auditing and accounting frameworks.' And on the problem of spent nuclear fuel and nuclear waste in north-west Russia, it 'agreed to strengthen efforts to tackle this major environmental problem and to facilitate on-going technical cooperation within a concerted international effort in this area, including the involvement of the Tacis nuclear safety programme.'

The EU-Russia Cooperation Council in Brussels in May welcomed the momentum which had been created in developing relations, in particular over the previous six months, through the intensive work of the Summits, the Cooperation Committee and its nine sub-committees, and through continued day-to-day work on both sides. It reviewed the Joint PCA Work Programme and added four new items, dealing with agriculture, establishment of companies, financial services and educational exchanges

The European Council in Cologne in June adopted a Common Strategy on Russia, the first of its kind under the Treaty of Amsterdam, to intensify coordination, coherence and complementarity of all aspects of EU and EU Member States' policies towards Russia.

Under the 1996-99 Tacis Indicative Programme for Russia, which was signed in August 1996, priority was given to human resources development; social protection; enterprise support; transport and telecommunications; energy; environment; food and agriculture.

**Human resources development:** Tacis is delivering managerial and professional skills for key actors in the economy, enhancing regional and local administrative capacities in a context of deep socio-economic crisis, and providing economic advice to policy-makers. Education and training play a crucial role in a crisis context, in adapting the workforce to the changing demand of the marketplace, characterised by rising unemployment and increased social pressures. The Tempus programme assists reforms to the higher education system through curriculum development, improvement of university management, exchanges and regional cooperation. The sector contributes also to reforming the public administration and to the establishment of the rule of law. The public administration is still moving towards independence and efficiency, and much has still to be done, particularly at the regional level, to redefine the tasks of the civil service and to implement an active personnel policy. For those reasons, the continuation of Tacis support is fundamental in both education and training and public administration.

**Social protection:** Since reforms were initiated, the social security system has faced increased social assistance needs, as unemployment has risen and services formerly provided by state-owned enterprises were cut back. The situation, already exacerbated by reduced resources at federal, regional and municipal levels, has been aggravated by the 1998 economic and financial crisis, which had a profound effect on social conditions and real income levels, and a particularly harsh impact on the most vulnerable groups (unemployed, the elderly, disabled people). An attempt has been made to lay the foundations of a new institutional and legislative framework, to provide a coherent and effective sector policy and implementation, accompanied by decentralisation of social service delivery to regional and municipal levels, and intensified involvement of non-governmental (voluntary or private) organisations. So far, Tacis has helped create new social security delivery structures, and has provided input to strategic policy development and the drafting of legislation on

matters such as social housing, social security of vulnerable groups, occupational safety, pensions and consumer protection. In selected regions, it has supported social reforms and the management of social assets, and has provided training for the unemployed. And it has assisted the development of NGOs in the social sphere, has improved labour conditions and social partnership, and strengthened or upgraded municipal administrations in a limited number of mono-industry towns.

Recent emphasis has been on preventive healthcare policies, the management of insurance schemes, and the improvement of healthcare management. With the loss of health services, caused in particular by the disintegration of state enterprises, Russia's health system faces increasing pressures. Since it is still largely based on referring ill people to hospital specialists, the health system is in danger of becoming swamped. What is most urgently needed is to encourage healthier lifestyles, to make the link between their health and their daily lives, so as to ease the burden on the healthcare system. In parallel, the management system behind the healthcare services needs to be upgraded and reformed, to enable the healthcare sector to evolve to meet the changing needs and circumstances in the country.

**Enterprise support:** Support to enterprises is a priority sector for the reform process and for transformation to a market economy. Sustainable economic growth and social stability need radical improvements in the business environment and regulatory framework, modernisation of enterprises, and new investments. In particular, the tax system and auditing standards need to be improved. Early privatisation has still to be followed by restructuring of enterprises to attract investment for modernisation. Tailor-made advisory services for enterprises are needed all the more following the financial crisis. The collapse of the banking system and capital markets has shown their fragility and lack of credibility, highlighting the need for efficient regulatory policies and supervision, as well as new management practices to assess financial transaction risks. Tacis support to SMEs is vital to contribute to the restarting of the economy. The network of Enterprise Support Centres financed by Tacis plays an important role in addressing the needs for training and consultancy to privatised firms in the main Russian economic areas. Now Tacis is emphasising medium-to-large enterprise restructuring and development, through the provision of direct advice, the improvement of the institutional and regulatory environment, and continued support for the SME sector.

**Transport:** Modernisation of transport networks helps economic development and boosts the competitiveness of Russian products both at home and abroad, by bringing down transport costs in this vast country. And the EU, as Russia's main trading partner and immediate neighbour, has a direct interest in an efficient Russian transport system to develop trade opportunities. Although the multiplicity of state bodies has so far made implementation of a unified transport policy difficult, privatisation is practically complete (with the exception of railways), and competition has lowered tariffs and raised quality of services. But the lack of a regulatory framework limits investment and modernisation, resulting in rapidly ageing infrastructures and fleets. Other difficulties arise from delayed reform and reorganisation in the rail sector, over-capacity and lack of multimodal integration in river transport, and low levels of services and standards in road transport. A regulatory framework to promote EU-Russia trade is high on Tacis priorities, through policy advice and introduction of harmonised standards. Tacis also provides support to the Russian road haulage industry, assistance to rail reform. And recent emphasis has included the extension of trans-European network Corridor 2 through the Nizhny Novgorod region, the development of the legal framework for surface transport, marine safety in seaports, and training in intermodal operations.

**Telecommunications:** The availability of networks and the level of telecommunication services are still insufficient, particularly outside towns, and the legal and regulatory framework, norms and standards need to be aligned with those of the European Union. Modernisation and quality improvements will require massive investment, and Tacis has therefore focused on introducing

internationally standardised systems, further liberalisation of the sector, and the development of efficient information services.

**Energy:** The energy sector remains pivotal to the economy, with oil and gas exports still the largest single hard-currency earning sector, making the main contribution to Russia's balance of trade surplus and to government tax revenues. The sector is a major employer, so restructuring entails major social consequences. The gas monopoly remains largely unreformed, but the oil sector is advancing in privatisation and restructuring, even if some protectionist measures remain in place. However, the sector has limited capacity to invest in modernisation. Federal and regional policy on electricity continues to cushion the population from the effects of structural adjustment, through price distortions, non-payment of bills and subsidies, impairing power companies' performance. Tacis priorities include fostering competition in the power sector and reductions in end-users' costs for heat and power, development of the legal and regulatory framework, promotion of energy savings, and reinforcement of the management capacity and financial stability of enterprises in the energy sector.

**Environment:** Levels of environmental pollution are still very high, historic pollution remains untackled, lack of investment has limited maintenance and modernisation of industry, and pollution control mechanisms are weakened through lack of funds. Air and water pollution affect the health and the life-expectancy of the population, and need effective monitoring. Waste management remains poor, with weak legislation, little awareness, limited recycling and few safe disposal facilities. Conflicts of interest and overlapping responsibilities continue to handicap regulatory control, implementing regimes remain weak, and effective remedial action is largely paralysed by budgetary constraints. In the 1996-99 Indicative Programme, environment has been included for the first time as a separate area of cooperation, allowing for stand-alone actions as well as integrating the environment into other policies. So Tacis has helped in policy advice for sustainable development, environmental management training, safety standards and industrial accident prevention and response, pollution control (mainly in the oil sector), hazardous waste management, water management in the Volga basin and forest fire control, along with monitoring the conversion of chemical weapons facilities.

**Food and agriculture:** Restructuring has made little progress, with inefficient large-scale farms still predominant. Coupled with still-deficient distribution channels, this makes the country more vulnerable to recent poor harvests, and still requires significant imports of foodstuffs. The pace of reform and the speed of introducing new legislation (particularly on land ownership or farm insolvency) needs to be dramatically increased, and financing made more accessible for medium-scale farmers and family units. Tacis aims to support the reform process in the most progressive regions and disseminate results to other areas. Tacis has been supplying policy and legal advice on restructuring, assistance to farm enterprises in cereals and animal production, and development of dealer and wholesale networks.

### ***Action Programme***

The latest Tacis Action Programme for Russia (dated 1999) takes into account the financial crisis of August 1998 and its socio-economic consequences. Priority is given to support measures taken by the government to overcome the current crisis and to limit its impact on the economy and the population. The objective of the overall programme is thus to assist and deepen the socio-economic and democratic reform process in Russia, in a context of financial and economic crisis.

It concentrates on human resources development and social protection, as well as on enterprise support. In addition, transport and telecommunications, energy, environment, food production,

processing and distribution are other priority areas under this year's Action Programme. In each project, particular attention is given to the rule of law, which will be addressed more specifically in future Tacis programmes.

