



# TACIS

## Summary of Indicative Programmes 1993-1995

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**INTRODUCTORY  
REMARKS**

This document provides a summary of the TACIS Indicative Programmes for the years 1993 to 1995. The Indicative Programmes define the priorities for cooperation under TACIS with each of the beneficiary states.

In addition to these national programmes, the Commission will fund separate programmes of regional (inter-state) activities.

Although the Council Regulation governing TACIS also foresees cooperation with Tajikistan, this national programme has been temporarily suspended for political and security reasons.



**INDICATIVE  
PROGRAMMES  
1993 - 1995:  
GENERAL ASPECTS**

**BACKGROUND**

At the meeting of the European Council in Rome in December 1990, the EC decided to support the authorities of the former Soviet Union in their effort to bring about economic reform and recovery. It was agreed that such EC support would be provided through a programme of technical assistance in selected priority sectors. That was the starting point of the TACIS programme. TACIS is supporting the respective countries' efforts to build up a market economy and the skills needed for its operation, and a democratic society.

Based on this principle, in July 1991, the Council adopted a Regulation (EEC, EURATOM) No. 2157/91, which provided the legal basis and implementation mechanisms for the 1991/1992 TACIS programme.

After the disintegration of the former Soviet Union, an adjustment of the existing TACIS programme was required. Therefore, in February 1992, the Commission signed a "Protocol d'Accord" with the representatives of the CIS and Georgia in which the basis for future cooperation was laid down.

Regulation No. 2157/91 expired on 31 December 1992. Accordingly, a new regulation (EEC, EURATOM 2053/93) has been adopted by the Council. A new Framework Agreement relating to the implementation modalities of this Technical Cooperation will be signed by the EC Commission and the Authorities of the beneficiary states. As from 1994, Mongolia will be added to the list of TACIS beneficiary states, if it so chooses.

The new regulation will provide the legal basis for the provision of technical assistance for the years 1993 to 1995. Under the new regulation, Indicative Programmes covering a three-year period will be established for each of the beneficiary states. However, provision has been made for possible amendments to these programmes during the period of application.

On the basis of these Indicative Programmes, annual Action Programmes will be adopted. The EC Budget Authority will determine the appropriations available for each financial year.

**INDICATIVE  
PROGRAMMES  
1993 - 1995:  
GENERAL ASPECTS**

**PRINCIPLES**

The basic principles of this technical cooperation are as follows.

- The actions to be funded under this programme are an integral part of and support the macroeconomic and sectoral policies established by the beneficiary Authorities. Therefore, the local Coordinating Units play a key role in assessing the priority needs of the countries, identifying the priority sectors and geographical areas for EC assistance, and subsequently evaluating and proposing the activities to be funded under the yearly Action Programmes.
- The Indicative Programmes cover a three-year period (1993-1995). As a consequence, the priority areas for cooperation focus on the medium (rather than short) term priorities of economic reform.
- In order to achieve optimal impact, this technical cooperation pursues a limited number of sectoral objectives. Sectoral concentration, is, wherever possible, combined with geographical concentration, thus ensuring that a small number of the highest priority issues are allocated a significant financial appropriation.
- This technical cooperation is implemented on a decentralised basis. The local final recipients of EC assistance are closely involved in the preparation and execution of the projects.
- Particular attention will be paid to the involvement of the local institutes, universities and companies in the implementation of the projects, notably in association with EC companies or as subcontractors.
- Actions aimed at concrete or directly operational results will be favoured.
- The final selection of the activities to be funded within the framework of this technical cooperation is the responsibility of the Commission.
- The EC Technical Assistance Programme will be prepared in close coordination with other donors, particularly the EC Member States, the International Financial Institutions and adjacent countries. In so doing, duplication will be avoided and complementary efforts encouraged.



**INDICATIVE  
PROGRAMMES  
1993 - 1995:  
GENERAL ASPECTS**

**INTER-STATE COOPERATION**

In addition to the national programmes, the Commission will fund separate annual programmes of regional (inter-state) activities, in areas where there are advantages to be derived from dealing with problems on a joint or coordinated basis. Such activities will normally cover three or more recipient states.

The Commission will also establish a programme of regional facilities that can be drawn on by any of the NIS recipient states to provide short-term, rapid-response services in a small number of key areas.

