



news 9

► Election season in Russia

The December 1995 parliamentary elections in Russia left the Communist Party holding a majority of the seats in the Duma. For the moment it is difficult to predict the long-term effects of the result, but the picture should become clearer after June's even more crucial presidential election. What is clear, though, is that the Russian voters turned out in large numbers to participate in their country's second post-perestroika elections.

As Russia gears up for its next democratic test, Tacis news looks at the presidential election and assesses the impact of three Tacis-funded campaigns, which were implemented in the run-up to and during the parliamentary elections. These already provide some important indicators for the running of the June elections and, more importantly, they confirm that democracy is alive and well in the new Russia.

In May 1995, the Organisation for Cooperation and Security in Europe (OSCE) approached the European Commission for support for their mandate to coordinate valuable election monitoring in its Member States. With the Russian Duma elections imminent, the European Commission responded with a substantial commitment from the Tacis Democracy programme to finance the establishment of the European Union's Electoral Unit (EUEU)

in Moscow. As the campaigns got under way, the Democracy programme intervened to fund a monitoring team from the European Institute of the Media (EIM), which was seconded to comment on the fairness and accuracy of media reporting of the election process. Finally, funding from the Tacis Bistro programme went to the Democracy Elections Media Organisation (DEMO) to help galvanise voter support prior to the election.

Election process goes under scrutiny

As with any election, the pre-election phase was rife with debate about the final outcome of the voting. One thing was certain, though, and that was that we were going to

see how far the democratic process had progressed since the demise of the socialist system.

The establishment of the EUEU provided much needed support to the Central Electoral Committee (CEC). The EUEU's international observers "had to assess whether the elections were conducted in a free democratic atmosphere. This involved observing the pre-election phase, behaviour at the polling stations and the process of collecting and counting the votes," said Gilbert Dubois, Deputy Head of the Delegation of the European Commission in Moscow.



"Wake up! Without your vote there is no future."

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Dubois explained: "It was a complex multi-form operation conducted under the wings of the OSCE with the Council of Europe and the European Parliament." The Democracy programme's funding of ECU 349,000 made it possible to ensure that the efforts of representatives from all groups involved could be consolidated and coordinated. It provided an equipped office, information tools and extensive expert advice to increase the efficiency and success of the operation. In addition, Tacis provided the CEC with experts to help analyse their structure and performance, and to develop a voter and civic education programme. "If it had not been for Tacis, the programme would certainly have been somewhat limited in scope," said Dubois.

More than 437 observers oversaw a sample of 703 polling stations in 68 out of the 225 electoral regions. There was almost unanimous agreement on the fairness of the voting procedure, particularly in light of the huge scale of the operation: 92,000 polling stations across 11 time zones.

Casting the vote

As the election campaigns were reaching their most crucial stage, a distinct and widespread lack of enthusiasm among the Russian public was discernible. To help counter voter apathy, the Foundation for the Development of Parliamentarism in Russia joined forces with DEMO to promote voter awareness in the final stages of the election campaign. The project was centred around St Petersburg and facilitated by ECU 73,000 of Bistro funding.

DEMO's objective was very clear - to persuade voters to make a choice by taking up their right to vote. Nearly one-third of likely voters were undecided and analysts forecasted that this group would be the crucial factor in the final outcome of the election. "This bloc had the potential to swing the election in any direction," said Brian Whitmore, a political analyst working for DEMO. DEMO took on the task of promoting objective information about the political situation and all the political parties.

"Certainly, among the young, the overall mood was one of apathy and a feeling that their vote did not matter," said Nicholas Lunt of Ogilvy Adams & Rinehart, who helped to launch the St Petersburg voting campaign. This included a student conference and a rock concert (co-sponsored by the Dutch General Consulate) on 15 December, both of which were transmitted on television in the two days prior to the election. Posters, leaflets and stickers proclaiming the campaign's clarion cry of

"Wake up, without your vote there is no future ... you decide on the 17th December" were distributed in strategic locations around St Petersburg.

This clarion cry was used in all audio-visual material produced by DEMO. Two videos and six radio clips were given free air-time on local television and radio stations to ensure that the message reached the widest audience possible.

Eye-to-eye: monitoring the media

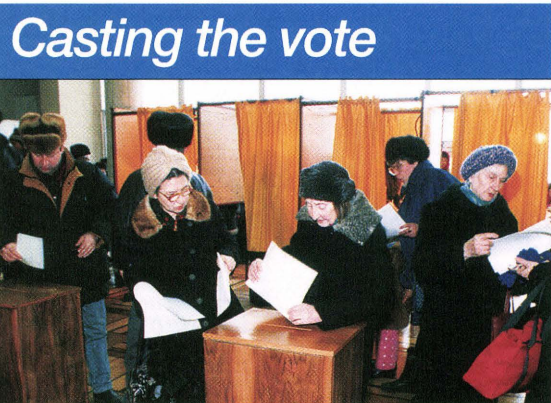
The EIM's media monitoring team was based in Moscow and backed by Tacis funds of ECU 90,000. Their purely non-political remit included briefing and debriefing international observers, raising awareness of instances of unfair and unbalanced reporting, and judging standards of media coverage.

Major economic interests had the power to "turn television stations into instruments of propaganda," said the EIM. "The media watch was complementary to the observation programme," said Dubois. "Its different viewpoint resulted in a more comprehensive picture of the campaign scene." However, according to Jeremy Lester, who is responsible for the Tacis Democracy programme, "the results have shown that the role of television was far from decisive, and voters often applied their firsthand and local experience in deciding

how to cast their ballots". He declared that "the experience of the December parliamentary elections will certainly stand us in good stead for the important presidential elections in June 1996. A collaborative effort on the part of the international community clearly underlines the importance attached to democracy and helps to provide a more complete picture of the election process."

The conduct of the December elections suggests that Russia is adapting quickly to the demands of parliamentary democracy. Although there remain some creases in the system and the citizens' understanding of their role within that system, the Russian people expressed their will clearly and did so in large numbers. Whether June will see a summer blooming or wilting of democracy remains to be seen, but the mood among those involved at Tacis is optimistic.