It included the following projects:

- Managers' Training Programme II, responding to former-President Yeltsin's initiative to massively develop management capacity in Russia. The programme, following the first project under the 1998 Action Programme, will provide training to some 400 young Russian managers. After a seminar on the EU and the European economy, the selected managers are sent for internships in EU host companies for a period of one to three months.
- The Russian-European Centre for Economic Policy (RECEP), which continued to benefit from Tacis assistance, with a focus on short-term economic advice to policy-making actors. The project enhances local capabilities for economic and social policy analysis, develops the sustainability of RECEP and increases its role in PCA implementation.
- Partnership in health and social assistance concentrated on the development of mechanisms for delivering health and social services to needy families, associating the public, private and voluntary sectors.
- A social sector project under the special 1999 Baltic budget line, to disseminate and expand in north-west Russia the results of previous Tacis projects in the social and health sectors.
- Advice to the Tax Ministry to create a resource system for the newly established Ministry for Taxation and Tax Collection and its regional departments, providing appropriate policy and technical advice on the regulatory framework in taxation and fiscal administration from EU specialists in European tax administrations, with associated training.
- Harmonisation of road standards between Russia and the EU in the field of design, construction, maintenance and materials, thus promoting trade through the development of the haulage industry and of the pan-European corridors.
- Support for the creation of a Federal Wholesale Electricity and Power Market (FOREM) to promote competition.
- Environmental monitoring, to strengthen the existing state system, improve the collection, processing and dissemination of relevant data and help Russia to fulfil its international obligations.
- Farm business management in the southern Urals in meat and milk and vegetable products, with access to non-bank finance and quality-related pricing, building on a project in Chelyabinsk.
- Advisory services for private farmers in south-west Russia and the lower Volga, building on a Tacis project in Rostov oblast.

The 1999 programme received a grant of €92.5 million, allocated as follows (in million euro):

Human resources development and social protection	20.0
	17.5
Enterprise support	6.5
Transport and telecommunications	4.0
Energy	8.0
Environment	6.5
Food production, processing and distribution	5.0
Bistro	1.5
Technical Offices	22.5
Small project programmes	1.0
Reserve	92.5
Total	

An additional €3.5 million has been specifically allocated to EU-EBRD joint activities in Russia, under the Bangkok Facility, for anti-crisis related projects in the financial sector.

On the initiative of the European Parliament, a special action in favour of the Baltic Sea region has been set up, aimed at promoting cooperation at regional, local and NGO level in the region. Three projects have been supported in 1999 in north-west Russia, with some €5 million, dealing with port development in Kaliningrad, road transport management in Arkhangelsk, and public health issues in north-west Russia. This special action also benefits the other Baltic countries not in the EU (Poland, Latvia, Lithuania and Estonia), and is intended to coordinate with other EU programmes active in the region, and responds to the priorities of the Northern Dimension initiative.

In 1999, the EU established a substantial food supply programme for Russia (Council Regulation (EC) No. 2802/98), with an estimated value of €470 million. This represents 1.85 million tonnes of agricultural products, 41% of which are cereals. The food was targeted on the most needy regions; a portion of the foodstuffs were distributed free to vulnerable groups of the population, while the majority was sold at prevailing market prices in the beneficiary regions. The proceeds of the sales of foodstuffs were earmarked for pension payments and designated social purposes through a special bank account. By the end of 1999, 97% of the agricultural products had been mobilised and 88% delivered to the final destination. The implementation of this food supply programme has been carefully monitored and evaluated by the Commission.

## **TAJIKISTAN**

Due to the civil war in the country and the lack of security, the Tacis programme, as well as other non-humanitarian activities (food security and exceptional financial assistance), have been suspended in Tajikistan since December 1997. It should be emphasised that this measure was taken for security reasons, and not as a political sanction.

In late 1998 the EU congratulated Tajikistan on what appeared to be a breakthrough in the peace process, and Tajikistan was earmarked for exceptional aid in the early 1999 EU package of assistance to the other NIS affected by the 1998 financial crisis in Russia – with rehabilitation programmes for the country, and additional humanitarian aid. The security situation continued to improve in the first half of 1999. So in July the European Commission proposed exceptional financial assistance 'with a view to supporting the strong adjustment and reform programmes that Tajikistan is implementing, to containing the widespread poverty and strengthening the current peace process in the country'. This proposal was to increase by €75 million the loans ceiling and by €35 million the grants ceiling.

But in November the EU issued a Declaration expressing concern about 'the undemocratic events and procedures in connection with the presidential elections in Tajikistan', and said it did not 'see any progress in the democratic development of Tajikistan, if basic rules of civil society are not respected but are even violated'. The EU is explicitly linking future development of contractual relations with Tajikistan to progress in the peace process: 'Only the normalisation of society can enable Tajikistan to implement international commitments', it said.

In the face of continuing instability in the country, the Tacis programme was not implemented. In early 2000 the Council did agree in principle to the exceptional financial assistance, but subject to tight conditions on progress in the peace process and political systems.

EU activities in Tajikistan during 1999 have been mostly in the form of humanitarian support through ECHO (about €16 million) and rehabilitation projects (around €7 million under the 1998 and 1999 budgets) through UNOPS and the Aga Khan Foundation. Under the exceptional assistance following the Russian financial crisis, Tajikistan was allocated €2.83 million.

## **TURKMENISTAN**

Turkmenistan's energy resources give it wide scope for further spectacular developments. But the country has provoked increasing concerns in the EU over progress towards democracy and respect for human rights, leading European institutions to review their cooperation plans. It lags behind most other NIS in the ratification of its Partnership and Cooperation Agreement with the EU, and when the PCA Interim Agreement was signed in Brussels during the year, the EU took the opportunity to express concerns over the country's political direction.

### ***Some Tacis contributions in 1999***

Among the projects Tacis conducted during the year, it:

- developed farmers' sale of meat and milk to processors by acquainting farmers with quality requirements.

- supported training in the banking sector.
- assisted preparation of taxation reform.
- continued cooperation in higher education reform through the Tempus programme.

### **Tacis in the political context**

The EU and Turkmenistan signed the Interim Agreement on trade and trade-related measures in Brussels in November. This follows the signing of the Partnership and Cooperation Agreement in May 1998, and will make it possible to implement more rapidly the trade and trade-related provisions of the PCA, pending the completion of the procedures for its ratification. The Interim Agreement will cover the general principles, current payments, competition, protection of intellectual, industrial and commercial property and the Protocol on mutual assistance between administrative authorities in customs matters. The Turkmen Deputy Prime Minister stressed that relations with the EU were a priority for his country and noted the potential for further developing bilateral cooperation – including via Tacis.

Under the 1996-99 Tacis Indicative Programme for Turkmenistan, which was approved by the Tacis Management Committee in November 1996, priority was given to structural and institutional reform, agriculture and agro-industry, and development of infrastructure.

**Structural and institutional reform:** The broad theme for Tacis is the reform and reorientation of structures and institutions towards supporting the emergence of a market economy. The privatisation process has moved slowly in Turkmenistan, partly in order to avoid some of the mistakes made by other former Soviet republics. Nevertheless, significant progress has been achieved. However, the Department of State Property and Privatisation within the Ministry of Economy and Finance, which has responsibility for privatisation, has limited staff, expertise and resources covering issues of mass privatisation and for the privatisation of the larger state enterprises. The privatisation process removes the government's control over the production process and its access to added value, thus inhibiting its capacity to finance its remaining obligations. This creates a resistance on the part of the state institutions to speed up the privatisation process. Restructuring of the banking system and training of its staff must take place before credit institutions can play their role in channelling foreign investment – and eventually, domestic savings – into enterprises.

**Agriculture and agro-industry:** The agricultural sector of Turkmenistan employs about 40% of the work-force but accounts for just 19% of the national GDP, having fallen from 40% in 1991. However, the sector remains of critical concern to the government, not only because of the numbers of people employed in it, but also because of the desire of the government to ensure a minimum degree of national food security. Turkmenistan is a large producer of cotton and, although it recently expanded its grain production, the country is still a large importer of foodstuffs. In 1995, all state and collective farms were transformed, by presidential decree, into peasant associations, but these still operate as before, with management staff still appointed by the state. By 1995, 3,200 independent farms averaging 25 hectares had been established on virgin lands and applications were lodged for a further 5,000. Productivity in the livestock sector is low, largely due to poor animal nutrition. Food processors are operating at less than 50% of capacity, on average, as raw material suppliers fail to respond to the prices offered.

**Development of infrastructure:** Turkmenistan is well endowed with oil and gas resources, but must rely heavily on foreign investment to exploit them. Many contracts have been entered into

with international investors. This will bring significant advantage to the whole economy of Turkmenistan as the wealth created will support wider economic development. However, it is also necessary for Turkmenistan to be able to adequately protect its interests in the face of foreign investors. The Turkmen government needs to develop its capacity to monitor and control the flows of oil and gas and to negotiate, from a position of full information and all the necessary know-how, with foreign partners.

