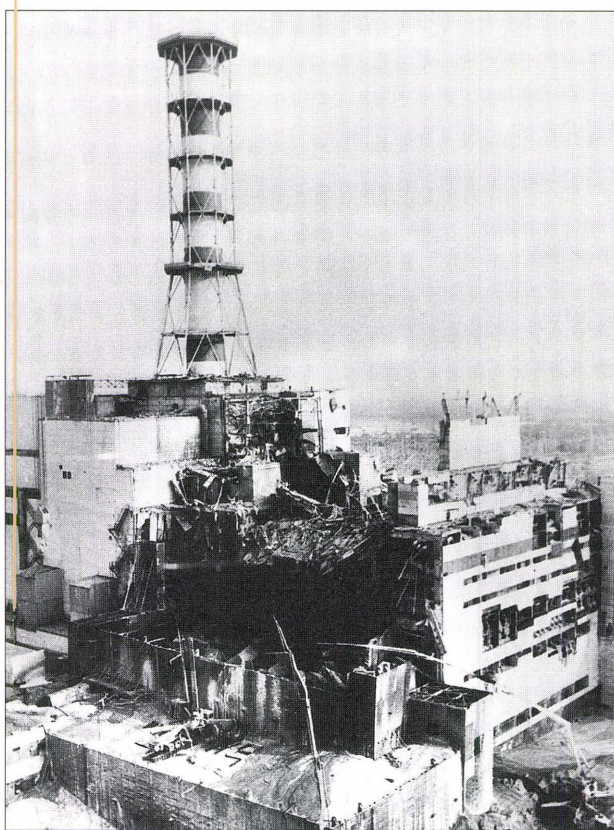




# Tacis

## news 2

### ► Chernobyl: avoiding the nuclear winter...



Chernobyl reactor 4 after the accident in 1986

#### Ukraine's energy crisis - the will to power forward and the need to balance the books

On 26 April 1986 an explosion occurred at a nuclear power plant in the Soviet Union's Ukraine Republic that sent radioactive pollution coursing uncontrollably over entire regions of this planet. The contamination gradually diminished; the physical aftermath is still being assessed; but the psychological shock-waves still resound. The world's largest reactor accident gave a frighteningly vivid demonstration of the system's potential for disaster and added a word to our contemporary vocabulary that has become synonymous with the nuclear energy nightmare scenario: Chernobyl.

The Ukrainian government has been trying to close Chernobyl for years. Energy shortages, particularly during the harsh winter, have made that impossible until now for reasons of pure social hardship. Not surprisingly, two units at Chernobyl remain in production and a third, closed since a fire in 1992,

(continued on page 2 ►)

#### ► Feature

## “Before you train people you need good policies”

#### Tacis training special: laying the foundations for long-term success

Training has been at the core of every one of the Tacis target areas: from legal and financial institutions through military conversion to environmental protection. Quite simply, training is one of the most efficient, cost-effective and long-term methods available for securing the success of the reform process as a whole. This special feature on the Tacis training programme looks at the New Independent States training background and needs during transition and focuses on some of the key projects currently underway.

(continued on page 4 ►)

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# ► Chernobyl: avoiding the nuclear winter...

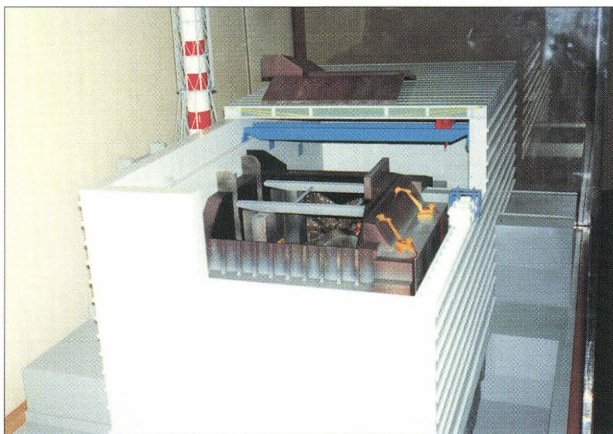
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was recently scheduled for re-opening. Chernobyl is still responsible for 4-6 per cent of Ukraine's total energy needs.

Tacis and Ukraine have been working together on nuclear safety projects worth a total of ECU 85.7 million since 1991. The Partnership and Cooperation Agreement signed between Ukraine and the European Union in June 1994 and the Corfu summit of the European Council held later that month should give a further thrust to Ukraine's work on de-commissioning Chernobyl and restructuring its entire domestic energy policy. The conclusions drawn from the Corfu meeting can accelerate progress significantly in all principal areas. Tacis will be a key partner in much of the work involved.

## The Corfu summit: setting the agenda with Ukraine

Today, Ukraine is more dependent than ever on nuclear power. Coal and gas production have fallen dramatically over recent years and the ready supply of imported energy at Soviet Union control economy prices is now no more than a fast-fading memory. Yet, somehow, Ukraine must still provide the power to support its entire domestic economy without inflicting terminal damage to an already precarious trade balance.