Whatever the result, Tacis will be contributing again. Election observation and media monitoring will be the principal activities. Both before and after the elections, DEMO will be helping to involve more young people in the political culture of their country and to assist in the preparation of the next generation of political leaders.



An impressive 65 per cent of the Russian electorate took up their democratic right to cast a vote for one of the 43 competing parties.

1995 Parliamentary Election

- Every Russian citizen over the age of 18 was eligible to vote.
- The election could only be validated with a voter turn-out of more than 25 per cent.
- The 1995 elections saw a 65 per cent turn-out of the Russian electorate.
- There were 43 competing parties.
- 92,000 polling stations were set up, spanning 11 time zones.

► Power to the pipelines

A high-level working group, chaired by the European Commission and attended by representatives from the New Independent States of the former Soviet Union, met in Brussels on 17-19 April of this year to discuss the complex issues relating to the NIS oil and gas pipeline networks.

The working group, an initiative of the European Commission within the framework of the Tacis Programme, was formed following an agreement between the Prime Ministers and Ministers of the NIS at a conference on oil and gas pipeline management, held in Brussels in November 1995. In the presence of Commissioner Hans van den Broek, a Memorandum of Understanding was signed, which would provide for the formulation of a working programme. It was envisaged that this working programme would address as many of the key technical issues as possible, related to the construction, financing and operation of the pipeline networks. It was also stressed that these networks must link the NIS themselves and provide producers with the means of exporting directly to markets in the EU.

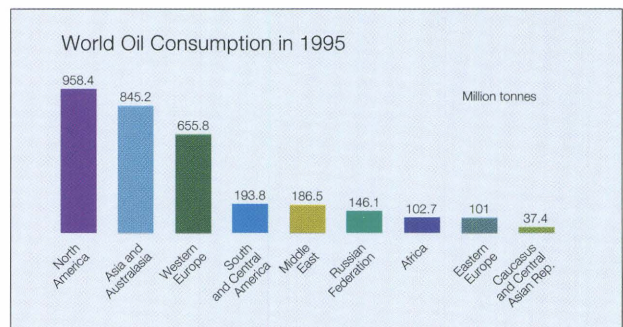
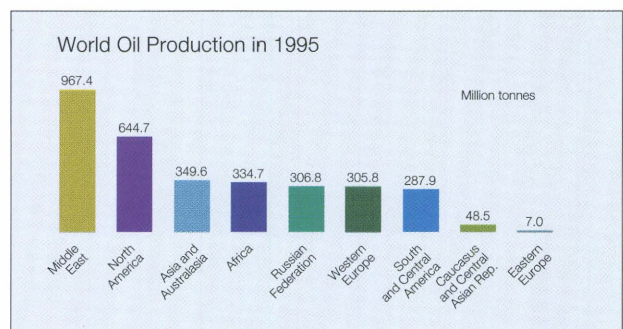
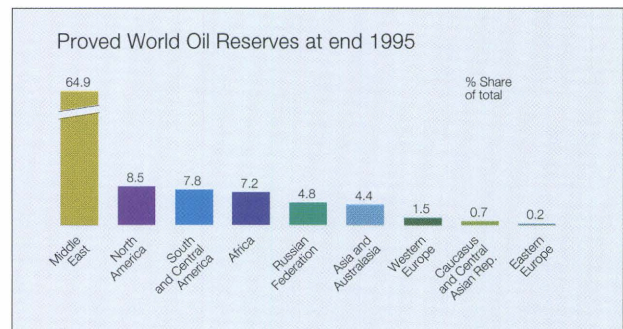
The April meeting of the working group was attended by senior officials from NIS and Turkish government energy authorities and the oil and gas industry, international institutions, EU Member States and the European Commission. The group has been charged with carrying out an assessment of real energy prospects for each country, realistic export targets which could be achieved by the year 2010, and the requisite legal conditions which need to be established in order to promote regional energy trade.

The discussions concentrated on technical issues with a view to developing and agreeing upon a two-year programme of know-how transfer in the areas set out in the Memorandum of Understanding signed at the November conference. The conference has been hailed by many as a significant turning point, as it provided delegates with the opportunity to collaborate openly in resolving the issues which have arisen in relation to the production and delivery of oil and gas within internal NIS markets, as well as export further afield to European Union and central and eastern European countries.

In his address to an international press briefing following the signature of the Memorandum of Understanding, Commissioner van den Broek summed up the mood of the conference: "The November conference identified problems which are common to each of the participating countries. The next stage is to reach common agreement on the viability of the strategy initiative proposed by Tacis, to mobilise investment and strengthen the NIS' energy lifeline, as well as unlocking Russia's vast resources."

Paving the way for regional trade

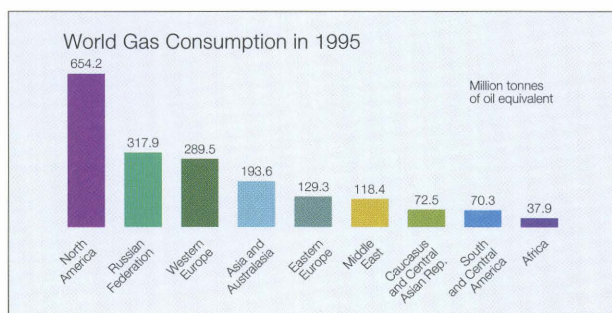
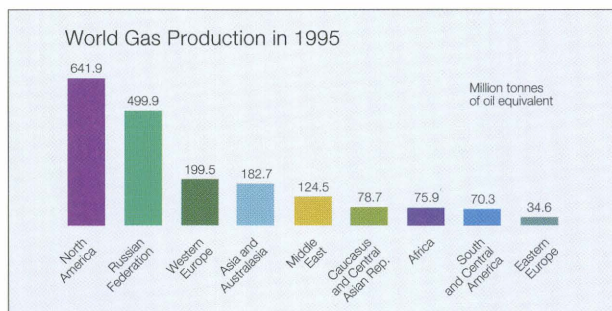
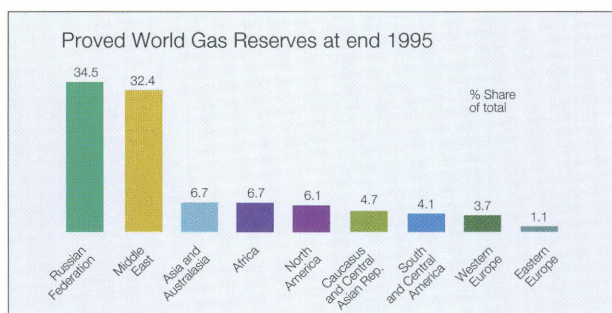
Tacis' first foray into the sensitive topic of the NIS' oil and gas networks came early in 1994 when it undertook preliminary oil and gas research in the Central Asian and Caucasian states, Ukraine and Moldova, with ECU 2 million of funding. The research confirmed that the ten states had the potential not only to meet their internal energy needs but also to export oil and gas to international markets.