### ***Action Programme***

The latest Tacis Action Programme for Turkmenistan (dated 1998-99) includes the following projects:

- Supporting the development of small- and medium-sized enterprises. This builds on earlier Tacis work to establish an SME Development Agency (SMEDA) in Ashkhabad, which is now a recognised centre of expertise in Turkmenistan. The new project will, in particular, aim at reaching SMEs and individual entrepreneurs in the regions.
- Upgrading the production of livestock and feed, through assistance to the new farmers' association, support for developing producers' cooperatives, for rural credit services and in developing links between producers, processors and distributors.
- Support to the government's plans to develop the cotton sector, by conducting analysis and evaluation of all aspects of the production system, and advising the government in the elaboration of a strategy for the sector.
- Provision of advice and expertise on foreign investment promotion and protection of the oil and gas industry. This project continues work launched under the 1996-97 Action Programme, and will support the reorganisation of Turkmentneft and Turkmengas into a national oil and gas company.
- Optimisation of electricity usage for the development of the Turkmen mineral industry, including evaluation of the potential of electricity for aluminium, other minerals and for mineral extraction in the Kara-Bogaz-Gol region in particular.

The 1998-99 programme received a grant of €8.5 million, allocated as follows (in million euro):

Structural and institutional reforms	1.0
Agriculture – agro-industry	3.0
Infrastructure development	2.5
Small project programmes	1.8
Reserve	0.2
Total	8.5

### **UKRAINE**

Ukraine's importance for the EU continues to grow, because impending enlargement will make this large country the neighbour of four of the future EU Member States, and because of its location in relation to the EU and so many other NIS. Building on the EU-Ukraine PCA which entered into force in March 1998, the EU adopted the Common Strategy on Ukraine (only the second of these new EU instruments to be established) in December 1999 at the Helsinki European Council. The EU is the largest donor in Ukraine, and the Tacis programme is the principal EU vehicle for delivering assistance to Ukraine as it confronts the many challenges of a difficult transition.



### *Some Tacis contributions in 1999*

In Ukraine Tacis carried out a wide range of projects during the year, including continuing to provide advice to the government through the Ukrainian-European Policy and Legal Advice Centre – including on PCA implementation; assisting reorganisation of the administration in key ministries to bring added coherence to policy formation; and helping to upgrade occupational health and safety standards. In other fields, Tacis support established a modern system for the management of highway and bridge maintenance, provided case-by-case support to privatisation projects, advised on restructuring of the pharmaceutical industry, and supported the development of bankruptcy procedures.

Further Tacis projects in Ukraine aimed to encourage local development and tourism in the Carpathian region and Crimea; gave financial advice on privatisation in the power sector, and produced power engineering maintenance regulations; and helped design an energy conservation system. Other areas which received Tacis support include:

- provision of advice to formerly state-owned enterprises in the post-privatisation centres Tacis has helped establish.
- training commercial bankers in accountancy and journalists in financial information.
- reforming social assistance mechanisms.
- backing the development of agricultural cooperatives.

#### **Tacis in the political context**

The second Cooperation Council between the European Union and Ukraine took place in Brussels in April 1999, and remarked that the PCA 'provided a solid basis for developing a strong political and economic partnership between the EU and Ukraine'. It also noted the 'substantial technical assistance' the EU had given, particularly for the reform of the energy sector in Ukraine.

The EU-Ukraine Summit in Kiev in July noted how the strategic partnership linking the European Union and Ukraine 'reflects the aspirations of the EU and Ukraine for closer ties in trade, investment, political dialogue, and technical and other cooperation'. The Summit also acknowledged that 'Through macro-financial assistance, from the Tacis programme, as well as through bilateral programmes, valuable support is provided to help Ukraine in her transition and reform process', and stated that 'As Ukraine's key partner in the field of technical cooperation, the EU will continue to provide significant assistance under the Tacis programme. The EU has stepped up its assistance to strengthen Ukraine's financial system, helping the National Bank of Ukraine to strengthen its supervisory capacity and reinforcing sound commercial practice among Ukraine's commercial banks. A new phase of the Tacis-financed joint European-Ukrainian Policy and Legal Advice Centre (UEPLAC) project will be launched this autumn. UEPLAC has a valuable role to play in helping to facilitate the process of PCA implementation, including the approximation of Ukrainian legislation to EU standards. The involvement of the private sector is crucial to the success of the transition process in Ukraine'. And it welcomed the signing of the Inogate Umbrella Agreement just the day before.

Under the 1996-99 Tacis Indicative Programme for Ukraine, which was signed in September 1996, priority was given to institutional reform and social development, economic reform and private sector development, and energy and the environment.

**Institutional reform and social development:** Ukraine still faces a major task in adapting legislation to the needs of a democratic and market based economy, necessitating a constant input of specialist skills in everything from public law to macroeconomics. The nature of public

administration is also an urgent target for reform, to help implement the policies that will make the country more prosperous. Progress is still needed in the field of education reform. The Tempus programme has consistently contributed to the efforts to reform the higher education system through curriculum development, improvement of university management, exchanges and regional cooperation. Tacis has given extensive support in earlier Action Programmes for the creation of realistic legal and regulatory frameworks in key policy areas.

**Economic reform and private sector development:** The key issues are: the process of transferring economic activity from the public to the private sector; the continuing restructuring and development of private enterprises, particularly in key sectors of the economy; the banking and financial sector which is still rudimentary and largely inaccessible to the majority of enterprises; and bringing the accounting and financial control and management systems up to acceptable international standards. This last point is important in helping to reduce the risk of Ukraine suffering from the problems that south-east Asia and Russia have experienced from banks providing unsustainable loans. It is also vital if Ukraine is to attract essential inward international investment in the future. Privatisation of farms has, at best, been uneven in Ukraine, and there is a real need to give advice and encouragement to those farms that are now in private hands. Tacis has already amassed experience in private farm support centres in the Lviv area. Up until now most of the effort in financial management advice to enterprises has tended to be directed toward smaller and medium-sized enterprises. However, large enterprises still represent the largest share of the economy, particularly the export market.

**Energy and the environment:** Energy is inevitably high on the agenda of any discussion of Ukraine's future, since energy imports are the single biggest contributor to Ukraine's external trade deficit. In addition, energy use is at only half the level of efficiency in the EU. Major investment is needed if domestic oil and coal resources are to be modernised, which in turn presupposes restructuring. A recent energy saving project concluded that small-scale co-generation installations had the potential to bring about significant energy savings, particularly (but obviously not exclusively) in the food industry.

The condition and maintenance of the pipeline network is of importance both within Ukraine and more widely in the region. Furthermore, there has been no proper technical audit of the condition of the pipeline network since independence. In the coal sector, Tacis aims to ensure that restructuring should not be merely an exercise in closing coal mines and retraining redundant miners. Instead, Tacis projects aim to provide practical business and technical advice to viable mines in the area so that they can improve productivity, safety and profit margins, and remain viable in a changing world.

On the environmental front, Ukraine remains heavily polluted, with urban air pollution one of the most serious problems. However, the legislative basis for environmental protection and the efficiency of enforcement remains weak.

### ***Action Programme***

The latest Tacis Action Programme for Ukraine (dated 1999) consisted of 15 projects, including the following:

Institutional reform and social development:

- implementation of the Partnership and Cooperation Agreement.

- a second phase of the military officers retraining project, more tightly focused on developing successful centres.
- integration of formerly deported peoples in Crimea, enabling people to improve their economic prospects through SME development and training, in partnership with the Council of Ministers of the Autonomous Republic of Crimea.
- support the establishment of a judicial training centre, to improve the quality and consistency of judicial decision-making. The beneficiaries will be the Supreme Court.
- a second stage of the Ukrainian European Policy and Legal Advice Centre (UEPLAC) project, with a wider remit, which will enable the Centre to provide policy and legal advice across a wider range of subjects, and particularly oriented towards the PCA. As well as providing a standing advisory capacity in Kiev, it will also have substantial resources to bring in policy and legal advice on a shorter-term basis across a wide range of PCA-related subjects.
- a PCA awareness and training project, intended to focus on middle management officials in fields directly affected by the PCA, with modules for five or six occupational/professional groups, derived from the guide to the PCA, but targeted on how the PCA will impact on their work in practice.

#### Economic reform and private sector development:

- strengthening the off-site supervisory capacity of the NBU (the Ukrainian central bank) – an important element in enabling the central bank to supervise the activities of the major commercial banks.
- help with the restructuring of large commercial banks, part of a wider IMF-led initiative in this crucial field. The beneficiaries will be the NBU and the banking sector.
- a second phase of support for the post-privatisation centre in Odessa.
- expand the network of Agencies for Developing Enterprises, which perform an important role by providing advice and contacts for those who are starting up SMEs. The beneficiaries will be the ADEs and those who use them, and the project will increase the geographical range of the ADEs and improve contact between them.
- assisting farms outside the state sector through the creation of three privatisation centres in regions which have shown a willingness to cooperate in the process.
- advice on financial management to eight large enterprises, equipping them with modern private sector accounting, marketing and management techniques to improve their competitiveness.

#### Energy and the environment:

- demonstrate the benefits of cost-effective small-scale co-generation installations in the food and related industries, not only for the benefit of the State Committee for Food Industry, but also to show the energy savings to potential investors in all industries.

- a technical audit of the oil pipeline network for the State Committee and State Holding Companies for Oil and Gas, covering first the northern route from Mozyer to the Slovakian border, and then the southern route from the Russian border to Odessa.
- tackling pollution affecting human health in the heavily industrialised Donetsk region, with support for rehabilitation of water supplies and waste water systems. Tacis supplies the environmental component of the project, including monitoring, training, planning and public awareness.
- a second phase of the EU-Ukraine partnership centre for restructuring the coal industry in the Donbass region, where there is a real need for technical and business/financial advice.