**SECTORAL CONCENTRATION**

The Indicative Programmes provide for a greater concentration of technical assistance on specific focal sectors and on specific regions in each Independent State. Therefore, a distinction is made between main areas (focal sectors) and secondary areas (priority sectors) for technical assistance. This allows for the "deepening" of activities in each beneficiary state as well as the avoidance of scattered assistance.

**Focal Sectors (FS) and Priority Sectors (PS) " at a glance"**

Recipient Countries  
1993 - 1995

	Enterprise Restructuring and Development	Human Resources Development	Food Production Processing and Distribution	Transport	Energy	Telecommunications
Armenia	PS	PS			FS	
Azerbaijan	PS	PS			FS	
Belarus	FS		PS	PS		
Georgia	FS	PS	PS			
Kazakhstan	FS	PS	PS			
Kyrgyzstan		PS	FS		PS	
Moldova		PS	FS	PS	PS	
Russia	FS	FS	PS	PS	PS	PS
Turkmenistan	PS	PS	FS			
Ukraine	FS	PS	FS	PS	PS	PS
Uzbekistan	PS	FS	PS			



## TACIS COOPERATION WITH ARMENIA



**Focal Sector:**  
Energy

**Other Priority Sectors:**  
Enterprise Restructuring and  
Development  
Human Resources  
Development

## PROGRAMME OBJECTIVES

- The implementation of an energy policy relating to energy saving, efficiency and the rationalisation and diversification of energy supply.
- Restructuring of companies suffering from over-capacity in order to favour a more flexible production, technical assistance for privatisation and development of the commercial banking sectors.
- Reorganisation of functions in the field of social security; the strengthening of social safety nets, as well as the reorganisation of the education system.

## PROGRAMME BACKGROUND

In recent years the Armenian economy has experienced a significant fall in output as a consequence of a severe earthquake in December 1988 and the limited flow of goods (especially energy products) in and out of the country caused by the conflict over Nagorno-Karabakh. The imposed economic blockade has boosted inflation. Real wages have declined, creating serious social problems for the population.

Whilst the transfer to private ownership of agricultural land is proceeding, industry is still dominated by the state sector, characterised by large conglomerates. The privatisation process has progressed slowly and has not yet affected medium and large enterprises.

The fiscal budget is rapidly deteriorating. Revenues from state economic activities have declined due to the fall in production and hence in profits and income. On the other hand, claims on expenditures are growing, particularly for social reasons. The Government has taken important steps to establish the basic framework within which the competitive market economy can be developed.

These steps include the passage of new laws necessary to break down state monopolies and encourage free competition, the restructuring of the tax system and liberalisation of the great majority of consumer goods and services. Given the scope and depth of the reform process, completion of the transition to a market economy will take several years. The European Community is committed to supporting Armenia in this transition effort, both in the short and medium term.

## **TACIS COOPERATION WITH ARMENIA**

Under the 1991 TACIS programme, projects were selected in three sectors: Transport, Financial Services and Energy, including a project for the safety assessment of the nuclear plant in the proximity of Yerevan.

Under the 1992 TACIS programme, technical assistance, totalling ECU 9.55 million, embraced four main areas: Government Advice, including policy advice on networks (ECU 2.85 million); Support for Enterprises (ECU 3.20 million); Food Production, Processing and Distribution (ECU 2 million) and Human Resources Development (ECU 1.50 million).

Apart from the EC, a range of other multilateral and bilateral agencies have established programmes of assistance, including the IMF, the World Bank, the EBRD and some EC Member States. Agreement has been reached with the World Bank for an institution building loan of \$12 million. The EBRD has approved a \$57.4 million credit for investments in the energy sector. The EC remains the principal source of technical assistance on a grant basis.

The effective coordination of TACIS activities with those of other donors and/or financing institutions will be stimulated, especially within the framework of the Consultative Group process.

## **PROGRAMME COMPONENTS**

### **FOCAL SECTOR**

#### **Energy**

The main constraint for Armenia's economic growth lies in its limited availability of natural resources. After the shut-down of the nuclear plant in the proximity of Yerevan in 1989, Armenia has had to rely heavily on imports of energy products. Being a land-locked country, it is also dependent on its neighbouring countries for direct supplies of gas (from Azerbaijan) and for its transit routes for oil imports (from Russia through Georgia). This dependence is aggravated by the conflicts in Nagorno-Karabakh and in Abkhazia (Georgia), which have caused an acute shortage of energy supplies in the country throughout the last two years.