Source: BP Statistical Review

Open discussion of these findings enabled delegates at the November conference to reach agreement on a number of key issues. Faouzi Bensarsa, the Tacis Task Manager responsible for the pipelines issue, said, "This conference will undoubtedly be regarded as a turning point, given the agreement reached on prioritising the efficiency and security of the regional oil and gas trade to secure the future potential of these exports to European markets. The conditions needed to anchor regional trade are now a top priority issue for all relevant parties within and outside the NIS." However, investment funding and legal frameworks will be crucial in helping to secure the future potential of regional trade.

The likely huge scale of future oil production carries heavy environmental implications, especially the safeguarding of the pipeline networks against leakage and subsequent damage to the environment. The oil spill in the Komi Republic and an explosion on the gas pipeline in Ukhtei are recent examples that demonstrate the possible extent of damage that can occur as a result of neglect of infrastructure. There will need to be significant investment over the next 10 to 15 years to repair the existing regional oil and gas networks.



Source: BP Statistical Review

"Future investment, however, balances on the security of oil and gas supplies and a greater choice of routes and shipment terminals for these same resources," says Bensarsa. Developing new pipeline routes is not a simple geographic

equation. Political unrest in Nagorno Karabakh and Chechnya, the United States embargo against Iran, the bottleneck of the Bosphorus, and the dispute over the status of the Caspian Sea are issues of concern for many would-be investors. In addition, existing pipelines are less productive than they were in the past, due partly to lack of maintenance and partly to a collapse in the banking system. "In 1993, only 16 billion cubic metres of gas were pumped from the Caspian to Moscow, a fall from the 53 billion cubic metres pumped in 1991," says Bensarsa.

Institutional and contractual frameworks must also be established to enable stable trade relations to develop and to secure payments for oil and gas imports. The transfer of know-how on contractual and financial issues, based on international standards, was identified as a strategic issue and a number of project proposals were presented and discussed at the April meeting of the working group.

Consensus on two parallel priorities emerged from this meeting. The first is the rehabilitation, rationalisation and modernisation of regional gas transmission systems as well as supply systems for oil and oil-refined products. The second is the assessment of possible alternative options for the transport of oil and gas from the Caspian Sea and Central Asia to the EU markets.

In his conclusions, Mr Timo Summa, Director of the Tacis Programme and relations with the NIS and Mongolia, confirmed that substantial funds will be allocated through the framework of the 1996/1997 Tacis Interstate Programme, for the transfer of the know-how and expertise required for the realisation of these priorities. Representatives from the World Bank and the European Bank for Reconstruction and Development congratulated Tacis and confirmed their willingness to consider financing any viable project emerging from the agreed programme.

► Kyrgyzstan farmers reap benefits

The Agricultural Training and Advisory Service (ATAS) was established in the Talas and Issyk-Kul regions of Kyrgyzstan to provide broad-based training, advice and information directly to local farmers who have, in the main, holdings of between five and fifteen hectares. The entire project is funded by the Tacis Programme. ATAS' approach is to provide cost-effective on-site support to the expanding private farming community, through locally based and mobile advisory staff.

Kyrgyzstan's agricultural economy supports a great diversity of crops and livestock enterprises due to the country's varied climatic conditions. Since privatisation, farmers have had to become self-sufficient and in so doing have encountered a wide variety of problems. These range from how to prepare business plans, to taxation and water-use issues and grazing rights, as well as irregularities arising from the reform process.

ATAS is structured to enable local farmers to profit directly from the knowledge of a team of specialised agriculturists.

Local farming communities in each of the ten districts which fall within the Talas and Issyk-Kul regions benefit from 'hands-on' experience and regular advisory and training visits by two ATAS experts - an agronomist and a livestock specialist.

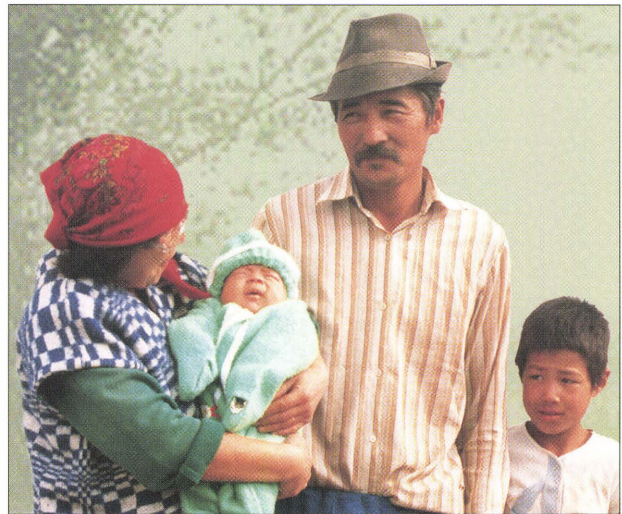
Problems which cannot be solved at district level are referred to a regional team comprising four senior agriculturists with different specialisations. Any unresolved issues are dealt with at national level by the Agricultural Training and Advisory Centre (ATAC), located in the Ministry of Agriculture and Food in Kyrgyzstan's capital, Bishkek. The obvious advantage of this 'bottom-up' approach is that local farmers have a direct link to the Ministry when dealing with problems encountered during progress towards privatisation and sector reform.