The 1999 Action Programme includes a number of projects in which there are close operational links with other donors – including the banking projects, the restructuring of large banks and the strengthening of the NBU's supervisory capacity, which both stem from IMF-led initiatives. The Tacis environment project in Donetsk will provide the environmental management input to a major World Bank-led project.

The Bistro facility, designed to finance small-scale activities up to €100,000, is managed by the Delegation of the European Commission in Kiev, and complements Tacis by responding speedily and flexibly when local information reveals promising small-scale projects.

The 1999 programme received a grant of €46 million, allocated as follows (in million euro):

Human resources development	12.0
Enterprise restructuring and development	15.5
Energy and environment	8.2
Bistro	1.8
Small project programmes	7.4
Reserve	1.1
Total	46.0

## UZBEKISTAN

Uzbekistan has suffered less from a decline in industrial output in recent years than other NIS thanks to its abundant natural resources, including gold and other metals, although the government has pushed to increase production of finished goods in place of exporting raw materials. It has also adequate energy sources (fossil fuels) to be completely self-sufficient. Consequently, Uzbekistan has found it easier to establish itself in the global market than other NIS. The overall aims of Tacis support have been to support the transformation towards market economy, with the aim of raising living standards and quality of life. This support is designed to complement the government's reform programme which aims to stabilise the economy and maintain stable development in the medium-term, while protecting vulnerable social groups.

### *Some Tacis contributions in 1999*

Among the projects Tacis conducted during the year in Uzbekistan, it provided assistance to reform of the Ministries of Education; operated the Uzbek Post-Privatisation Fund; supported the Academy of State and Social Construction for the training and upgrading of civil servants; supported the Foreign Investment Agency; screened enterprises for eligibility for post-privatisation funds; and assisted the Banking Association in developing its political role.

In the agricultural sector, Tacis initiated land registration for farmers, conducted training and education for farm staff, helped improve farm irrigation and ease the strain on the Aral Sea, and aided land and farm restructuring in the Syrdaria region. Other Tacis projects included:

- support for the Market Skills Development Centre.
- support for improvements in the telecommunications sector.
- strengthening the State Committee on nature protection and promoted environmentally friendly agricultural production techniques.
- creation of an Intelligence and Expertise Unit within Uzbekneftegas to assist the company in its evaluations of projects.
- continued cooperation in higher education reform through the Tempus programme.

#### **Tacis in the political context**

The first Cooperation Council between the European Union and Uzbekistan took place in Brussels in September. It expressed its confidence that implementing the PCA would ensure coherence between the various aspects of EU-Uzbekistan relations, such as the political dialogue on foreign policy issues of mutual interest, democracy and human rights, cooperation against drug-trafficking, trade relations and economic cooperation, assistance such as under Tacis, and regional cooperation. Cooperation in 1999/2000 should focus on measures aimed at facilitating trade and investment; identifying means of fostering regional cooperation in Central Asia, notably through Traceca (Transport Corridor Europe Caucasus Asia) and Inogate (Interstate oil and gas transport to Europe); elaboration of a programme of cooperation on further assistance to the democratisation process, and close cooperation in combating drug-trafficking.

Under the 1996-99 Tacis Indicative Programme for Uzbekistan, which was agreed by the Member States in September 1996, priority was given to structural and institutional reform, agriculture and agro-industry, and development of infrastructure.

**Structural and institutional reform:** Until now the privatisation process in Uzbekistan has been focused on small- and medium-sized enterprises, through allocation of shares to pre-determined owners such as workers' collectives and industry associations, or through the Privatisation Investment Fund – which is the most important plank of the privatisation programme in Uzbekistan. The enterprises created are often poorly adapted to operate in the transition economy of Uzbekistan, and still less adapted to operate in an open market economy. The severing of links with the state has cut off access to centralised marketing and financing services, while important restrictions in terms of access to credit and foreign exchange remain. In some sectors significant controls remain on prices of inputs or outputs, which also affect producers' ability to adapt to meet

the demands of the market. In many cases management practice has not greatly changed since privatisation.

The Uzbek government has identified the need for a properly functioning system of bankruptcy and liquidation. At the end of 1996 it created the Committee on Economic Insolvency (CEI), which was charged with broad responsibilities for issues relating to the implementation of the 1994 Bankruptcy Law. One of the CEI's first tasks has been revision of the legislative and regulatory framework, but there has been very little real testing of the procedures technically available.

**Agriculture and agro-industry:** Agriculture employs over 40% of the workforce, and 61% of the population lives in rural areas. Land reform, employment, improved living standards, and technical support for farmers are all needed. Fragmented market information means that opportunities for enhancing farm profits and for exports are lost. And there has been only limited regard to the environmental impact of agriculture and related industries.

**Development of infrastructure:** Despite its energy resources, Uzbekistan's petrochemical infrastructure is underdeveloped, so it has to import energy, and cannot generate adequate export earnings. Self-sufficiency and diversification into new export markets are needed. Tacis is promoting Uzbek technologies, in line with international standards, and in line with environmental considerations.

### ***Action Programme***

The latest Tacis Action Programme for Uzbekistan (dated 1998-99) included the following new projects and extensions of existing projects:

- Strengthening the government administration and civil service, with a reform strategy and definition of goals. It includes training and retraining, and setting up a public administration management centre, attached to the Academy of State and Social Construction.
- One addresses the health sector, concentrating on preventive healthcare policies and programmes, including a long-term action programme based on new forms and principles of healthcare financing and management, introducing fees-for-services, market orientation and private competition.
- Assistance to the reform of vocational education: To help implement the new 1997 Law on Education the programme proposes to assist in the development of a well functioning system of vocational education and training based on national, regional and local labour markets needs. The project will be implemented in close collaboration with the on-going Tacis project 'Assistance to the reform of the Ministries of Education in Uzbekistan'.
- Help the development of SMEs, particularly through support for the Chamber of Goods Producers and Entrepreneurs and the provision of a policy advisor to the Parliamentary Committee responsible for economic reform and enterprise.
- Support for privatisation through Privatisation Investment Funds: building on work done under the 1995 Action Programme, the project will advise on measures to allow secondary trading of PIF shares, improve the supervision of and reporting by the Funds and furthering their ability to exercise management influence over the enterprises in their portfolios.

- Post-privatisation assistance to enterprises, through western expertise for selected privatised enterprises, and the development of a range of services that will continue to be offered on a commercial basis when Tacis funding is discontinued.
- Assistance in restructuring and liquidation of insolvent enterprises, covering legislative change and the development of bankruptcy and liquidation practice and understanding. It takes the form of professional training to judges and liquidators, and Tacis help for pilot restructurings outside the formal bankruptcy procedures, aimed at extracting value from indebted enterprises while recovering such activity as can be preserved.
- Support to accession to the World Trade Organisation and implementation of the Partnership and Cooperation Agreement: Tacis assistance will focus on the WTO accession negotiations, the development of a general trade policy in line with WTO commitments, putting the international obligations taken on through WTO membership, as well as through the PCA, into domestic law.
- Support for democracy, by enhancing capacity to monitor and enforce respect for constitutional rights, and strengthening Parliament's role in making and approving legislation, with a view to the further development of pluralist democracy in Uzbekistan.
- Land registration in Uzbekistan: as more private farmers acquire land rights, it is necessary to expand an existing and successful Tacis pilot project to further areas of the country.
- Training and Education for Farmers and Allied Personnel (TEFAP): this extends
- An earlier project at Tashkent State Agrarian University, and is creating teaching materials and agricultural curricula, as well as training.
- Farm irrigation and management, geared to raising the efficiency of water use, to cutting soil and water pollution from agriculture and agro-industrial processing, and to improving farm management practices; it is an extension of an earlier Tacis project, linked to the World Bank's Cotton Improvement Project and the Aral Sea Programme.
- Agricultural market information system and management: a new project in order to help set up a system and a national and regional strategy, as well as a pilot wholesale market in Tashkent, to develop private agri-retailing activities.
- Assistance to the energy sector, with a focus on defining a national energy programme based on future economic development and efficient environmentally friendly technologies. It is intended to be a step towards wider use of efficient, cheap and environmentally friendly solutions for the wastewater treatment problems of many towns in Uzbekistan.
- Improving energy efficiency in the petrochemical industry, by helping to develop a strategy, and to attract private and public financing to implement identified solutions.
- Energy saving through a pilot project for heat measuring systems at the facilities which supply heating and hot water; this project is the natural extension of an earlier energy efficiency project for housing, and looks ahead to promoting local manufacturing capability for equipment.
- Extension of support to the telecommunications sector, continuing a project implemented under the 1996 Action Programme. It will provide assistance directly to the Ministry of

Communications and through the Central Asian Telecommunications Training Centre which Tacis has already assisted in establishing.