A design proposed for Shelter 2 for Chernobyl's reactor 4 unit. Shelter 2 will act as a protective cover over the remains of the reactor destroyed in the accident

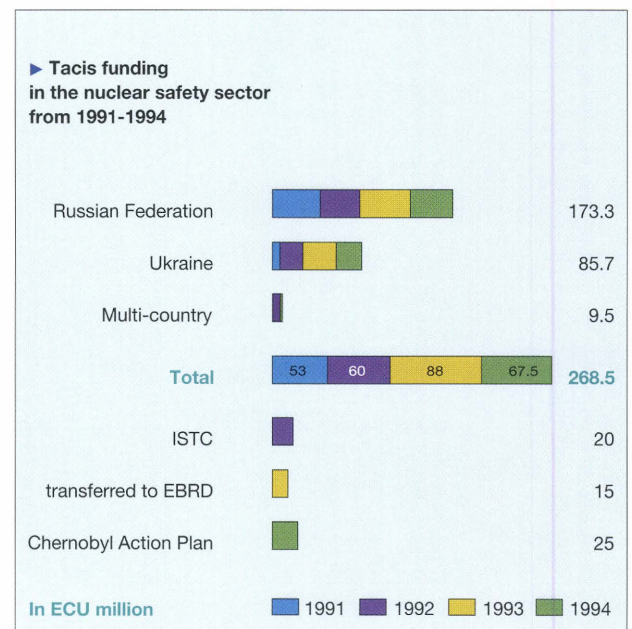
Now, following the European Council's Corfu summit in June, a total of ECU 500 million may be made available to implement the following measures:

- the immediate and definitive closure of reactors 1 and 2 of Chernobyl, and the earliest possible closure of reactor 3
- work on completing and upgrading to adequate safety standards the three reactors under construction at Zaporozje, Rovno and Khmelnytsky
- support to the Ukrainian safety authorities with supplies of basic equipment
- structural reforms to Ukraine's energy sector, including energy-saving measures and a realistic pricing structure.

Of that ECU 500 million, ECU 100 million will be provided by Tacis in the form of know-how and equipment, and ECU 400 million in the form of Euratom loans. The action plan was endorsed by the G7 heads of state and government at the Naples summit. The G7 countries pledged a supplementary initial grant of ECU 166 million for that purpose.

The ECU 85.7 million committed by Tacis is being used to promote nuclear safety in Ukraine on projects including:

- a project to train Chernobyl staff in fire protection and decontamination
- design studies for the construction of mobile installations for decontamination in the area surrounding the plant
- a project to transfer western know-how on reactor decommissioning
- a study to explore the safest way of enclosing the damaged Chernobyl 4 unit



- a decontamination project to clear up more than 800 nuclear dumps located within a 30 km radius of Chernobyl
- improvements in operational safety through on-site support for Ukrainian operators provided by operators from European Union nuclear power plants, including supplies of equipment
- engineering studies to assess safety deficiencies and identify improvements
- supplies of non-destructive testing equipment
- supply of urgently-needed spare parts.

Moreover, a multi-country programme is also being undertaken to support communities in Ukraine, Russia and Belarus who have suffered social and economic damage as a result of the fall-out from Chernobyl 4, following the disaster in 1986.

#### **The longer-term perspective: improving energy efficiency**

Even under optimum conditions, Ukraine today still has to import approximately 50 per cent of its total energy requirements. This is a huge drain on resources which is more than compounded by the residual inefficiency of virtually every area of industrial and domestic consumption.

Ukraine's energy sector is struggling to confront the classic dilemma of transition. It now suddenly has to pay full commercial prices for its energy imports, yet internally, industry pays for less than 50 per cent of international levels and domestic consumers for no more than 2-3 per cent. There is no adequate system for metering electricity, heat or gas and a lack of energy measurement equipment. A high proportion of the indigenous economy is based on heavy industry - industrial plants are largely outdated and excessively energy-hungry.

Tacis has set up a number of projects in the area of developing energy saving and efficiency strategies and promoting

commercial cooperation. It is working with a number of Ukrainian ministries, including the ministries of economics and industry, providing know-how in the form of policy advice to develop a strategy for energy pricing and tariffs. Tacis-funded experts are currently carrying out energy audits for the key iron and steel industry as a first step in demonstrating energy-saving technologies. Tacis is also organising and delivering relevant training on the spot for plant managers and is in the process of setting up initiatives for an information processing and sharing network.

Financing for nuclear safety projects and energy projects in Ukraine will be ECU 20 million and ECU 15 million respectively every year.

The signing of the Partnership and Cooperation Agreement with the European Union and the G7's endorsement of the European Union's package of proposals not only provide Ukraine with concrete measures for improving the nuclear energy sector. They also signal a major step forward in Ukraine's efforts to move itself swiftly towards an efficiently structured - and safe - market economy.

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## ▶ The Tacis Democracy Programme

As the whole process of mass privatisation and economic transition continues to gather momentum, there is a risk that the equally important development of institutions supporting democracy, the rule of law and human rights may be overlooked. The reality is that economic transformation goes hand-in-hand with support for democracy. The challenge is to deliver that support without imposing political dogma.

The Democracy Programme was launched in 1992 to consolidate democratic procedures and the human rights ethos in the countries of central and eastern Europe. Originally, this programme was funded through the European Union's Phare Programme, but in December 1993, it was extended to also cover the Tacis partner countries. In 1994, the Commission allocated ECU 10 million each to the Tacis and Phare Democracy Programmes to fund know-how transfer projects in the three broad areas of parliamentary practice and organisation, non-governmental organisations (NGOs), and democratic practices and the rule of law. The Commission supplies expert advice on the western parliamentary and legal systems, but the emphasis is very strongly on getting local people involved at grass-roots level.

Faced with urgent needs such as that for participation in the European Union monitoring of the Russian parliamentary

elections in 1993, the Commission uses the Democracy Programme for "own initiative" activities. It is expected that other such activities will tend to be related to parliamentary practice, to the working of the media and to education in democratic methods. The Commission has an expert on the spot in Moscow to assist with this programme. Although some of the projects are of the "own initiative" type, the majority of projects arise as a result of calls for proposals from NGOs.