Recently ATAS hired two female agriculturists to work in local districts, focusing on areas where women are traditionally more successful, such as calf-rearing, milking, potato-harvesting, marketing of produce, and increasing their own disposable income from non-agricultural activities in craft, medical and nutritional areas.

Welcome and positive feedback

Initial results and feedback from local farmers are encouraging. ATAS intends to refine its services progressively over the coming months and extend its coverage to national level in 1996 and 1997. Should the pilot project prove as successful as current prognoses indicate, the ATAS structure may prove to be a blueprint for future agricultural programmes.

Dr Tony Warner, responsible for this aspect of the project, says, "Obviously there was some scepticism at first. However the subsequent increase in farmer attendance at monthly district meetings shows that ATAS advisers are providing the services, which the local farmers want."



A Tacis first!

Perhaps one of the most complimentary signs of support for the project was when one of the local farmers christened his son 'Tacisbek' in recognition of the support he received through working with ATAS.

► From Sofia to Aarhus via Helsinki

Since its inception, the Tacis Programme has been actively involved in environmental issues. The initial seeds were sown with the launch of Tacis' first major regional environmental programme in 1993 with funding of short-term, high-profile, pilot environmental projects. In 1994, the Tacis Programme adopted a cross-sectoral stance on various issues.

Over the course of 1995, further attention was given to strengthening the integration of environmental considerations across all sectors. Within the framework of the 1995 Tacis Interstate Programme, the focus was on the development of environmental policy, the inland seas programme and raising public awareness. In addition, and under the auspices of the Russian Action Programme, specific support to the Lake Baikal region has been planned following a recommendation from the European Parliament.

Given this background, it came as no surprise to find representatives from the New Independent States (NIS) attending the pan-European environment conference in Bulgaria's capital, Sofia, in the autumn of 1995, along with senior ministers from a total of 57 countries. Formal presentations relating to previous environmental debates took place at the Sofia conference: a report on the state of the environment from the Dobris Castle conference of 1991 and the 1993 Environmental Action Programme, commissioned by the Lucerne conference.

Although the former Soviet Union was not alone when it came to bequeathing an appalling legacy of environmental problems, the fact remains that the process of cleaning up and prevention is still in its infancy and will cost large sums of money. Chris Le

Breton, the Tacis Task Manager responsible for environmental coordination, believes that the answer for the NIS lies in "raising environmental revenue through green taxes and tradeable pollution permits. It is the lack of enforcement that is the problem." Indeed, unless environmental considerations are built into the reform process, the transition to a market economy will be unsustainable.

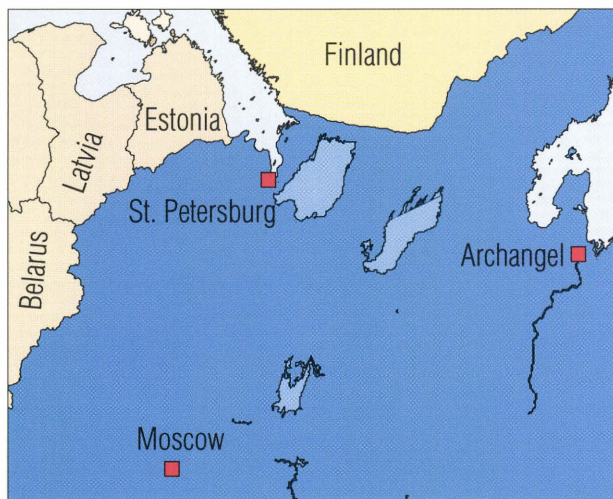
"Disseminating the 'Environment for Europe' process is a key element of the European Commission's commitment to widening the process to all the NIS in the follow-up from Sofia to the next conference in Aarhus (Denmark) in 1998," says Hans van den Broek, Commissioner responsible for relations with eastern Europe. "If Sofia is to have any meaning, the results must filter down and reach the man and woman in the street. Governments need to integrate the private sector and NGOs in a process of consultation and feedback in preparing National (and local) Environmental Action Plans," adds Chris Le Breton.

At the beginning of June, Tacis co-financed a conference in Helsinki, bringing together the ministers for economy, finance and environment from the NIS and eastern Europe. This should provide a first step towards integrating environmental issues across the NIS and raising awareness of the 'Environment for Europe' process.

Tacis, in association with a number of other donors, has prepared an explanatory guide about this process. It is now available in all the principal languages of the former Soviet Union as well as in English, and can be obtained from the Information Unit - Tacis.

► Tacis opens windows of opportunity

Oiling the wheels of communication is critical if east and west are to work together successfully, says Olivier Allais, whose term of office as head of the Technical Office in St Petersburg came to an end at the beginning of the year. The region was selected as a priority zone by the Tacis Programme in 1992 and the Technical Office was set up in 1994, when there were about 70 Tacis projects benefiting from some ECU 70 million of funding. Looking back Allais explains, "There was very little recognition by the local authorities of the size of the effort made by Tacis in the St Petersburg region, and some Tacis partners were not even aware that their project was funded by Tacis." The experience and knowledge gained by Tacis-funded experts, from economists to engineers, was frequently not shared and, as a result, often did not benefit other Tacis participants.



Since the Technical Office opened for business in October 1994, the focus has been on integration, achieved primarily by opening up channels of communication between the many partners working on Tacis-funded projects and between these same partners and the business community. Liaison with decision-makers, businesses, consulates and the banking and financial sector, particularly the World Bank and the European Bank for Reconstruction and Development (EBRD), is all in a day's work for the Technical Office, and has enabled Tacis to be recognised as a major contributor to development in the region.