The 1998-99 programme received a grant of €29 million, allocated as follows (in million euro):

Human resources development	5.5
Support for enterprise	6.8
Food production, processing and distribution	4.5
Energy	5.0
Transport & telecommunications	1.0
Small project programmes	5.2
Reserve	1.0
Total	29.0

#### **THE COMPLEMENTARY TACIS PROGRAMMES**

Not all the problems that Tacis tries to address can be solved at national level, and Tacis therefore has complementary components such as multi-country programmes operating across frontiers, and, a range of often decentralised facilities supporting small-scale projects.

#### ***Some Tacis contributions in 1999***

Among the many projects of this kind supported during the year, Tacis:

- developed transport facilities across the Caspian and into Central Asia, through the Traceca programme;
- boosted energy transit infrastructure and management through the Inogate programme;
- conducted a telecommunications infrastructure study;
- fostered joint work to combat pollution in and around the Prut and Bug rivers in Ukraine, Belarus and Moldova;
- helped manage new Regional Environment Centres in Russia, Georgia, Ukraine and Moldova;
- developed agro-environmental monitoring;
- contributed to safety improvements in the management of nuclear power facilities;
- helped remove trade barriers in the agricultural sector;
- financed studies to enable the EBRD to finance major investments.



## **Multi-country programmes**

### *Inter-state programme*

The Inter-state programme promotes action in energy, transport and environment. From 1992 to 1998, Tacis committed around €340 million under the Inter-state programme, mainly to transport, energy, and telecoms networks, environment, enterprise development, financial services, and agriculture. Under the 1999 Inter-state Action Programme, priority was given to three areas: networks (energy, transport and telecoms), environment, and justice and home affairs.

**Networks:** Infrastructure networks need modernisation and restructuring, so that new trading opportunities can be exploited and the transport of raw materials within and outside the NIS can be facilitated. The development of trade remains a key inter-state priority. Most NIS still have only modest trade with the EU. Raw materials form the bulk of their exports to third countries, even from the more industrialised countries. Over-centralisation of transport and energy networks in the Soviet era has restricted these countries' access to markets under competitive and open conditions. Infrastructure upgrading needs to be accompanied by greater regulatory convergence on the basis of international standards. The focus on networks aims to:

- strengthen transport, energy and telecommunications links between the NIS
- link the NIS' and the EU's energy, transport and telecommunications networks
- regenerate inter-state trade and allow for the further diversification of trade through new routes.

The long-term improvement of network infrastructure and environmental protection demands significant capital investment. The purpose of Tacis projects in this field is to create the technical, institutional and organisational conditions in which investment can take place. This calls for a high degree of cooperation with major international financial institutions.

The key Tacis projects in networks are Inogate (Rehabilitation, modernisation and rationalisation of inter-state oil and gas pipelines in the NIS) and Traceca (Transport Corridor Europe Caucasus Asia).

### **Inogate**

The Inogate programme provides technical assistance and training to the participating countries with the aim of promoting the regional integration of the oil and gas pipeline systems, and facilitating oil and gas transport both within the region and towards the export markets of Europe. Inogate supports efforts to rehabilitate, rationalise and modernise regional gas transmission systems and oil and refined oil products supply systems, and to assess the possible complementary options for the transport of hydrocarbons from the Caspian and Central Asian regions to European and western markets.

Inogate covers four main technical assistance areas: market-related studies, resource evaluation studies, project feasibility studies, and institutional studies. The main objective of these activities is to develop a number of large-scale, bankable project proposals to provide the basis for investments in rehabilitation and other projects that could be financed by international financial institutions and/or private investors.

Two tasks lie at the centre of Inogate's work: to bring oil and gas from the Caspian basin to customers in Europe and around the Black Sea, and to attract international investment into the modernisation, rehabilitation and extension of oil and gas networks.

Two major Inogate activities in 1999 marked important advances towards these goals. One was the initialling of an Umbrella Agreement in Brussels in February. This created a single legal and administrative framework to allow cooperation among all the NIS and other European countries involved in energy transit. It also provided a framework for the modernisation and extension of pipeline networks, and should thus bring economic advantages to all countries of the region.

The second major event was the Inogate Summit in Kiev in July, attended by some 50 delegations from individual countries and from financing institutions and other international organisations. Participants even included Romania and Bulgaria.

Inogate also conducted feasibility studies for regional gas and oil infrastructure rehabilitation projects and for the crossing of the Caspian Sea by oil and gas pipelines, aimed at:

- preventing further deterioration of critical oil and gas facilities and restoring operational capacity, with installation of critical border delivery and metering stations at key locations, and special attention to storage facilities with a regional role;
- helping evaluate the hydrocarbon potential of participating countries and set up resource management systems compatible with international oil and gas industry standards;
- evaluating alternative oil and gas export routes to the markets of western, central and eastern Europe.

Extracting oil and gas from under the Caspian Sea or from the deserts on its eastern shores, and then to develop the routes to bring it to international markets, is one of the main challenges for Europe at the beginning of the 21st century, because Europe – the enlarged EU of tomorrow, and its neighbours in the Balkans – will be the prime customers for these new sources of energy. Security of supplies and energy diversification are important elements of EU energy policy. But the purpose is not only to bring oil and gas to EU markets, but in so doing to ensure that the energy sector is no longer a potential source of conflict. Instead it should offer the means to break down barriers, open borders and bring prosperity to a region which has suffered much but which can benefit enormously by realising its potential.

#### **Inogate's purpose endorsed**

The joint Declaration of the European Union and Armenia, Azerbaijan and Georgia in June 1999 said: 'We consider that secure export routes for Caspian oil and gas will be crucial to the future prosperity of the region, to the foreign companies investing in exploitation of those reserves, and to international markets. The construction of multiple pipelines is therefore logical and desirable, bearing in mind that decisions on the specific routes chosen, and the timing of those decisions, should remain essentially commercial ones for the companies concerned. We also attach importance to revitalising the existing pipeline networks.'

Inogate achieves international cooperation by getting experts to sit down together to work out the details of rehabilitation of transmission equipment, financing of pipelines, or creating institutions that will manage them. Bringing together experts of different nationality to develop activities jointly is how initiatives such as Inogate, and its sister programme Traceca, transcend their purely

technical functions. They become fora where ideas can be exchanged and where new concepts can be launched. The human contacts generated by these programmes are as important as the technical advice they produce.

## **Traceca**

Traceca aims at the development of a transport/trade corridor on an east-west axis from Central Asia, across the Caspian Sea, through the Caucasus, across the Black Sea to Europe. The programme is being widened to benefit Mongolia, Ukraine and Moldova. It corresponds to the global EU strategy towards these countries, and aims to support their political and economic independence by enhancing their capacity to access European and world markets through alternative transport routes, and to encourage further regional cooperation among the partner states. To date Traceca has financed 25 technical assistance projects (worth €35 million) and 11 investment projects for the rehabilitation of infrastructure (€47 million). The Traceca programme has resulted in closer cooperation and dialogue among government authorities, which has led to agreements to keep transit fees at competitive levels, and efforts to simplify border-crossing formalities. There have also been agreements to ship large volumes of cargo along the Traceca corridor, recognising that this route is the shortest and potentially the fastest and cheapest route from Central Asia to deep-water ports linked with world markets. The technical assistance provided through Traceca has helped to attract large investments from the international financial institutions, that include the European Bank for Reconstruction and Development (with commitments for capital projects worth over US\$ 250 million), and the World Bank (US\$ 40 million). Traceca achievements during 1999 included:

- The Baku-Aktau road ferry service was re-opened in June. Urgent cargo from Baku for the Kazakh oil fields, and other freight, may now quickly transit through the ports and be where it is needed with the minimum of delays. Plans are well advanced to rehabilitate the port facilities in Aktau so that rail ferry traffic may also be accepted, possibly starting in 2000. The re-opening of this service follows a meeting between Transport Ministers of Georgia, Azerbaijan, and Kazakhstan, as well as representatives of Traceca, in Aktau in early June, at which the conditions for operating the service were agreed.
- In April the Presidents of Azerbaijan, Georgia and Ukraine attended the inauguration of the Supsa oil terminal and the ferry rail terminal in Poti, Georgia, marking the successful completion of the Traceca project on design and construction of rail ferry facilities in the port of Poti.

**Transport and telecommunications:** Aside from Traceca, Tacis has supported additional projects in the transport field:

- Southern Ring Air Routes, promoting the safe and efficient operation of aircraft in the Southern Ring region: it is the second phase of a project to provide training courses to selected air traffic controllers from the region and in-country aviation consultancy expertise.
- Trans-European networks (TENs): support for the western NIS involved in the trans-European network corridors II and IX and Black Sea pan-European transport area (PETrA) to participate in TENs structures, in particular in the Transport Network Needs Assessment (TINA) secretariat; the project also covers training in transportation of dangerous goods.
- Telecoms standardisation and certification: extending an earlier inter-state project that set up test centres to meet European standards for the testing and certification of telecommunications terminal equipment in Russia and Ukraine.