TACIS will provide energy saving advice to the existing institutions involved in energy distribution, including local municipalities. Rehabilitation programmes of existing infrastructures are urgently needed to reduce further deterioration due to lack of maintenance and repair. Technical assistance will be provided directly to specific energy-intensive enterprises, aimed at reducing the energy intensity of the industrial and commercial sectors.

## **TACIS COOPERATION WITH ARMENIA**

Concerning the rationalisation and diversification of energy supply, the country pipeline network for imported gas requires major reconsideration in light of proposals for new large investments in energy supply. These proposals include increasing pressure in the existing gas pipeline, enlarging gas storage facilities and laying out a new pipeline network. Engineering studies are required to assess the technical and financial feasibility of these alternative investments.

Technical assistance will be provided to assess the potential of existing indigenous resources, mainly hydro-power, including renewable sources of energy such as solar, wind-power, and geothermal in order to determine long term planning.

### **OTHER PRIORITY SECTORS**

#### **Enterprise Restructuring and Development**

The industrial sector in Armenia presents two main features:

- production characterised by large conglomerates with the original purpose of supplying intermediate and consumer goods to the entire market of the former Soviet Union;
- strict managerial control over production units exerted by various Ministries in charge of specific industrial sub-sectors.

With the drastic reduction of state orders and without access to new markets, the existing companies suffer from over-capacity. TACIS will address the need of these companies for restructuring in order to favour a more flexible production approach given their changed market environment.

Two bodies have been created to facilitate the privatisation process; the State Commission on Privatisation and Denationalisation and the State Property and Privatisation Board. Technical assistance will be provided to strengthen the delivery capability of these two bodies. In particular, there is scope for policy advice on alternative privatisation mechanisms, the evaluation system of companies' property and assets, and the design of an Investment Code to attract foreign direct investment. In addition, advice may be extended to competent ministries to re-define their role from the one of commanding to that of regulating market forces.

At enterprise level, direct support will be provided to groups of companies during and after the privatisation process. Technical assistance will also be directed to the restructuring of some large enterprises to prepare for their transformation into joint-stock companies.

## **TACIS COOPERATION WITH ARMENIA**

TACIS will support the restructuring of the commercial banking sectors according to international regulations. The definition of clear strategies will be promoted. Sound lending policies sensitive to risk consideration will also be favoured. Bankers' training will help to prepare managers to play the role of efficient financial intermediaries, introducing them to modern financial instruments and mechanisms.

### **Human Resources Development**

The main objective of the programme is the strengthening of social safety nets. The economic recession, coupled with the lingering effects of the 1988 earthquake, has produced a sharp decline in living conditions, pushing an increasing number of people below the "poverty line".

Policy advice will be provided for the reorganisation of the social security system. The establishment of new specialised structures will be promoted to achieve a division of responsibilities and the decentralisation of services. TACIS will focus on the creation of new social and medical mechanisms. Re-training of social service personnel is required to acquaint them with these new mechanisms.

Support is needed to revise all social benefit programmes. Policies should be aimed at supporting well-defined social groups at risk. Furthermore, considering that at present 70 % of the labour force is employed in state-owned enterprises, the establishment of a national scheme for the retraining of their skilled and managerial staff is necessary.

Policy advice will be provided at Government level to reorganise the entire education system. Competent institutions will be assisted in curricula development to create a new profile of professional skills in line with market demand. In particular, in the field of applied sciences and the retraining of scientists, TACIS will help promote cooperation with west European technology centres, facilitating the transfer of technical know-how for industrial applications. Other fields of education to be considered are market economics, business and management. Armenia may also participate in the EC programme for inter-university cooperation (TEMPUS).

## TACIS COOPERATION WITH AZERBAIJAN



**Focal Sector :**  
Energy

**Other Priority Sectors :**  
Enterprise Restructuring and  
Development  
Human Resources  
Development

## PROGRAMME OBJECTIVES

- Policy advice to the relevant institutions and local corporations as well as the improvement of distribution facilities and the restructuring of the petrochemical and oil equipment industries.
- Assistance to the industrial and financial sectors in their transition to a market economy, concentrating on technical assistance for privatisation and the development of commercial banking.
- Reorganisation of the education system and support to the Government in reorganising social security.