One of the Technical Office's key objectives is to improve the efficiency of the Tacis Programme by ensuring that both experts and local partners are properly briefed before starting to work together on projects. Although it sounds simple, the staff of the Technical Office know from experience that pre-briefings enable both parties to gain the maximum benefit from their time spent working together. The Technical Office has now set up a regular monthly meeting where all Tacis partners operating in St Petersburg meet to consolidate Tacis actions and to improve cross-sector activities. "Projects can die simply due to a lack of communication and unnecessary levels of confidentiality," says Mr Allais. "Our experience has demonstrated that newsletters

are an increasingly useful tool which can be used to help break down inter-sector barriers. Nevertheless, the best recipe for success is still the old-fashioned one; encouraging people to talk to each other!"

During her first week in St Petersburg, Eva Varis, Allais' successor, said that she had already experienced the close cooperation and goodwill generated by Tacis during meetings with representatives from the City and Oblast administration and with local partners. She expressed her hope that "the next step would be to develop sectoral networks to disseminate the results of successful projects on a broader scale."

The Technical Office not only plays matchmaker between potential partnerships but also bridges the cultural gap between east and west. "Contractors from the west often arrive with limited knowledge of other companies working in the same field, or on similar issues," says Allais. "At the same time, the Russian partners frequently need to be disabused of the myth that Tacis' role is to give them money." The Technical Office's task, moreover, is to explain at the outset how Russian partners can benefit from western know-how within a specific time frame. "We are there to open the windows of opportunity," adds Allais.

The arrival of new Member States, particularly Finland and Sweden, has considerably increased the demand for information about Tacis, both from recipients previously linked with these countries and now looking for ways of working with Tacis, and from countries which have a strong interest in Tacis activities in the St Petersburg region and the north-west.

Working with the community to protect the environment

The Environmental Centre for Administration and Technology (ECAT) was founded in St Petersburg in 1993 with the support of the European Commission, to assist local governmental and non-governmental organisations, industry and educational institutions in the development and implementation of projects aimed at protecting the environment. Given that the principal focus of ECAT is to work with organisations at a local level, it maintains regular contact with the Technical Office.

Thirty-five local decision-makers are being trained by ECAT in new methods of environmental management, following an award of ECU 60,000 from Tacis. A further ECU 60,000 of Tacis funding enabled ECAT to buy the rights to environmental films from the Ecomedia Institute in Freiburg, Germany. Some of the films will be broadcast on local television, others will be shown at the annual environmental film festival, and they will also provide the first step in establishing an environmental film library for schools and institutes.

Water pollution, however, is one of the most severe and visible environmental problems in and around St Petersburg. Hundreds of industrial enterprises discharge untreated waste water into the city's canals and rivers and even directly into the public sewer system. This practice continues despite the fact that the River Neva is the city's main source of drinking water.

To date, attention has focused on increasing the number of water purifying treatments, with partial success. However, after discovering that the rate of water consumption in St Petersburg was substantially higher than the international average, ECAT and the Tacis Technical Office took to the streets with a high-profile, week-long water conservation and protection campaign, dubbed 'Environment Week'.

'Environment Week'

The 'Environment Week' campaign took place last autumn, supported by ECU 52,000 of Tacis Bistro funding. With the help of Tacis contractor Hawkan Bjerking, of the Swedish organisation Artists for the Environment, its key focus was to raise awareness amongst young people. Activities included rock music events, where disc jockeys promoted environmental issues; awareness-raising competitions with German and Swedish sponsored prizes; and tram trips during which passengers were bombarded by the sight of banners bearing environmental messages.

Teachers took their classes on excursions along the river to see the polluted water for themselves. A seminar was organised where Russians and western Europeans met to discuss the possibilities of joint projects on water saving and reduction of water pollution.

Radio stations joined in the debate and the 'St Petersburg Fifth Channel' held a live round-table discussion on television involving politicians and environmental experts. The verdict? 'Environment Week' was such an outstanding success that it will be repeated again in late 1996.



An iced-over waterway in St Petersburg.

Brokering for banks and small businesses

European businesses working in Russia often find themselves faced with unforeseen technical problems. For example, Klaus Embs of KPMG, a coordinator of the Tacis Bank Support and Bank Training Project, runs seminars on good banking practice and trains the chairmen of small and medium-sized banks on the management of human resources and financial controls. However, legal bureaucracy hampers progress on straightforward issues, from difficulties experienced when opening a bank account, to importing equipment and paying staff. "These obstacles obviously need to be overcome and the Technical Office's track record in solving problems, be they with local partners, with the police, or with Brussels, is excellent" says Embs.

Attracting inward investment

In order to profit fully from its position as a hub of east-west trade, St Petersburg's road and rail links must be updated and its infrastructure extended and modernised. Tacis has appointed GIBB, an award-winner for its work on the Eurostar terminal at London's Waterloo Station, to investigate eight potential sites for the creation of a new freight terminal with warehouse storage, to link sea routes with road and rail networks, some of which have yet to be built. GIBB is working with a local Tacis partner, the independent October Railways.

Better communication yields success

Now in its second year of operation, the Technical Office's drive for greater openness and efficiency has borne positive results and helped partners from east and west, whatever the sector, to find a common language and realise a common objective.

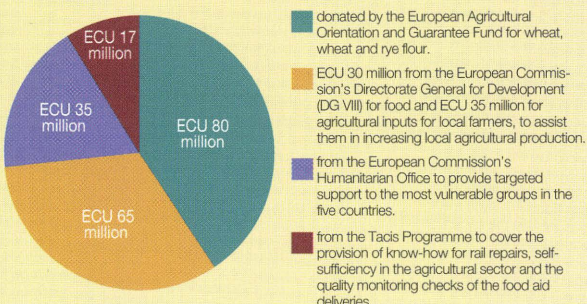


Crowd participation during 'Environment Week'.

▶ Rail repairs get food aid on the move

Millions of people would have been queuing in front of empty bakeries last winter, if the European Union had not stepped in to help the people of Armenia, Azerbaijan, Georgia, Kyrgyzstan and Tajikistan. The European Union's ECU 197 million food aid operation provided free supplies of some 700,000 tons of cereals to help overcome the serious food shortages which threatened these republics in the winter of 1995. This was the second year an operation of this kind had been necessary. However, within the framework of this operation, the emphasis is on reducing dependency on such aid in the future by boosting local agricultural production through the creation of a 'counterpart' fund and the free supply of agricultural inputs.