**Environment:** The NIS are beginning to tackle environmental issues at an inter-state level, with support from the programme. Most of the major environmental challenges facing them, notably those relating to air and water-borne pollution, are of an inter-state nature and require collaboration between the countries. Improving environmental standards is important not only for social and health reasons, but the application of international environmental standards is also needed to boost international trade. And international financial institutions often require adherence to international environmental standards before funding projects. Improving energy networks, also involves examining energy efficiency strategies – particularly important in the NIS where outdated technology and practices, as well as inappropriate pricing policies, are major causes of energy waste.

Environmental problems have been identified through the development of National Environmental Action Programmes (NEAPs) with support from Tacis. The focus needs now to move on to pursuing solutions by implementing these programmes, through locally and internationally funded investments.

The Regional Environment Centres project stems from agreements made at international level (notably the Declaration by Environment Ministers in Sofia in 1995), and is undertaken in coordination with parallel efforts by other donors, including the US. In 1999 the initiative entered its third phase, making the centres independent, non-profit-making organisations, giving public access to environmental information, and advice to central and local governments. Tacis supports both the operational costs of the centres and project activities. A new centre to cover Central Asia is now being developed.

In the environment field, as in the infrastructure field, many of the projects envisaged are huge, requiring budgets far in excess of the means available to Tacis. Consequently much of the Tacis funding provided for environmental improvement activities is designed to tie in with investment projects from other donors or international financial institutions. In this way, Tacis can prepare the ground for investment, by conducting feasibility studies and pilot projects, presaging larger projects funded from other sources.

Tacis conducted a project on food testing, in response to environmental and health and safety concerns in Ukraine, Belarus, and Russia over industrial pollution caused by the Chernobyl accident. The project helps create national plans to use Hazard Analysis Critical Control Point (HACCP) assessment, and pilot work in three food processing plants that will then be certified by an EU-recognised body.

**Justice and home affairs:** Tacis aims to help strengthen the ability of the NIS to tackle justice and home affairs issues effectively through targeted technical assistance and other appropriate measures. This will increase cooperation between the NIS as well as partnerships between them and the EU, and is a vital companion to measures aimed at increasing trade. The principal focus has so far been on support for the fight against drug production and trafficking in the Caucasus and Central Asia.

The Inter-state programme has also included actions to support the business community. For example the EU Bureau for Bank Training and Restructuring Advice (EBTRA II) provided training and advisory services to the banking sector during 1999 through seminars, workshops and conferences. It is also updating and disseminating training materials produced during a previous EBTRA project, and strengthening the network of financial institutions developed with support from Tacis. And it is helping bank associations develop into true independent, democratic and representative institutions and to create better professional links between the bank associations of

the European Union and the associations in the NIS. EBTRA II benefits financial training institutions and bank associations that are already involved in Tacis.

### *Action Programme*

The latest Inter-state programme Action Programme continues the major thrust of Inogate and Traceca by developing links for transport and energy transmission within the NIS and between them and the EU. A further project in the networks field is designed to improve the radio navigation system in the Black Sea. In environment, three projects are included: a joint river management project to reduce pollution in the Seversky Donez (Russia/Ukraine), Tobol (Russia/Kazakhstan), Kura (Georgia/Azerbaijan), and Pripjat (Belarus/Ukraine) rivers; supporting Phase II of the National Environmental Action Programmes (NEAPs) in each of the NIS, whereby environmental programmes will be implemented; finally a bio-diversity project in the western Tien Shen region will reinforce the capacity of Kyrgyzstan, Kazakhstan and Uzbekistan to manage natural resources. In justice and home affairs, Tacis will support actions aimed at countering drug production and trafficking. In addition, consideration will also be given to supporting projects in the fields of migration and money laundering.

The 1999 Inter-state Action Programme was financed through an EU grant of €31 million, allocated as follows among the different sectors (in million euro):

#### *Networks:*

Energy – Inogate	10.0
Transport and telecommunications – Traceca	9.0
Environment	8.5
Justice and home affairs issues	3.5
Total	31.0

### **Nuclear safety**

In the wake of the Chernobyl accident, much attention in the EU has been devoted to the issue of nuclear safety in Central Europe and in the NIS. Many of the reactors in operation in the region are of old design and the safety culture and regulatory structures in these countries are not viewed as being of the highest standards. Consequently since the start of Tacis programming, considerable resources – almost €700 million to date – have been devoted to nuclear safety programmes in the four countries which have operational nuclear power plants (Russia, Ukraine, Armenia and Kazakhstan). Tacis activities have focused on dealing with two different situations: firstly in those newer plants which can be upgraded to international safety standards, Tacis support has aimed to assist in this process. Secondly, for older plants which require to be decommissioned, Tacis has assisted in planning for decommissioning and ensuring adequate safety is maintained until decommissioning is completed.

Clearly the costs involved in such operations, and in finding alternative sources of power for the countries dependent on nuclear power stations is enormous. The funding available through Tacis is but a tiny fraction of the overall needs. Nevertheless, by encouraging the sharing of information across Central Europe and the NIS (through links with the Phare nuclear safety programme), all those countries which have Soviet-designed reactors in operation can benefit from the activities

funded by Tacis. The efforts of the international community for the decommissioning of Chernobyl, which takes in more than just European countries also receive a significant contribution from Tacis. In 1999, this amounted to a €40 million contribution to the EBRD-managed Chernobyl Shelter Fund, and of additional funding for the Tacis projects concerned with pre-decommissioning facilities.

The 1999 Tacis Nuclear Safety Programme focused on a restricted number of large-scale actions, mainly continued on-site assistance, design safety, support to the regulatory authorities, spent fuel and radioactive waste management, and support for the implementation of the Memorandum of Understanding on the closure of Chernobyl:

- Further support of the decommissioning of reactors 1, 2 and 3 at the Chernobyl nuclear power plant. Under the 1995/96 Tacis budgets €38.5 million was earmarked for the solid waste retrieval, treatment and disposal facilities required in preparation of the decommissioning. The 1999 funds were foreseen for the 'short-lived waste disposal facility', and for the extension of the contract of the EU/Ukrainian Chernobyl On-site Assistance Team (OSAT) which supervises the EU-financed projects and coordinates with decommissioning projects financed by other donors.
- Projects addressing the problems present in the north-west region of Russia where spent nuclear fuel from submarines and from icebreakers as well as radioactive waste represent a high risk to Arctic populations and the environment. The project aims at providing Russia with technical assistance to update its strategy and to review its implementation, and at making feasibility studies for the rehabilitation of the Gremikha and Andreeva Bay sites.
- Continuation of the on-site assistance in Russia and Ukraine in order to ensure the completion of all activities undertaken in the framework of previous programmes, in particular the adequate follow-up of earlier equipment supply projects.

Compared to previous years the programme was of reduced size, because of EU commitments to the Chernobyl Shelter Fund, and a desire not to add new projects in areas where a backlog from previous programmes existed. The €23 million funding for the 1999 Tacis Nuclear Safety Programme was approved only in December 1999.

### **Cross-border Cooperation**

The Tacis Cross-border Cooperation (CBC) Programme funds cross-border activities between the NIS and the EU, and between the NIS and Central European countries (CECs). It focuses on activities which have an impact on both sides of a border, and which are supported by partners at a local or regional level in the EU or CECs, complementing other EU programmes in the same field, such as Phare and Interreg. Reinforcing cross-border cooperation makes a contribution to ensuring stability – particularly where the difference in living standards on either side of the border is extreme. The development of effective border controls is also important, and cross-border contacts also offer scope for tackling extensive and serious environmental problems in border regions. The programme therefore concentrates on support for border crossings, environmental and economic projects and small local projects. Under the CBC programme, support may take the form of consultancy, training, study tours, infrastructure and equipment. Where appropriate, identification and preparation of activities will be carried out at the regional and local level. National authorities will retain a role in activities of national importance, such as border crossings.

**Border crossings:** Eliminating excessive delays needs an approach combining traffic management with border customs clearance of freight and private travellers – including immigration procedures,

veterinary and phytosanitary services, preventive measures and links between the two sides of the frontier. Tenders for works, supervision and procurement have been launched, according to new procedures which put much greater responsibility on the NIS. Feasibility studies are underway for detailed preparation of new border crossings, such as at the congested Brest-Terespol crossing between Poland and Belarus.

**Environment:** in addition to the obvious need for cross-border cooperation in combating pollution and improving conservation, the European Parliament, EU Member States, and the NIS' governments themselves have shown political interest in the environment, and all of them stress that the environmental considerations should be a key component of the Tacis-CBC programme.

**Economics:** There is often an enormous difference in living standards between the two sides of a border. As a result, one of the priorities of the Tacis CBC programme is the reinforcement of cooperation between communities/business partners on either side of the border, to lay the foundation for sustainable economic and social development. The tools to be used are the creation of cooperation and business development between communities/business partners, which will develop trade and economy in the regions when combined with the establishment of links between border networks and an improved ecological environment.

**Small projects:** The Tacis CBC programme supports cross-border cooperation at the local and regional authority level, involving local communities in the western border regions of the NIS – an important tool to improve cross-border relations at the grassroots level.