The European Human Rights Foundation assists the Commission in promoting and coordinating the Tacis Democracy Programme, which is now completing its third round of calls for proposals from NGOs. David Geer of the Foundation has witnessed the considerable evolution in the programme since the first round of projects was launched:

"There has been considerable interest in the new call for proposals for this round and we've also put a lot of effort into reaching NGOs who might not have thought of applying before. So we're getting many enquiries from smaller NGOs and quite a few NGOs based outside of capital cities".

The key has been promotion and preparation at local level. There have been public information meetings, with application guidelines now supplied in some European Union languages.

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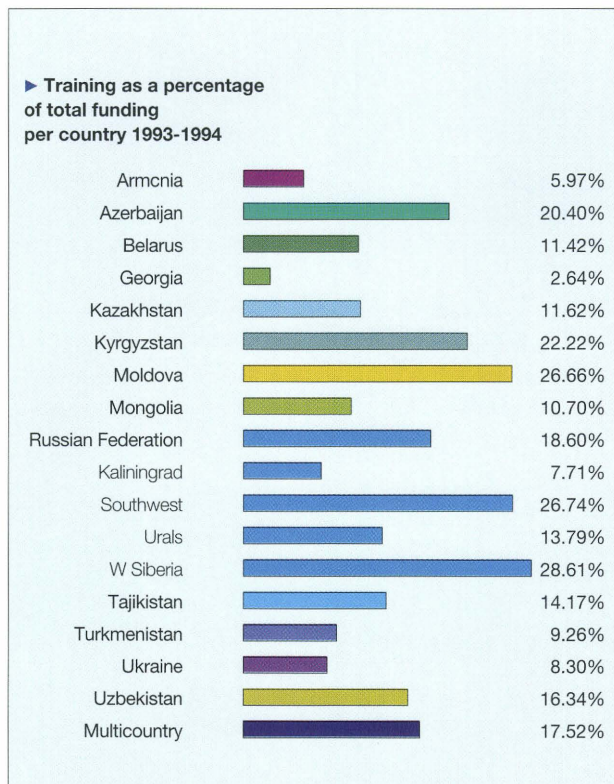
# “Before you train people, you need good policies”

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## The background - training and education in the Soviet Union - an isolationist legacy

The education system of the former Soviet Union was an exclusively centralised, state-controlled system which, for ideological reasons, specifically excluded all training in economics and the market economy.

The concept of the “complete university”, common in western Europe and elsewhere did not exist as such. Education was fragmented by placing specialised teaching institutions under the control of individual ministries. Contact with western practices - and consequently new western technologies and methods - was inconceivable.



Following independence, virtually all the new governments have taken decisions to upgrade and radically modernise their economics and business teaching. New materials are needed; textbooks in local languages are an urgent requirement. Above all, the retraining of the trainers themselves is a vital ongoing priority. Yet Tacis Head of Unit Giorgio Bonacci is categorical when asked about the main priority:

“Regardless of how good your training procedures are, if you don’t have the proper organisational framework in place first to support your methods, you can’t implement them.”

## The framework question: problems within the reform process

Education reform in the New Independent States throws up a veritable barrage of problems at both governmental and institutional level. New regulatory frameworks are required but not always fully defined - their actual application can lead to difficulties for staff if they have not been trained properly. The level of development varies between regions in each country which requires a legal solution with the necessary flexibility to match different needs. In addition, the explosion of new semi-private business schools still requires proper integration into the overall administrative structure. Giorgio Bonacci sees the solution in three distinct chronological phases:

“First, you give advice, and the individual countries or regions must make their policy decisions. Then you work on implementing the legal and regulatory framework. Then you can start training people within the framework.”

## From fire-fighters to pilots: entering the second stage

Bonacci is quick to acknowledge, however, that a whole series of short-term measures were essential to kick-start the whole training reform process:

“Clearly, you can’t just wait until everything is ready before you start to act. You have to take short-term initiatives to complement your long-term objectives. Specifically for Tacis, that has meant channelling resources and expertise into “train the trainers” projects throughout the New Independent States. Once the trainers are trained, they can start to develop their own curricula autonomously, which is by far the most stable solution long-term.”

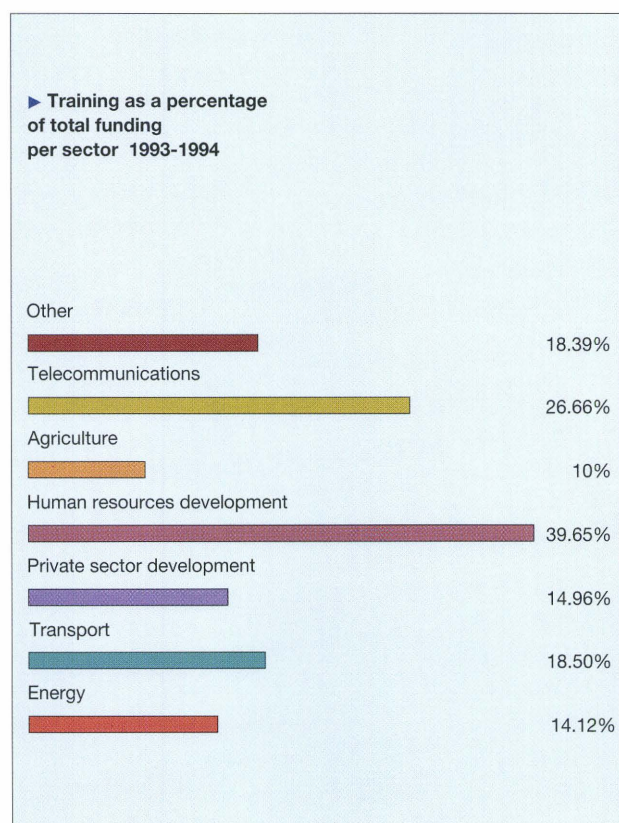
Another hurdle to overcome was the broad disparities of needs and local requirements, not just between the different New Independent States, but within single states such as Russia and Ukraine.