## PROGRAMME BACKGROUND

The macroeconomic situation in Azerbaijan has not deteriorated to the extent to which it has fallen in many other NIS. The significant fall in production output experienced in the last two years appears to be slowing. The government has managed to keep the budget deficit under control. The launching of a national currency, the manat, will, if appropriately managed, enable the country to avoid the threat of hyper-inflation. In addition, Azerbaijan has experienced a net improvement in its external terms of trade as oil and gas export prices move towards international prices, creating a modest balance of payment surplus.

The Government has taken important steps to establish the basic framework within which the competitive market economy can be developed. These steps include the passage of new laws necessary to encourage free competition, the restructuring of the tax system and price liberalisation of the majority of basic commodities and services.

Given the scope and depth of the reform process, completion of the transition to the market economy will take several years. The European Community is committed to supporting Azerbaijan in this transition effort both in the short and medium term.

Under the 1992 EC programme, technical assistance totalling ECU 12.50 million embraced four main areas: Government Advice, including policy advice on networks (ECU 4.40 million); Support to Enterprise (ECU 2.70 million); Food Production, Processing and Distribution (ECU 2.40 million); Human Resources Development (ECU 3 million).

## **TACIS COOPERATION WITH AZERBAIJAN**

Apart from the EC, a range of other multilateral and bilateral agencies have established programmes of assistance, including the IMF, World Bank, EBRD and certain EC Member States. Azerbaijan is negotiating loans with the World Bank for institution building and energy development. The EBRD is investigating investment opportunities in offshore oil fields. The EC remains the principal source of technical assistance to Azerbaijan on a grant basis.

The effective coordination of TACIS activities with those of other donors and/or financing institutions will be stimulated, especially within the framework of the Consultative Group process.

### **PROGRAMME COMPONENTS**

#### **FOCAL SECTOR**

##### **Energy**

The energy sector alone offers the possibility of providing the resource base for the modernisation and restructuring of the Azerbaijan economy. It comprises an interconnected chain of activities in production, refining and petrochemical production.

In recent years production has been falling due to low investment levels and bad maintenance of the pipeline network. There is, however, a major potential for increased oil and gas outputs, especially through development of off-shore basins in the Caspian Sea. Proven oil reserves are about 1 billion tonnes.

The 1993-1995 TACIS programme will focus on policy advice on the management of local institutions and local corporations; improvement of distribution facilities for both industrial and domestic consumption; restructuring of the petrochemical and oil equipment industries.

As regards policy advice, the TACIS programme will provide support to create an efficient operational framework. The programme should include assistance for the implementation of laws and regulations that have been approved (including energy pricing policies) and the development of financial and marketing strategies within the local corporations to assure their independence and viability. Training will be provided in areas such as financial planning and negotiation of international agreements and contracts.



**TACIS  
COOPERATION WITH  
AZERBAIJAN**

Pre-investment technical assistance will be provided for rehabilitation of the existing pipeline network. Special emphasis will be given to the exploitation of gas resources that are largely wasted at the moment.

Technical assistance will also be provided in the field of energy-saving and efficiency for more rational utilisation. In particular, the promotion of gas consumption as a substitute for fuel oil for power generation, and industrial and domestic use would improve energy efficiency and benefit the environment.

There is an urgent need for modernisation and restructuring within the energy-related industrial sector. The large petrochemical complexes need to apply new technologies and environmentally sound processes, develop new products and diversify their markets. The same applies to the machine building industry supplying the oil sector. Technical assistance will be provided to address selected key aspects of this modernisation and restructuring process.

## **OTHER PRIORITY SECTORS**

### **Enterprise Restructuring and Development**

The 1993-1995 TACIS programme will aim at assisting the industrial sector (excluding petroleum extraction and refining) and the financial sector in their transition to a market economy focusing on technical assistance for privatisation and the development of commercial banking.

As regards privatisation, institutional support will focus on assistance to the State Property Committee, the institution in charge of privatisation, in order to strengthen its delivery capabilities.

Areas of support may include legal advice on design of specific legislation such as anti-trust regulations and an investment code to attract foreign direct investments, policy advice on valuation of companies' assets and assistance in setting up regional privatisation offices to identify groups of enterprises to be privatised.

In the agro-industry sub-sector TACIS will support the development of a modern agro-processing system to promote the use of national products and increase value added and exports. Emphasis will be given to the restructuring and the privatisation of existing enterprises.

**TACIS  
COOPERATION WITH  
AZERBAIJAN**

Some large state owned enterprises that will be privatised in a later phase will also receive some technical assistance to gradually prepare their transformation into joint-stock companies.