A breakdown of funds for the European Union's ECU 197 million food aid operation



The widespread shortages in these countries, traditionally reliant on imported cereals, were the result of geographic and economic factors compounded by years of political trouble which included ethnic strife and civil war. The countries also suffered from the disruption of trade links between the former Soviet republics, a situation further aggravated by the virtual collapse of their own agricultural production and export activities.

The most essential objective in the food aid process was to provide for the immediate needs of the five countries. Following an investigation by an international mission, EU foreign ministers gave the green light to the operation last July. Strict conditions to ensure the smooth implementation of the project were written into the Memoranda of Understanding, which were signed by the European Commission and the Heads of State and Government of the five Tacis partner countries during October and November of last year.

The delivery cost of the aid is borne by the European Union as far as each national border, while internal transportation is the responsibility of each individual government. However, delivering the food supplies donated by the EU and other international donors would have been virtually impossible without the complementary role played by Tacis in providing know-how, right at the outset, to undertake basic repairs to rail tracks. Shipments by rail and sea via Riga to Kyrgyzstan and Tajikistan proved to be a relatively problem-free operation thanks to 'laissez passer' agreements with the transit countries. However, after its arrival in



An EU food aid train in Armenia.

the Georgian ports of Batumi and Poti on the Black Sea, the delivery of food aid to the three Caucasian countries was dependent on essential repairs being carried out to the rail tracks.

Working in conjunction with the local work-force, Tacis put forward ECU 5 million to rebuild broken tracks by mid-December, to coincide with the heaviest flow of food aid traffic. This consisted of 7.5 kilometres of railway crossing in a mountainous region of Georgia as well as a further 200 km of repairs to badly worn rail track. Train tracks between Airum and Vanadzor in Armenia, damaged by a landslide in the 1988 earthquake that demolished the Spitak region, had to be rebuilt in order to reopen the line to freight trucks. The Russian-built Poyen bridge in Azerbaijan, close to the Georgian border, was also badly in need of repairs.

Daniel Stroobants, a Tacis task manager who visited the region reported that "the bridge was in extremely run down condition. One would have taken considerable risk in using it. This bridge was of paramount importance as it is the only access route between Azerbaijan and Georgia. Once the food aid began its journey via Georgia and her Black Sea ports it was impossible for anything to reach Azerbaijan without first passing over the Poyen bridge."

Another ECU 8 million of Tacis funds were channelled into the provision of expert know-how to support initiatives in the agricultural sector, financed by the counterpart fund. Raised in local currency, the counterpart fund is created by the sale of the EU's food aid on the local markets and constitutes a source of additional income for the government in question. The fund will be channelled partly through the national budget and partly

through direct project implementation; it will be used to boost local agricultural production, particularly through the provision of credit, and to stabilise markets by enabling governments to buy local produce at a guaranteed price.

The Tacis Programme also guaranteed ECU 4 million to cover the monitoring of the operation, quality control checks and related logistics to ensure the food supplies were secure from theft, tampering and misuse during unloading, transportation, storage, and final delivery. On the spot inspections were carried out by authorised representatives, including monitors from the European Union's Court of Auditors.

"The operation was deemed a success in all its facets. We are especially satisfied with the regional dynamic that it has created and the close collaboration established between the European Union and the countries of the Caucasus, Tajikistan and Kyrgyzstan. These links provide a solid foundation for greater cooperation in the future, in response to the expectations of the countries concerned," said Jean-Pierre Peeters, the team leader for the food aid operation.

It is expected that the stimulus to local agriculture, provided by the counterpart fund along with the help of Tacis know-how, will render such a food aid operation unnecessary in the future, and it is hoped that it will contribute to general economic and political recovery in the countries of the Caucasus, Kyrgyzstan and Tajikistan.



EU monitors in the port of Batumi.

► Social protection in the NIS

In the former Soviet Union (FSU), the labour market and the state-owned enterprises comprised the mainstay of the social infrastructure. Lifetime employment created basic economic security and was complemented by family and short-term income benefits. Thus, the FSU was able to guarantee a minimum standard of living for the majority of its citizens.

With the break-up of the FSU, these social infrastructures have been eroded. New social security frameworks need to be established in the Tacis partner countries to provide adequate protection to individuals, even as the new systems evolve.

In November last year, a Tacis conference took place in Brussels to debate this topic, attended by key players from the Tacis partner countries and the European Union.

Delegates saw how different European models have developed since the 1950s and the reforms currently in progress. The Tacis partner countries reviewed the common systems inherited from the former Soviet Union and the changes which now challenge them as a consequence of the economic reform process. The high number of eligible pensioners and the mounting number of unemployed, coupled with diminishing resources, continue to take their toll on the capacity of social security provision.

EU social security systems are not exempt from the sort of financial difficulties facing the NIS. Changing employment and family patterns, demographic changes, particularly ageing populations, and the need for tighter public expenditure have all impacted heavily on the ability of European systems to meet fully the needs of their people.

This common ground provides Tacis with a rich base of resources to draw on for the transfer of experience to the NIS. Professor Ivanova of the Constitutional Court of the Russian Federation and a key speaker at the conference says, "We need to examine pension systems in particular detail, and could draw on European ideas to target pensions better than we do at present. Currently, for example, in the NIS, many people continue to work even though they have reached retirement age. Hence they receive both a pension and a wage which puts an unnecessarily heavy burden on the social security system."

Tacis is currently involved in three social security projects in Georgia, Armenia and Kyrgyzstan to establish legal frameworks and other operational activities in support of social security systems. Ms Rosa Uchkempkova of the Social Insurance Fund in Kyrgyzstan says: "Through the Tacis project people now have knowledge of European systems and recognise that they must contribute, whereas in the Soviet Union their needs were covered without significant financial responsibility on their part". A similar project has been launched in Moldova and further projects will be launched in Russia and Ukraine.