“It is very much a dialogue. We have to be as flexible as possible to maximise effect. Skills levels often vary between urban and country areas; certainly, the individual countries have very specific requirements that they want to meet. Cultural differences play an important part too. So the preparation phase for projects is extremely important.”

Bonacci sees the Tacis Programme’s drive for education as entering a second stage now. The first stage he describes as having been very much a hands-on exercise, starting the whole process in motion and targeting projects to “fire-fight” areas of greatest need and working with institutions on an individual

basis. Now, he sees the overall programme working far more in terms of networking between New Independent States' institutes which is expected to contribute to the improvement of management and planning of education systems.

"We discuss ideas and proposals with the central authorities in order to identify needs and project objectives. Then, for example, we will try to identify an institution that can become a centre of excellence, a reference point for networking the expertise on a far wider scale. The questions we are always asking ourselves are: 'How does this project fit into the overall programme?' and 'How can we best use the pilot project to spread the contents?'"



In the key area of training materials, Bonacci says that one lesson they have learnt from their initial experience is that translations of textbooks are insufficient. Now they are launching projects to develop indigenous specialised literature:

"Reading a case study in market economics written for use in western Europe means nothing to a Russian, even if it's in his own language. You have to have textbooks that are relevant to the society they aim to train. One Tacis-funded project today, for example, is a collaboration of Russian and European

economists to develop new economics textbooks written in Russian. This is definitely the direction we are now headed in."

### The Tacis partnership contribution

The main focus remains the key area of management and business training. Training tomorrow's managers in the principles of the market economy has an importance far beyond the provision of high-quality education. What is at stake is the long-term infrastructure of the new societies under a market economy. For entrepreneurs to thrive on the proverbial level playing field, they must have institutions and frameworks that are both structured and managed equitably and efficiently.

The selection of projects shown here gives an overview of how the partner countries and Tacis are working together to create training structures that will encourage both tomorrow's New Independent States businesses to exploit the potential advantages of market economics and their financial institutions to provide them.

### Tacis training projects in action

#### ► CISTEX - training for managers of Russian textile and clothing industries

In 1991, a Belgian non-profit-making association representing the largest European textile and clothing manufacturers, ELTAC, approached the Russian authorities to propose a training programme for managers in the Russian textile and clothing industry. A two-phase project was developed for Russian managers to learn about western market economy and business practices.

The first stage involved developing teaching materials adapted to the requirements of the future trainees. They were unfamiliar with western management concepts - and the terminology used in this context. In addition, the problems specific to the textile and clothing businesses in the New Independent States imposed their own set of criteria. Following extensive research and analysis, five training modules have been drawn up in Russian by Tacis-funded experts, focusing on developing leadership skills, short-term financial management, the product development cycle, international trade and supplies of raw materials. Much attention has been given to close coordination with the partner organisations in order to ensure that these training modules have the desired effect in the long term. In the past, cultural differences have contributed to the failure of traditional European training programmes to have long-term results.

The first training modules will take place as of October this year. Russian trainers have already been trained and will be in charge of delivering the modules. In this way they will ensure

## ► Feature

that the learning process is smooth, avoiding misunderstanding and checking that all information is directly relevant to the trainees.

### ► Over 10,000 bankers trained by end 1994

More and more commercial banks in the New Independent States are opening, while the old specialised banks are undergoing transformation. The need for training in western financial techniques is acute.

Tacis has set up a large number of specialised training programmes throughout the New Independent States aimed at over 10,000 bankers. Over 100 financial experts from the European Union are currently working side by side with local staff to meet two important objectives: the provision of courses in basic and advanced banking issues, and the creation of self-sustainable training centres. The training programmes will be completely taken over by local staff by the end of the projects.

### ► Seminars programme

A year-long project has just been launched for all administrations in the New Independent States which makes western experience available to organisations in key areas of the reform process. Partner countries have established as a priority the need to reform the public administration system to operate in an environment which is moving away from central planning. Tacis-funded experts will be working with them to provide advice on creating and restructuring administrations and training civil servants to develop new skills.

### ► Voronezh business schools conversion

A programme to convert existing business courses and facilities to meet the needs of a market environment and train teaching staff to deliver them. The programme's objectives are:

- the creation of a school of economics and business at Voronezh State University
- the development of plans for the conversion of business and economics programmes at the Voronezh polytechnic institute and the Voronezh agricultural University
- training for teaching staff both in European Union business schools and in Voronezh
- training for technical staff
- the provision of essential training equipment and library materials.

### ► Strengthening the International Business Management Institute of St Petersburg

A comprehensive three-year project which has been running since 1992. A team of 90 professors from Italy, France, Spain and the United Kingdom have been working together to create the necessary conditions for teaching and research in a transition economy. These include faculty training, teaching material preparation and distance learning. Ultimately, the aim is the

design and implementation of a full Master of Business Administration course (MBA).