Technical assistance will be provided to the banking sector, focusing on the development of commercial banking, with a view to improving efficiency in the allocation of the country's financial resources.

Typical actions in the financial sector may include: support to the restructuring of commercial banks in accordance with international norms and standards; definition of clear commercial strategies; establishment of coherent operating procedures; application of accounting standards and sound lending policies sensitive to risk considerations.

Bankers' training will also be required to prepare managers to play the role of efficient financial intermediaries, introducing them to modern financial instruments and mechanisms.

### **Human Resources Development**

The main objective of the programme is the reorganisation of the education system which needs to be adapted to a market economy. Policy advice will be provided at government level for the reorganisation of the system as a whole. Technical and managerial institutes will be supported through programmes aimed at developing new curricula to create a new profile of professional skills in line with market demand.

TACIS will support the training of trainers in market economics, business and management. Azerbaijan may also participate, at a later stage, in the EC programme for inter-university cooperation (TEMPUS).

Support will be given to the Government in the field of social security in their reorganisation efforts, strengthening the role of competent institutions and promoting the decentralised management of social services. Special emphasis will be given to the problem of unemployment.

The establishment of national and local schemes for unemployment services must aim at helping to channel skilled human resources to new productive initiatives.

## TACIS COOPERATION WITH BELARUS



### **Focal Sector:**

Enterprise Restructuring and  
Development

### **Other Priority Sectors:**

Food Production, Processing  
and Distribution  
Transport

## PROGRAMME OBJECTIVES

- Assist the government with its reform programme in the following areas: privatisation, defence conversion, small and medium-sized enterprises (SMEs) and financial services.
- Increase food availability in order to keep prices low and maintain domestic support for the reform progress; increase agricultural productivity to assist the balance of trade and employment and creation.
- Provide assistance and advice for the development of the road transport system and its upgrading to European standards.

## PROGRAMME BACKGROUND

Belarus has a large industrial sector which is biased towards heavy industry and concentrates on machine-building, electronics, chemicals, defence-related production and prefabricated construction materials. Almost all enterprises are state-owned. A large number of these firms were engaged in military production.

Belarus is heavily dependent on the other NIS for the supply of raw materials and energy. Traditionally, energy imports were low-priced and have resulted in a very energy-intensive industry.

The agricultural sector is important with emphasis on livestock. Belarus is importing agricultural products such as vegetable oils, protein feed and grain. Crop productivity is low compared to western Europe. One of the great problems Belarus is facing is the aftermath of the Chernobyl catastrophe. A large part of the nuclear fallout occurred in the southern part of the country and almost 20% of the arable land is now unsuitable for agricultural production.

The Government of Belarus has indicated a general commitment to a reform process towards a market economy. Most prices have been liberalised and only prices of some basic consumer goods still remain under government control. TACIS is committed to supporting Belarus in this transition, both in the short and the medium term.

TACIS initiated several forms of assistance in 1991 in the sectors of food production and distribution, privatisation, energy, and transport. The TACIS programme for 1992 provided support to complement the reform measures envisaged and had as its principal objectives the development of local skills required for these reforms and the encouragement of private sector activities. Total TACIS grant amounted to ECU 14.63 million.

## **TACIS COOPERATION WITH BELARUS**

The programme established four priority sectors for cooperation:

- Food Production, Processing and Distribution;
- Human Resources Development;
- Enterprise Support Services; and
- Networks (transport and energy).

Furthermore, assistance in certain programmes for regional cooperation was defined.

Various international organisations and bilateral donors are providing assistance to the reform process in Belarus. The World Bank has given advice on economic reform, privatisation, banking supervision and legislation, development of financial institutions, energy price liberalisation and social sector policies. At present, the Bank is preparing an institution building loan of US\$ 25 million. This loan will focus on technical assistance needs in the areas of:

- financial sector reform,
- enterprise restructuring and
- reform of the social security system.

The IMF has given advice on fiscal affairs, macro policy and taxation; the OECD on corporate legislation, and privatisation.

The EBRD has provided assistance to the privatisation process through advice in the transfer of assets to the private sector, training of key personnel in western finance and banking practices, and the development of institutions and the provision of credit to facilitate private sector growth.

The TACIS programme to Belarus for 1993-1995 will be closely coordinated with the programmes of other international organisations and bilateral donor programmes. Attention will be paid to ensuring that the EC technical assistance support is applied in accordance with overall national priorities.