There was common agreement to extend the scope of projects to target the most needy groups in society, that is, the elderly, lone parents, large families and the disabled. "We hope to develop effective projects which respond to the individual needs of social protection in each country and which help provide tailored solutions. While the overall evolving situation in the NIS and Mongolia shows similar shared trends, each country has its own set of unique features which will determine eventual policy and which therefore need to be borne in mind right at the outset when policy decisions are formulated," says Tacis Task Manager, Diane Marshall.

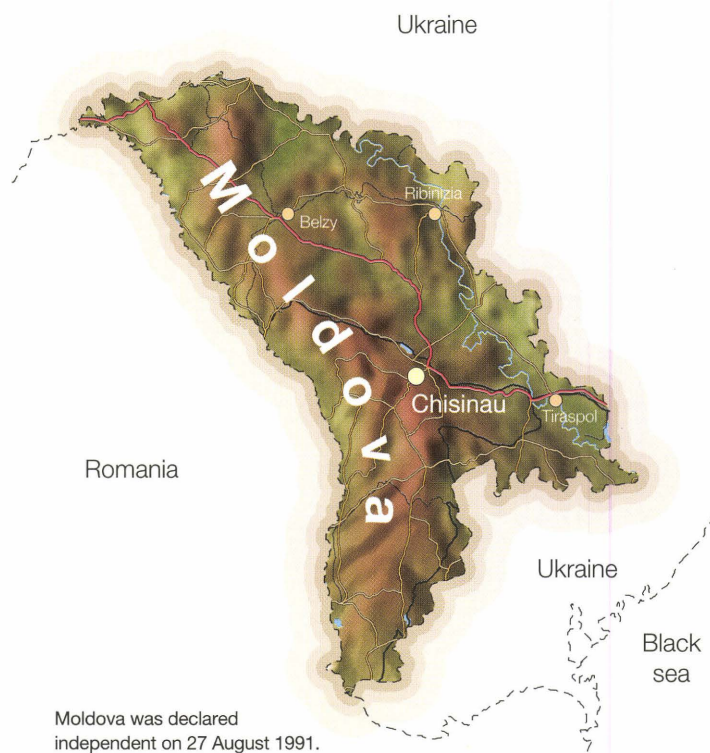
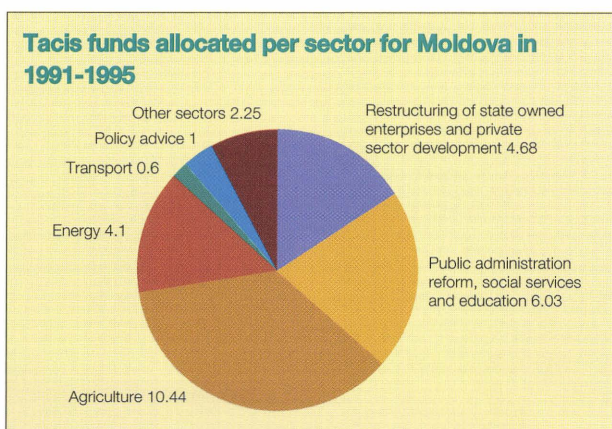
► Country Profile: Moldova

The Tacis Programme's link with Moldova was established back in 1991 and was strengthened in November 1994 when the Moldovan Government signed a Partnership and Cooperation Agreement (PCA) with the European Union (EU). Based on the principles of equality, reciprocity and partnership, the Agreement serves to integrate Moldova into the wider European economy and affords a greater degree of certainty to traders and investors when starting up relationships with Moldovan enterprises. PCAs, however, do not signify the establishment of a free-trade area and Moldova's Agreement will be re-examined in 1998, with a view to the possible opening up of free-trade area negotiations.

By virtue of the Agreement, the Tacis Programme is charged with fostering a new climate for economic growth and political stability, and developing trade and investment, essential ingredients if Moldova is to modernise and restructure its entire economic base in the move towards a market economy.

Since the signing of the PCA in 1994, Moldova's economy has shown signs of improvement. Strict monetary policy succeeded in bringing down inflation and the introduction of the new currency, the Leu, in November 1993, resulted in a stable exchange rate. In December last year, the Government was forecasting a drop in annual inflation to between 15 and 17 per cent; a marked improvement on the 105 per cent inflation of 1994. The National Bank of Moldova expects a further drop in inflation to under 10 per cent for the coming year. As a result of this financial stability, officials forecast gross domestic product to rise by 7.7 per cent this year, compared to a 0.7 per cent rise in 1995 and a 31 per cent fall in 1994.

Four priority sectors were chosen as part of Moldova's Indicative Programme for the period 1993-1995: food production/processing and distribution, human resources development, energy and transport, and enterprise restructuring and development. In order to accelerate the implementation of subsector projects within these priority sectors, the 1993 and 1994 Action Programmes were combined with an ECU 10 million commitment from Tacis.



Food production is key to economic improvement

Moldova's main crops of fruit, vegetables, tobacco, oil seed, sugar beet and grapes, make up 50 per cent of the country's gross domestic product (GDP) and account for 35 per cent of the country's employment. Fruit canning and wine production are Moldova's principal agro-industrial activities. However, although Moldova was traditionally known as the market garden and greenhouse of the former Soviet Union, production has dropped and in some cases halved since 1990.

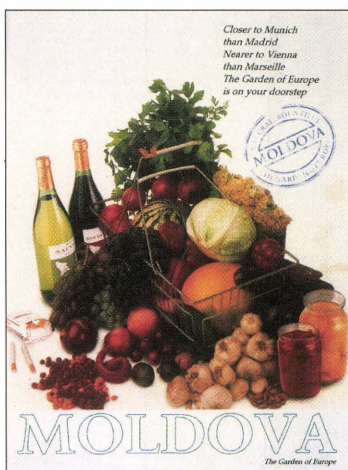
A lack of fertilisers and pesticides has led to reduced productivity, while shortages of plastic sheeting and insufficient heating in the greenhouse sector have also taken their toll. Difficult trading conditions with former partner countries have led to a further deterioration of the market, and the undeveloped commercial banking and contractual system has prevented the country's potential export and hard currency earnings from being fulfilled. This situation has been further exacerbated by communication and transport disruptions, on top of the fact that Moldova is a land-locked country. Even more significant, according to Paolo Curradi, a Tacis Task Manager, is the lack of training and management necessary for long-term progress. All of which have resulted in an 'unreliability' factor with regard to exports of perishable produce.