### ► Training for stock exchange administrators, trainers and financial institution staff from Russia and Ukraine

For these staff with a key role to play in the privatisation process, a programme of study visits to European Union stock exchanges, financial institutions and regulatory authorities is being both preceded and followed up by workshops organised and managed by western experts in Moscow, St Petersburg and Kiev.

### ► Accounting and auditing training programme Ukraine

Ukraine is currently in the process of finalising laws for accounting and auditing and of adapting the existing chart of accounts with the support of Tacis. The objective of this particular project is to develop a comprehensive curriculum for training trainers, students and practitioners alike, and to help two training centres to train these target groups in modern techniques.

### ► Russian Federation officers re-training programme

A programme to retrain 16,000 discharged Russian army officers with re-training in a variety of economics and marketing skills.

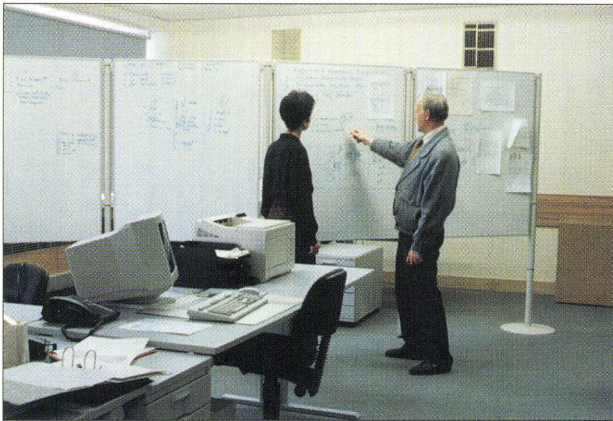
Following detailed consultations with the Russian government, which originally requested Tacis advice in this area in 1992, a comprehensive training project has been drawn up to help the many officers being discharged from the Russian army to adjust to civilian life.



Training machine operators and future trainers from the October Railway in light track maintenance: replacing a track panel and switchgear

In the first phase of the project, the principal aim is to upgrade the qualifications of 400 teachers working in 15 training regions throughout the country. Tacis has drawn up a training programme in conjunction with the Russian State Committee for Higher Education and the Ministry of Defence to meet the demands of this sector of the workforce.

The scope of the training will cover general management and marketing, the principles of the market economy and modern teaching methods. The Russian teachers and some of the



Training future trainers in distance teaching at the Moscow Institute of Economics and Statistics

officers will have the opportunity to see leading European business concerns at first hand and to work side by side with western managers for about six months in total.

More than half of the recipients will undergo additional specialised training specifically targeting small and medium-sized enterprises. The 400 teachers in the centres will be supervised by experts from the fields of macroeconomics, corporate law, marketing, finance and strategic planning. The courses for the 16,000 officers will begin at the start of the second year, following the conclusion of the teachers' training programme. On behalf of Tacis, the training branch of the Italian company Elea-Olivetti is heading up a multi-national consortium of experts in charge of project implementation in close cooperation with their Russian partner organisations.

(continued from page 3 ► The Tacis Democracy Programme)

Regional seminars have also been held for up to forty NGOs at a time which explain the programme and provide training for writing a grant proposal. David Geer again:

"Many NGOs do not have experience of how to apply for grants from funding bodies, so we give them information and training. The goal is to reach the maximum number of NGOs which are making an active contribution to the development of civil society in terms of the basic principles of democracy and human rights. And it's made clear that the Commission won't fund partisan or party-political projects, for instance, and it won't fund capital purchases. The proposals themselves can be difficult for us to assess in concrete terms - say, monitoring the activities of the local security services - so we have to pay a lot of attention to defining clear objectives and criteria for evaluation."

All applicants have to be non-state and non profit-making, and the application must be a partnership between bodies from the European Union and the New Independent States and Mongolia. Applicants have to contribute at least 30 per cent of their project's costs and Democracy Programme funding may go up to ECU 200,000. Projects must normally run for no more than 12 months. The funding is significant, yet David Geer is convinced that the Democracy Programme has a significance in the New Independent States that goes beyond the provision of money:

"The Commission never proposes any projects, but there's no doubt that the mere presence of the Tacis Democracy Programme is a spur for the NGOs. It encourages them to go forward. In fact, it's reached the stage now that a successful application is more than a means to an end. It's a badge of honour and it's treated with a lot of respect."

From the second round of proposals, a total of 102 projects have been selected for funding from the Phare and Tacis Democracy Programme and successful applicants notified.

Thirty of these projects will be covered by Tacis funding. The areas covered include anti-discrimination, consumers' rights, human rights, training people working in NGOs, trade unions, penal reform and employers' associations. The projects are expected to start in November.

Examples of projects that will be receiving funding from Tacis include:

- supporting the establishment of women's legal rights in Russia.

Tacis is contributing ECU 116,000 for a project to strengthen the organisational and managerial capacities of the Zhenski Innovatsionni Fond (ZhiF) - a Russian women's organisation. The project involves AIDOS, the Italian Association for Women in Development and KEGME, the Mediterranean Women's Study Centre. The project also aims to increase ZhiF's abilities to provide information on women's rights.

- seminars and workshops on market economies and democracy

ECU 150,000 was earmarked for work with the Alfred Mozer Stichting from the Netherlands and the Caucasian Institute for Peace, Democracy and Development for 84 seminars and workshops to be held in Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Ukraine and Uzbekistan. The seminars will be transferring know-how to decision-makers such as parliamentarians, administrators, businessmen and young politicians on topics including democratic transformation.