**Enterprise Restructuring and Development**

A critical element is macroeconomic stabilisation through sound fiscal and monetary policies. Macroeconomic stabilisation cannot be achieved, however, without reform of the enterprise sector. Privatisation should be one of the driving forces behind the enterprise reform process. Together with privatisation, reform of the financial sector should be induced. Because of the dominant size of the industrial sector, especially heavy industry with concentration in defence-related production, and the heavy involvement of the government in this sector, reform will be a complex task. For this reason, support will be given to the government in the following areas: privatisation, defence conversion, small and medium-sized enterprises (SMEs) and financial services.

In privatisation, a programme with the following main components:

- Strategic policy advice in the overall design of the privatisation programme. The 1992 programme, which provided a resident multidisciplinary mobile team to assist enterprise engaged in negotiations for joint-ventures and long-term commercial contracts, should be consolidated through the formation of a permanent centre providing consultancies for privatisation. This centre would be staffed with both European and Belarusian experts
- Expertise to carry out sectoral studies and companies' audits in the restructuring process.

In defence conversion, the assistance would be oriented towards the formation of joint ventures between European companies and those enterprises which were identified as having potential on the basis of the reviews undertaken by the Conversion Advisory Groups funded under the 1992 TACIS programme.

The aim is to provide opportunities to enter international markets and to restructure enterprises supplying the domestic market.

In the sub-sector of small and medium-sized enterprises, the Business Communication Centre, which will be established under the 1992 TACIS programme, will be strengthened with a view of establishing a network with other Belarusian cities.

## **TACIS COOPERATION WITH BELARUS**

In the field of financial services, the TACIS assistance will be focused on the creation and reorganisation of commercial and cooperative banks and the creation of an investment agency so as to facilitate and match investment needs of Western and local investors.

### **OTHER PRIORITY SECTORS**

#### **Food Production, Processing and Distribution**

A programme will be carried out in the food sector to address general problems such as legislation on land reform, measures to liberalise restrictions on private land ownership, pricing policies, development of profitable input supply systems (including pre-feasibility studies on production possibilities for pesticides, herbicides, machines and spare parts) and food processing facilities (including the possibilities for the production of baby food).

Secondly, analyses will be carried out concerning selected crops and livestock products with the objective of raising productivity levels in products with the greatest potential. Assistance to the rape seed sector may also be continued.

Finally, activities will be undertaken to stimulate the retail food distribution system.

#### **Transport**

Support to the transport sector will aim at providing assistance and advice for development of the road transport system, and to support the road network and its upgrading to European standards. The most appropriate means of developing the private freight and passenger transport sector will be identified and assistance will be given to the establishment of a nationwide network of centres capable of servicing vehicles. In this respect, several pilot projects may be carried out to serve as models. Furthermore, assistance will be given with a view to improving utilisation and maintenance of the existing railway track system so as to achieve higher commercial transport speeds. Moreover, studies for the construction of a high-speed railway network and for the development of a light aircraft for air services might be undertaken.

## TACIS COOPERATION WITH GEORGIA



### **Focal Sector:**

Enterprise Restructuring and  
Development

### **Other Priority Sectors:**

Food Production, Processing  
and Distribution  
Human Resources  
Development

## PROGRAMME OBJECTIVES

- Assist the Government in establishing mechanisms to promote competition within an appropriate legal framework and to support groups of enterprises in their restructuring efforts. The short term goal is to halt the decline in industrial output.
- Support to the agricultural sector so as to increase production of basic food commodities and strengthen the development of value-added production for export.
- Contribute to the transformation of the economy by supporting the reform of public administration and by strengthening the reorganisation of social safety nets.

## PROGRAMME BACKGROUND

The Georgian economy has experienced a serious decline in the last years. Since 1992 the country has been in economic recession with production activities seriously disrupted.

Georgia has favourable conditions for agriculture but land reforms aimed at the transfer of state farms to private ownership have not yet resulted in halting the decline in agricultural output, following the collapse of the command economy. The same applies to industry where the large number of small and medium-sized enterprises have not yet received adequate incentives to fully participate in the new open market system. Lack of sufficient domestic energy sources, apart from hydroelectric power, is also hampering economic recovery, at a time when supply from neighbouring countries is becoming more difficult due to the political instability in the Caucasian Region.