### **Action Programme**

The latest Tacis Cross-border Cooperation programme (dated 1999) included the following new projects:

- Border crossings:
  - Russia – from Kaliningrad into Lithuania and Poland, and between Ivangorod and Narva in Estonia. These three crossings are all designed to improve access to Kaliningrad in view of the likelihood of its neighbours joining the EU in coming years, and form part of the 'Via Baltica', one of the routes in the trans-European networks.
  - Ukraine – completion of the Jagodin crossing
  - Moldova – completion of investment at the Leushen crossing, and launch of work at the Giurgiulesti crossing at the border between Moldova, Romania and Ukraine.
- Environment:
  - reducing water pollution in the river Niemen basin, between Belarus and Lithuania, to ensure safe water supply.
  - Improvement of the trans-frontier nature conservation system in Verkhovyna on Ukraine's western borders, to conserve the particular biological and landscape diversity of the region.

- Human resources:
  - Developing cross-border tourism in the Russian Barents region, to encourage sustainable economic and social development in the region.

The 1999 programme received a grant of €20 million, allocated as follows (in million euro):

Border crossings	12.0
Environment	3.4
Human resources	1.1
Small project programmes	3.5
Total	20.0

### **Small project programmes**

Tacis has also operated the small project programmes (SPPs), mechanisms which package smaller projects of a similar type under one umbrella, through intermediary delivery mechanisms. They allow Tacis to provide tailor-made assistance with pin-point accuracy in response to specific demands at local level, to complement the 'top-down' type of assistance delivered through governments and government agencies. The clients are often non-governmental organisations, local authorities, self-help organisations or foundations. The assistance covers a broad range of subjects and approaches, ranging from high-level political advice to teacher exchanges, from supporting vulnerable groups to transfer of know-how on urban waste treatment, and from private sector development to scientific cooperation. Some are managed by the European Commission Delegations in the NIS, and some by the Commission in Brussels. But the common element is that this Tacis mechanism has the flexibility to deliver on demand-driven projects with a rapidity and precision that few international assistance programmes can hope to match. In 1998-99, from allocations under the national programmes, the small projects programmes together received funding totalling €104.95 million.

### **Two types of assistance:**

The Policy Advice Programme and ESSN are examples of SPPs where Tacis funds are committed to a general theme or service, and where organisations in the beneficiary countries make proposals for small-scale initiatives or general requests for assistance in support of this theme.

By contrast, organs such as the Tacis Business Communication Centres or the International Science and Technology Centre, are set up wholly or partly with Tacis funding and expertise as concrete entities in the beneficiary countries, to which local organisations can apply for support. Tacis funding may cease after the start-up, but the entities created remain in place to serve a local client base.

The activities carried out under the SPPs included:

\* **the Policy Advice Programme** – which provides assistance to the highest policy-making institutions, often at short notice - in areas such as meeting accession requirements for the WTO,



financial services legislation, or developing independent data such as the series of 'Economic Trends' publications produced in Armenia and Belarus.

\* **civil society programmes** – such as City Twinning, which helps local and regional government to improve administrative and technical services and working practices, by building links with administrations in the EU Member States. Officials from beneficiary countries spend time in a selected 'twinned' Member State authority, then return to carry out a jointly-established reform or restructuring project back home, accompanied by an EU official or expert.

*LIEN* (Link inter-European NGOs) is another civil society programme run jointly with Phare, and aimed at stimulating citizens' initiative and strengthening the NGO structure in the social sector in the NIS.

\* **education and training programmes** – including Tempus, which assists universities from the NIS in developing contacts with European universities, to help restructure and develop the higher education system in the beneficiary countries. Projects are proposed by universities in the NIS in cooperation with EU partner universities, and are focused mainly on economics, law, international relations, social sciences, and university management. The *Joint Vienna Institute* offers courses in economic and financial management and administration and is supported by Tacis.

\* **enterprise support programmes** – including the *Productivity Initiative Programme* (now re-developed as the *Managers Training Programme*) which helps transform management systems and processes in companies, and supports the overall shift to a market economy. It gives managers ten-week practical experience opportunities in EU companies, and follow-up seminars in Brussels after they have had an opportunity back home to apply their newly-learned skills. The Work Attachment Programme is a similar mechanism designed for smaller firms, providing three-week placements.

The *European Senior Service Network* (ESSN) also offers know-how to companies in the beneficiary countries, but through advice given over periods of a month or more by retired EU managers who stay with a company conducting specific assignments linked, predominantly, to making a success of privatisation and restructuring.

The *Joint Venture Programme* promotes productive investment in the beneficiary countries through the creation and development of joint ventures, and stimulates the development of a competitive private sector. It gives assistance in preliminary search and contacts, in feasibility studies, training and technology transfer, and even direct financing and support.

\* **government service programmes**, now being integrated into the *policy advice programme* including in the fields of:

- customs, where the aim is to boost the national resources base, and to help fight against illegal activities such as fraud, and trafficking in drugs or nuclear materials;
- statistics, since all countries of the former Soviet Union need to improve their capacity to produce the statistics needed in a functioning market economy, to permit accurate economic and social analysis;
- intellectual property protection, as a key factor in attracting foreign investment and encouraging technology transfer; the activities cover reviews of current legislation and enforcement structures, helping new systems function, developing public awareness of the merits of intellectual property protection, and supporting the development of appropriate databases;

- industrial property protection, similarly focused on legislation and enforcement.

### **Other Tacis programmes**

Other Tacis initiatives which are not formally SPPs, but tend to come under their umbrella, include the Bistro facility, which provides up to €100,000 for small-scale projects – ranging from training seminars to expert reports and pilot projects. Bistro is managed locally by the European Commission's Delegations, and thus far operates in Russia, Ukraine, Georgia, Kazakhstan and Armenia. Under Bistro, for which a separate budget is allocated for each participating country, projects supported aim to meet the overall aims of the Tacis programme in that country.

Under the Bangkok Facility, Tacis funding is used by the European Bank for Reconstruction and Development (EBRD) to help prepare and implement investments. In many of the NIS, the structures needed to secure outside investment do not exist, so finance which the EBRD could make available to these countries might otherwise not be given. The Bangkok Facility provides an allocation of Tacis funding, managed by the EBRD, to support activities such as investment analysis, and the due diligence activities – technical, economic, financial and environmental – required before the EBRD can invest in a project. By way of illustration, each euro of Tacis funding under the Bangkok Facility leads to around €50 of investment by the EBRD. In 1999, Tacis funding of €23 million has been provided for the Bangkok Facility.

Tacis also supports the establishment of a number of networks across the NIS, which are intended to become self-sustaining. These include enterprise support centres across Russia, business communication centres across most of the countries in the region, and small- and medium-sized enterprise development agencies (SMEDAs). Tacis funding for these networks is being progressively phased out as they become more established.

In the scientific field, Tacis supports the International Science and Technology Centre in Russia (ISTC) and the Science and Technology Centre in Ukraine (STCU). Both of these centres are aimed at providing high level work for scientists in the NIS so that their skills and experience are not lost through migration outside the region. In particular, these efforts are designed to encourage scientists who previously worked in Soviet weapons programmes to re-deploy their skills in research for peaceful ends. In 1999, Tacis committed some €17 million to the ISTC and some €3 million to the STCU.

### **EVALUATION**

A systematic approach to the evaluation of Tacis started in 1997, with the publication of the 'Tacis Interim Evaluation report'. Since then, more detailed evaluation studies have been launched for particular sectors, countries or instruments covered by Tacis. During 1999, evaluations were underway for the special joint Commission and Council of Europe programme in Russia and Ukraine, the LIEN programme, the Inter-state Environment programme, the Customs programme, the Inogate programme, the Kazakhstan private sector, the nuclear safety inventory, food aid to Russia, and the country programmes in Russia, Moldova and Azerbaijan. Completed evaluation reports are made available on the SCR website on the Europa server. ([http://europa.eu.int/comm/scr/index\\_en.htm](http://europa.eu.int/comm/scr/index_en.htm))

This ongoing programme of evaluation of the different strands of the Tacis programme is designed to identify the successes of Tacis, as well as those activities which were not so successful, so that the lessons learnt (good and bad) may be taken up in future activities. But as with any programme

of the size and aims of Tacis, evaluation also plays a key role in informing decision-makers as to the evolving needs on the ground. Some successful activities will not need repeating, with their task accomplished, whereas others may be ripe for transfer to different settings. Tacis covers 13 different countries, each of which is undergoing a roughly parallel process of development, but at different speeds and using different methods. Effective evaluation can ensure that problems in programme design and implementation which crop up in one country are not repeated in others.

Two of the most recent evaluations – of two very different Tacis programmes – show the sorts of lessons which may be learnt and the contribution evaluation can make to subsequent programming and project implementation:

### **The evaluation of Tacis in Russia**

The evaluation of Tacis in the Russian Federation from 1991 to 1999, published at the beginning of 2000, concludes that Tacis was highly relevant in the early stages of transition, when access to basic western management concepts and techniques was in demand, and important structural processes, like privatisation, were beginning. From 1994 onwards, the transition process became much more complex, problems arose and resistance stiffened. Knowledge of western methods and procedures became less important than the need to understand and address the specific Russian constraints. The study recommends that Tacis should adopt new approaches, including strengthening the role of Tacis as an instrument of the EU-Russia Partnership and introducing new instruments like twinning and networking. Its principal findings were that most resources have been allocated to enterprise privatisation and restructuring, and training and education, but less to strengthening the regulatory framework and democracy. Most programmes have been based on transfer of know-how from European consultants to Russian beneficiaries. Conversely, partnership has remained limited to specific projects, and process facilitation has occurred only occasionally. The programme did have an impact in policy dialogue with the government, and this was particularly high in education and training, medium in governance and low in enterprise restructuring and building the institutional and legal framework for a market economy. These conclusions were integrated into the drafting of the new Tacis Regulation.