The current call for proposals closes on 31 October. For further information, please contact the European Human Rights Foundation

Tel / fax (+32-2) 732 66 53 or fax (+32-2) 734 68 31

# ► Flexible, focused - and funded fifty-fifty:

## Introducing the Tacis Partnership and Coordination Programme

Over the last three years, the various forms of support offered by the European Union Member States to the New Independent States have become more extensive and complex. There is therefore an increasing need to ensure that Tacis and the Member States concentrate on coordinating their work and avoid duplication and gaps.

Authorised in December 1993, the Tacis Partnership and Coordination Programme aims to address this need. The Partnership and Coordination Programme is now working with all the European Union Member States to both channel and catalyse small-scale cooperative initiatives between western companies and organisations and their counterparts in the New Independent States. The key to the programme's role is in the title itself. Giorgio Boggio, Tacis Head of Division in charge of the programme, explains:

### The partnership

"There are a number of features in the programme that are genuinely innovative, and the whole idea of partnership proposed on the basis of a grass-roots upwards approach is one of them. Any private or public organisation from the European Union can propose a project, and if it is accepted, Tacis will provide 50 per cent funding up to a ceiling of ECU 300,000. The condition is that there has to be a clearly defined partner organisation in the New Independent States and the project must target one of the priority sectors drawn up by Tacis. Effectively, though, the only area that is absolutely excluded is pure commercial interest. The idea is to remain as flexible and responsive as possible."

The programme actively favours proposals jointly submitted from more than one company or organisation to combine different expertise and experience, so providing a more comprehensive project. The whole cooperative aspect is one of the central factors. Giorgio Boggio again:

"We are trying to get much closer to the partner organisations and to support projects that deliver concrete results. The whole structure of the programme has been designed to solicit economic operators themselves and to make it demand-driven at the level of the partner organisations. This is why we put the emphasis on cooperation. The cost-sharing approach ensures that only those operators who have a genuine interest are selected.

The programme offers an opportunity for organisations which have an existing relationship - or want to develop one - with a

partner in the New Independent States. The partners endorse the projects, are involved in their design and contribute to their execution, so ensuring their effective implementation. A lot of the proposals are from private companies, for example, and naturally they have to be looking towards a return on the investment they make, but the benefits must not be exclusive or finite. We want them to be shared as widely as possible."

### The coordination

Another programme innovation is that projects are not proposed directly to Tacis, but are "pre-selected" by national organisations designated by the governments of the Member States. As Mr Boggio explains:

"The national bodies are in an ideal position to achieve complementarity between projects under this programme and their own bilateral funding programmes."

As for the financing of the projects themselves, Mr Boggio is keen to stress that the programme structure is not only maximising the use of existing funding through better coordination, it is also tapping new sources through the cost-sharing formula, and he emphasises:

"We are actively looking for projects that can have a knock-on effect on other organisations or areas, or that complement work already being carried out under the Tacis Programme."

### The programme

Funding worth ECU 5 million has been allocated for the programme's pilot phase which was launched in March 1994. Following pre-selection, a total of 72 projects from all 12 European Union Member States have been submitted for final choice. Mr Boggio considers the response very encouraging, especially if one takes into account the short time allowed for submission of proposals and the innovative requirements of the programme:

"The majority of those 72 projects are high-quality. The pre-selection process sees to that. We can't fund everything from the pilot phase, as our budget is limited, but we can make a good selection."

Encouraged by the initial results, a second round of calls for proposals is foreseen for the end of this year. It is hoped that the awareness created by the first round of the programme will generate greater interest and that partner organisations will initiate projects themselves together with European partners.

The selection of projects from the initial phase of the programme will be announced shortly.



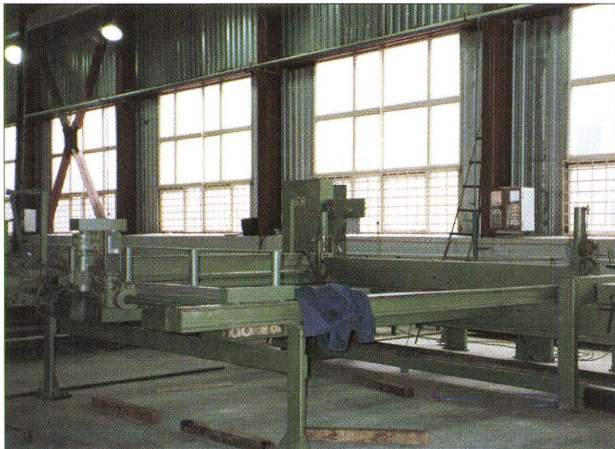
## ► The ESSC - from Russia with laminates

The European Senior Services Consortium (ESSC) is a Tacis-funded programme that aims to tap the vast wealth of experience of over 20,000 western European experts.

Usually operating individually or in pairs, this has become a valuable source for channelling professional experience and expertise directly to the people who need it. This is just one example of ESSC at work.

Leonard Fertleman, a London furniture maker, was approached in late 1993 to work with a local furniture manufacturing factory in Ryazan, 300 km south of Moscow. The company was looking to build a substantial export trade with their occasional furniture made from PVC covered chipboard. In order to achieve this, they needed European expertise, raw materials and technology.

Mr Fertleman was asked to help with advice on the factory's manufacturing processes and business structure. These extracts are taken from his diary of his visit.



Machinery purchased secondhand at auction in England: no wiring diagrams meant that they could not be used at first

First impressions were hardly favourable:

"My arrival in mid-October coincided perfectly with the onset of early winter, one metre of snow and -15°C temperatures."