In spite of these obstacles, Moldova has recently started to establish its own trading organisations. In partnership with the Moldovan Ministry of Agriculture, the Tacis Programme has launched an ECU 840,000 project for the creation of an Agricultural Export Promotion Bureau to transfer know-how and expertise in areas such as marketing, packaging, quality control



Farmers harvesting their tomato crops.

and the creation of properly organised financial and contractual systems. The Tacis team began its work in the spring of 1994 and, in conjunction with the EU contractor SATEC Development France, has defined the export potential of walnuts, tobacco and wine. Following the launch of the bureau last year, 10 tonnes of walnut kernels were shipped for oil processing; the Tacis team estimates that this has the potential to develop into exports of some 300 tons of kernel annually. The project was extended by a further three months in August last year, when the management of the bureau was handed over in its entirety to local enterprise. The Tacis project leader, Patricia Crombie of IP Consultants, was very positive that the bureau would continue to be effective independently of Tacis.



Cover of the promotional brochure for the Agricultural Export Promotion Bureau.

Another Tacis-funded project to improve the marketing of agricultural products was due to start at the close of last year, to complement the work being carried out by the export bureau.

Whilst one Tacis team is working to improve Moldovan exports, others are helping to boost actual agricultural production. A major Tacis project in the Moldovan pig meat industry has received funding of ECU 1.6 million. "Although armed with a certain amount of prior warning, we did not suspect the real extent to which the macroeconomic situation had deteriorated," reports Douglas Whyte of Tacis' Danish contractors, Danagro. "Under-use of capacity has increased unit costs dramatically, making Moldova the most expensive traditional

meat producer in the New Independent States. There is now a growing threat created by imports from Ukraine, whose meat is 30 to 40 per cent cheaper," says Whyte. However, the project succeeded in improving quality of food supplies whilst cutting production costs.

Coping with a persistent energy deficit

Unlike its more fortunate neighbours, Moldova's natural resources are few and it is forced to import nearly 98 per cent of its energy resources. Domestic electricity output fell from 15.5 billion kilowatt-hours in 1990 to approximately six billion in 1995. In addition, domestic consumers owe some \$100 million to Moldenergo, Moldova's national electricity company.

Moldova's energy problems are further heightened by separatist troubles which remain unresolved in the trans-Dniester region, home to much of the country's industry. Transport and fuel links cross the region. Its power generators produce 80 per cent of Moldova's electricity, although eight of the twelve turbines at the giant Moldavskaya plant near Tiraspol have been halted due to lack of coal and spare parts. Trans-Dniester is also home to the Rybritsa steel works, as well as to various light industries that account for more than a third of Moldova's industrial output.

As harsh energy rationing continues to hit both homes and industry, Tacis-funded energy-saving campaigns, amounting to ECU 0.6 million (in collaboration with the Moldovan Department of Energy), are trying to cut national consumption by identifying effective energy-saving measures in the industrial sector.

A major ECU 2 million Tacis project was launched in June 1994 to provide expert advice to organisations on a number of topics ranging from advising the Government on the restructuring of the energy sector, to advising on the commercialisation of Moldenergo and Moldova Gas, the establishment of a national energy efficiency office and a power station demonstration project.

Positive predictions for the future

Although Moldova has experienced difficulties in the initial stages of transformation to a market economy, recent positive economic forecasts and the success of local projects aimed at improving the country's economy are hopeful indicators of better times ahead.

► News in brief

PCAs initialled with Caucasian republics

In April 1996, Armenia, Azerbaijan and Georgia signed Partnership and Cooperation Agreements with the European Union. PCAs have already been signed with the Russian Federation, Ukraine and Moldova (1994) and with Kazakhstan, Kyrgyzstan and Belarus (1995), and are a major step towards enhancing the integration of these countries into the wider European economy.

► Tacis news

Get your Tacis projects into print!

Thank you to those of you who responded to our request for articles (Tacis news 8). We hope to include news from some of these articles in the next issue, Tacis news 10.

If you would like to write an article for Tacis news, please contact the Information Unit - Tacis. If selected, your article will be relayed to over 30,000 individuals on the Tacis Programme's mailing directory.

Proposed articles should be sent to the Information Unit - Tacis.

► New premises

New premises for the Information Unit - Tacis

The Information Unit - Tacis has relocated to premises just a short walk away from rue d'Arlon, where we were previously based.

Would all visitors please take note of our new address:
34 rue Montoyer, 03/88
1000 Brussels

Our telephone number remains the same, but please note that the fax number has changed:

Tel (+32-2) 296 60 65

Fax (+32-2) 296 80 24

► Stop Press

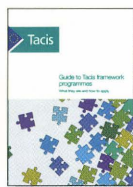
EC Energy Centres

In Tacis news 7, the European Union Energy Management Training Centre in Armenia was not illustrated on the Energy Centres map (page 9). Apologies for this oversight. The Energy Centre is situated in Yerevan, Armenia, tel and fax (+3742-161 730), and is wholly funded by Tacis.

Sugar Beet Cultivation

Anyone interested in acquiring a copy of the brochure entitled 'Sugar beet cultivation' (reviewed in Tacis news 8, page 12), should contact the Office of Official Publications, Luxembourg, stating catalogue number ISBN 92-827-5183-X when requesting copies.

► New publications



Guide to the framework programmes

Provides a description of the kinds of actions supported by the individual framework programmes, and how to apply for support, and provides the necessary contact addresses for further information. It also indicates who is responsible for the management of the programmes. The guide is available in English and in Russian.



Contract Information update - June 1996

An update of the Contract Information booklets. This booklet provides information about projects which are still available for tender, under the 1994/1995 Tacis Action Programmes. This document is available, on request only, from the Information Unit - Tacis.



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