### **ESSN Evaluation**

An evaluation of the European Senior Service Network (ESSN), under which retired EU managers are seconded to companies in the NIS to undertake short-term projects, concluded that it has provided valuable direct assistance to SMEs, and that its budget should be increased. It urged close attention to the quality of applications and of senior experts, and to the good matching of experts to needs. It said the ESSN programme 'is a highly relevant vehicle to provide low cost, flexible, direct assistance to small- and medium-sized companies in NIS. Provision of this expertise is making a very worthwhile contribution to the development of the private sector at micro level. Important networks have also been created through ESSN visits'. The horizontal facility approach has proved effective, as the project is able to cater directly to demand at the grassroots level of beneficiaries.

### **Annex – Allocation of Tacis Resources 1991-99**

- Fig. 1: Tacis funds committed by country 1991-99 (in million euro)
- Fig. 2: Tacis funds allocated by sector 1991-99 (in million euro)
- Fig. 3: Cumulative funds committed, contracted and paid 1991-99 (in million euro)
- Fig. 4: Payments in each budget year 1991-99 (in million euro)
- Fig. 5: Cumulative contracts and payments 1991-99 (%)

**Fig. 1: Tacis funds committed by country 1991-99 (in million euro)**

	1991	1992	1993	1994	1995	1996	1997	1998	1999	Total
Armenia	2.3	9.6	17.0	0.0	6.0	14.0	0.0	10.0	0.0	58.9
Azerbaijan	0.4	12.5	8.0	8.0	6.0	16.0	0.0	26.8	9.5	87.2
Baltics*	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0
Belarus	8.9	14.6	9.0	7.0	12.0	0.0	5.0	0.0	0.0	56.6
Georgia	5.0	9.0	6.0	8.0	6.0	16.0	0.0	16.0	0.0	66.0
Kazakhstan	7.7	20.6	14.0	14.0	15.0	0.0	24.0	0.0	23.9	119.2
Kyrgyzstan	0.7	9.2	10.0	0.0	8.0	0.0	13.0	0.0	12.0	52.9
Moldova	1.1	9.0	0.0	10.0	9.0	0.0	18.0	0.0	19.5	66.6
Mongolia	0.0	0.0	0.0	8.0	0.0	9.5	0.0	11.0	0.0	28.5
Russia	212.0	111.0	160.8	150.0	161.2	133.0	132.9	139.7	101.0	1,301.5
Tajikistan	0.0	0.0	0.0	4.0	4.0	0.0	0.0	0.0	0.0	8.0
Turkmenistan	0.9	8.8	0.0	8.0	4.0	0.0	11.5	0.0	8.5	41.7
Ukraine	28.7	48.3	43.3	50.5	72.5	76.0	59.0	44.0	46.0	468.2
Uzbekistan	1.7	18.8	0.0	15.0	10.0	28.0	0.0	29.0	0.0	102.5
Regional Programmes**	106.0	88.6	172.0	131.5	124.5	152.0	135.0	155.8	129.4	1,194.8
Donor Coordination***	0.0	34.9	21.0	24.7	40.0	43.0	37.0	43.0	44.4	288.0
Programme Implementation Support****	6.2	24.0	11.1	21.0	23.0	37.5	34.5	31.9	33.5	222.6
Others*****	0.0	0.0	0.0	10.0	10.0	11.0	11.9	0.0	0.0	42.9
<b>Total</b>	<b>396.5</b>	<b>418.9</b>	<b>472.1</b>	<b>469.7</b>	<b>511.2</b>	<b>536.0</b>	<b>481.7</b>	<b>507.2</b>	<b>427.6</b>	<b>4,220.9</b>

\*The Baltic states have benefited from Phare since 1992

\*\* Includes the Inter-state, nuclear safety and cross-border cooperation programmes

\*\*\* Includes EBRD Bangkok Facility and International Science and Technology Centre

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

\*\*\*\*\*Includes Democracy Programme

**Fig. 2: Tacis funds allocated by sector 1991-99 (in million euro)**

	1991	1992	1993	1994	1995	1996	1997	1998	1999	Total
Nuclear safety and environment	53.00	60.00	100.00	88.00	108.00	141.50	98.00	118.53	84.09	851.12
Restructuring state enterprises and private sector development	37.50	79.64	94.46	78.66	72.40	55.20	60.92	61.41	55.05	595.24
Public administration reform, social services and education	103.00	42.28	79.91	63.55	99.40	55.70	44.75	73.20	70.57	632.36
Agriculture and food	79.95	60.54	32.19	41.58	48.33	18.50	26.50	20.10	17.06	344.75
Energy	65.00	38.96	38.00	43.70	42.35	45.80	43.90	38.85	24.70	381.26
Transport	49.80	33.19	32.77	22.80	21.10	43.00	20.70	34.30	20.90	278.56
Telecommunications	0.00	6.76	6.65	4.10	7.90	6.40	7.30	0.00	15.00	54.11
Policy advice and SPPs	0.00	37.80	8.00	41.08	0.00	61.01	55.32	25.90	36.00	265.11
Others*	2.05	0.83	48.02	40.53	48.71	28.39	52.88	10.56	8.88	240.85
Donor Coordination**	0.00	34.88	20.98	24.69	40.00	43.00	37.00	81.62	56.00	338.17
Programme Implementation Support***	6.20	24.03	11.11	20.99	23.00	37.50	34.46	42.77	39.30	239.36
<b>Total</b>	<b>396.50</b>	<b>418.91</b>	<b>472.09</b>	<b>469.68</b>	<b>511.19</b>	<b>536.00</b>	<b>481.73</b>	<b>507.24</b>	<b>427.55</b>	<b>4,220.89</b>

\*Includes the Democracy Programme and miscellaneous

\*\*Includes International Science and Technology Centre and the EBRD Bangkok Facility

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

**Fig. 3: Cumulative funds committed, contracted and paid 1991-99 (in million euro)**

	<b>Commitments *</b>	<b>Adjusted Commitments**</b>	<b>Contracts</b>	<b>Payments</b>	<b>Backlog</b>
	A	B	C	D	E=B-C
1991	396.5	396.5	5.3	0.4	391.2
1991-92	815.4	815.4	208.5	32.5	606.9
1991-93	1,287.5	1,287.2	557.2	212.8	730.0
1991-94	1,757.2	1,757.2	1,071.9	513.1	685.3
1991-95	2,268.4	2,265.7	1,598.9	887.6	666.8
1991-96	2,804.4	2,803.8	2,053.4	1,263.6	750.4
1991-97	3,286.1	3,277.2	2,744.4	1,668.6	532.8
1991-98	3,793.3	3,789.2	3,251.6	2,130.4	537.6
1991-99	4,220.9	4,130.3	3,647.4	2,643.9	482.9

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

\*\* These figures are net commitments after decommitment of uncontracted funds following expiry of the programmes

**Fig. 4: Payments in each budget year 1991-99 (in million euro)**

<b>Budget</b>	<b>Paid in 1991</b>	<b>Paid in 1992</b>	<b>Paid in 1993</b>	<b>Paid in 1994</b>	<b>Paid in 1995</b>	<b>Paid in 1996</b>	<b>Paid in 1997</b>	<b>Paid in 1998</b>	<b>Paid in 1999</b>	<b>Total</b>
1991	0.4	23.4	130.8	114.4	59.8	24.6	7.4	4.1	0.0	364.9
1992		8.7	33.9	118.5	102.1	82.5	27.4	11.2	0.7	385.0
1993			15.6	58.0	109.7	92.3	68.0	49.1	2.6	395.3
1994				9.4	76.3	96.3	104.6	66.2	10.4	363.2
1995					26.6	68.2	124.1	77.7	36.2	332.8
1996						11.9	60.9	106.6	76.4	255.8
1997							12.6	80.2	180.2	273.0
1998								66.7	146.5	213.2
1999									60.5	60.5
<b>Total</b>	<b>0.4</b>	<b>32.1</b>	<b>180.3</b>	<b>300.3</b>	<b>374.5</b>	<b>375.8</b>	<b>405.0</b>	<b>461.8</b>	<b>513.5</b>	<b>2,643.7</b>



**Fig. 5: Cumulative contracts and payments 1991-99 (%)**

	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
Cumulative contracts as a percentage of cumulative commitments	1.34%	25.57%	43.28%	61.00%	70.49%	73.22%	83.52%	85.72%	86.41%
Cumulative payments as a percentage of cumulative contracts	7.55%	15.59%	38.19%	47.87%	55.51%	61.54%	60.80%	65.52%	72.54%