The list of available machinery he had received in advance was impressive. However, there was a slight problem:

"All but one of the machines were lying in a state of partial assembly. They had been purchased at auction in England and typically there were no manuals or wiring diagrams with them."

He decided to concentrate on improving the quality and output of the PVC laminating line, but for reasons completely beyond his comprehension, failed time and time again at the gluing stage:

"I tried everything. More glue, less glue, thinner, thicker, hotter - everything. Only when I sought help from an interpreter at the local university did I manage to get to the bottom of it. The glue had spent six months in winter frozen solid in the St Petersburg

docks. The second it freezes it loses its bonding qualities. They knew all right, but it was symptomatic of their worst problem - the unbelievable difficulties in obtaining raw materials."

The company's president added that production problems caused by supplies shortages were everyday realities for most



A visit to an English factory with a view to setting up a mattress-making plant in Ryazan

factories in their part of the world and stressed that Russian companies were desperate for western raw materials, technology and management systems.

"It is so simple for a western production manager to ring up and order glue, sanding belts, PVC sheeting, tippex and felt-tip pens. But none of these items are made in Russia, along with many other things that are taken for granted in the west. They all have to be imported, which means an endless list of red tape and customs problems".

Together, however, they persisted, and together they were rewarded with results:

"Little by little, the piles of metal turned into woodworking machines. The workforce were extraordinarily adaptable and ingenious when it came to overcoming seemingly insurmountable problems."

Mr Fertleman realised that here was an opportunity not only for exporting furniture from Russia to neighbouring countries (his original idea), but for importing different types from Europe. The company was profitable on its domestic sales and, thanks to currency exchange deregulation, could now convert those profits to buy foreign goods that offered far better margins on re-sale to the new Russian consumers.

"The response at first was sceptical, but slowly it developed into fever pitch: 'How soon can you ship?'" An order for 400 pieces was placed.

Over the following months, Mr Fertleman concentrated on identifying steady and reliable supplies of raw materials and machinery. Furniture designs suited to local requirements were introduced and his efforts extended to a follow-up visit to

supervise storage for the imported furniture. He also invited the principals of major trading partners to visit the UK and discuss future requirements. Contracts worth over ECU 300,000 were signed to import items such as hinges, glues, chair frames and PVC laminates. Calling on his commercial and export experience, Mr Fertleman devised a method of payment guarantees where all banks employed in the payment process were approved by leading UK finance houses. In the long term, this will be a springboard to enable the factory to develop new trading sectors and widen their range of products.

The final word should be Mr Fertleman's:

"The factory is now in production of a very good quality range of upholstery. The staff have been receiving training in manufacturing and management skills and the overall mood and atmosphere is upbeat and positive. The operation is now



The final product: upholstered furniture manufactured in Ryazan ready for export to Europe

consuming enough to justify full container-loads of components direct from the manufacturers."

#### ► News flashes

## ► New Partnership and Cooperation Agreements

### European Commission initials PCAs with Kazakhstan, Kyrgyzstan and Moldova

The Commission has initiated Partnership and Cooperation Agreements (PCAs) with Kazakhstan, Kyrgyzstan and Moldova. Those with the central Asian republics were initiated in May and the one with Moldova in July 1994. Signature is expected before the end of this year.

Following broadly many of the elements contained in PCAs already concluded with Russia and Ukraine, the Agreements put in place a formalised framework for political dialogue, trade in goods and services, business and investment and economic, legislative and cultural cooperation. The Agreements pave the way to integrating the countries into the

world economic system and confirm the European Union's support for their independence and territorial integrity. Respect for democratic principles and human rights constitute essential elements of the Agreements. The PCAs' specifications include the following

- mutual application of "most-favoured nation" treatment for customs tariffs and duties with the removal of quantitative restrictions (special conditions apply, however, to trade in textiles, coal and steel and nuclear products)
- far-reaching provisions for non-discrimination of investors, with virtually no restrictions on establishment or operations of European Union companies in any of the three partner countries



- ▶ free flow of capital payments, in particular those related to trade in goods and direct investment
- ▶ a timetable for the rapid development of intellectual, industrial and commercial property protection in the partner countries which is of the same level as that applied in the European Union
- ▶ agreement for cooperation in a wide range of areas between the European Union and the partner country. In many cases this cooperation will involve the Tacis Programme.

The operation of the Agreements will be overseen by Cooperation Councils which will meet annually at ministerial level. Cooperation between the European Parliament and partners' legislatures is also foreseen.

The PCAs will need to be ratified by the Parliaments of all Member States and of the partner countries, although the trade-related provisions are subject to simpler procedures and will enter into force relatively quickly through 'interim' agreements.

## ▶ Banking

### **Long-term financing capability for banks in Belarus**

A new project to help banks in Belarus increase their capacity for providing long-term credit or equity for enterprises began in September 1994. Long-term credit distribution is vital to the reconversion of state industries and the process of privatisation.

Tacis has been working with the European Bank for Reconstruction and Development and the World Bank to develop a project that will increase the availability of long-term financing for enterprises. Previous Tacis projects in this sector have concentrated on the institutional strengthening of the National Bank and on providing training, advice and consultancy to commercial banks. Tacis will now be providing experts to advise on ways of improving the operational standards of the credit departments of three newly-established commercial banks. This will permit them to judge credit applications on their own merits.

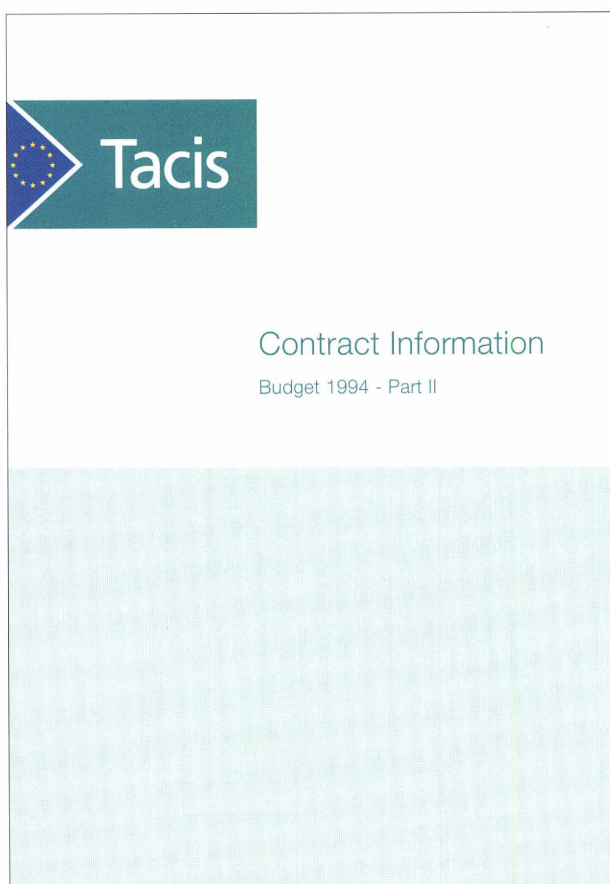
## ▶ Further Action Programme for 1994

The Tacis Committee met on 29 September to discuss the 1994 multi-country Action Programme for the New Independent States as a whole. The programme will be financed through a grant of ECU 47 million. Contract information based on this Action Programme will be available from the Tacis Information Office.

## ▶ New publication

### **Tacis Contract Information II**

This publication contains details of projects within the Action Programmes from the 1994 budget in Belarus, Kazakhstan, Mongolia, the Russian Federation, Tajikistan and Ukraine. It is available from the Tacis Information Office in Brussels.



## ▶ Social services

### **Addressing the social implications of transformation to a market economy**

Tacis is financing a new project for ECU 1.3 million with the state employment service of Belarus. The two-year project aims to introduce new aspects and modifications in social services to meet the requirements of a society in transformation to a market-oriented social and economic system. Experts have started work, providing policy advice to develop the institutional capacity of the employment service. In due course, the employment service will be able to provide job-counselling, re-training programmes and employment schemes and develop relevant labour policies.

## ► Energy

### **Contract signed to provide know-how to the oil and gas sector in Tyumen**

A contract worth ECU 3 million has just been signed to provide know-how to the oil-rich region of Tyumen in order to improve its production capabilities. These play a key role in earning hard-currency for Russia as a whole.

Tacis is funding a team of experts to determine ways in which output from existing fields can be increased and production

losses reduced. Experts will also be advising top-level management on conforming with international operational standards and how to improve health, environmental and accident protection. One important result of the project should be improved opportunities for western co-financing of capital projects. Management training will also be provided to help with the management of exports and the transport of hydrocarbons.

## ► Agriculture

### **Study of the milk, meat and fresh produce sectors and privatisation of sovkhoses in Yaroslavl**

A 24-month project to provide training, advice and consultancy to the milk, meat and fresh produce sectors in the region of Yaroslavl north of Moscow has just received a further extension to continue its success.

Tacis-funded experts have provided know-how to farms, dairies and meat factories in the region in the form of training, policy advice and consultancy. The experts organised management and technical training for regional and rayon administration officers, managers and executives of milk and meat industries and provided advice and consultancy to raise sanitary standards in dairies. Through a series of feasibility studies, grazing and grass-land management and winter fodder production techniques

were introduced, and new white clover varieties and other kinds of vegetable were tested for introduction.

### **Installation of vegetable processing line in Kolpino**

A ECU 2 million project to install a vegetable processing and packaging line on the newly privatised sovkhose Thalman collective is almost complete and showing highly positive results. The project is partly co-financed by the collective itself which is also renovating the infrastructure of the milk processing facilities. The new vegetable packaging line is one of the first of its kind in the region; the collective is now able to provide graded and packaged vegetables for retail; and the existing milk processing plant is currently being upgraded to provide a model of privatisation practice for the region.

## ► Private sector development

### **Joint-venture programme with Russia**

Following the success of the Phare joint venture programme - JOPP - Tacis is now developing a pilot project to extend this business partnership to Russia. Tacis JOP will help finance the technical development costs of European and Russian firms planning to establish joint venture partnerships. This should encourage businesses in the European Union and Russia to undertake thorough research before entering into long-term business relationships - which will make them more attractive to funding agencies and contribute to their long-term development potential.

The general structure of the programme will be the same as that operating in central and eastern Europe, except that in its current form, the Tacis Regulation prevents Tacis from providing the type of equity cofinancing offered by the Phare Programme.

### **Restructuring of Russian steel industry**

A major programme to address the restructuring problems facing the Russian steel industry has just got under way. Tacis is funding the participation of experts to review industrial performance and address the low productivity of this sector compared to world standards. The experts will be developing an overall strategy for the sector as well as providing strategic options for a small number of selected companies. They will work closely with the Russian Committee on Metallurgy providing advice to them on an on-going basis. Throughout the process, modular training programmes will give personnel from the industry the opportunity to learn about western management techniques.



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