The Government has taken important steps to establish the basic framework within which the competitive market economy can be developed. These include the passage of new laws necessary to break down monopoly structures and encourage free competition, the restructuring of the tax system and price liberalisation of the great majority of consumer goods and services. Given the scope and complexity of the reform process, completion of the transition to a market economy will take several years. The European Community is committed to supporting Georgia in this transition process both in the short and medium term.

Under the 1991 programme, projects were selected in Georgia in three sectors: Transport, Food Distribution, and Energy.

## **TACIS COOPERATION WITH GEORGIA**

Under the 1992 TACIS programme, technical assistance totalling ECU 9 million covered four main areas: Government Advice, including policy advice on energy (ECU 2.75 million); Support to Enterprise (ECU 3.50 million); Food Production, Processing and Distribution (ECU 1.50 million); Human Resources Development (ECU 1.25 million).

Apart from the EC, a range of other multilateral and bilateral agencies have established programmes of assistance in Georgia, including the IMF, the World Bank, the EBRD and certain EC Member States. In particular, the World Bank has proposed an institution building loan of US\$ 15 million with the objective of strengthening Georgian economic institutions. Georgia is also negotiating with the EBRD investment projects in the fields of telecommunications and energy. The EC remains the principal source of technical assistance on a grant basis.

The effective coordination of TACIS activities with those of other donors and/or financing institutions will be stimulated, especially within the framework of the Consultative Group process.

### **PROGRAMME COMPONENTS**

#### **FOCAL SECTOR**

##### **Enterprise Restructuring and Development**

The industrial sector in Georgia is characterised by a few large enterprises and a large number of small and medium-sized enterprises. Even before the break-up of the former Soviet Union, Georgia was known for its substantial underground economy. These productive forces have not yet been fully integrated into the new open market system following the collapse of the old production structure, which was based on state orders.

The main components of the programme will be:

- support to privatisation;
- development of SMEs.

As regards privatisation, the Ministry of State Property Management, responsible for implementing privatisation, has finalised a far-reaching programme in which the dismantling of state monopolies and the development of small businesses are stated as main objectives.

Whilst the formal framework has been put in place, the thrust towards privatisation needs to be further sustained. Actions will now be taken to proceed with the restructuring of existing enterprises during and after the privatisation process.



## **TACIS COOPERATION WITH GEORGIA**

Technical assistance will be provided at policy level for the implementation of the privatisation mechanisms and at enterprise level to help define company strategies in a competitive environment. Technical assistance will also be provided to accelerate the development of contacts with foreign markets and to attract foreign direct investment.

The support to SMEs is considered crucial given that the majority of enterprises in Georgia are of small and medium size. The privatisation programme will eventually expose many small and medium sized enterprises to market competition. These companies will be ill-prepared to identify their comparative advantages in the market unless an effective support network is established.

Technical assistance for institution building will strengthen the infant associations that have been spontaneously created by business and industrial groups. Advice will be provided to set up the legal framework in which these institutions operate and to define their strategies.

An operational network linking the different regions inside the country and connecting the country with western economic operators will also be devised to offer new market opportunities. Agro-processing and light industries are earmarked as the main elements of the future market economy. Management advice and assistance for technology transfer will be provided to the newly privatised enterprises within those two sub-sectors, favouring exchange programmes with western umbrella organisations and direct contacts with private companies in Europe.

### **OTHER PRIORITY SECTORS**

#### **Food Production, Processing and Distribution**

Support will be given to stimulate the availability of adequate food supplies through the transition process. Several considerations point to the need for support to the agricultural sector: the importance of the sector in terms of employment, the social stabilising effect of food availability, the linkages with industry and the potential balance of payments contribution.

At present, production quantities are about a quarter of those achieved by the command economy. The privatisation of land has been carried out formally without establishing a viable alternative to the production system centred on the 'sovkhozes'.

A new role of the institutions operating at central and local level will need to be devised. Technical assistance will be provided to identify these new institutions and support them in the development of their delivery capabilities.

## **TACIS COOPERATION WITH GEORGIA**

TACIS will also provide assistance in the fields of land use and capability, research and product development, mechanisation and other inputs distribution, marketing information and agricultural credit. Assistance will be given to farmers' associations to promote a market-oriented production system through pilot schemes.

The creation of marketing boards and export facilities will be necessary to identify new markets and improve the product quality to new international standards. In this context, technical assistance will be provided to the agro-processing industry in the development of value-added production for export.

### **Human Resources Development**

There is a need for technical assistance to reform the public administration. After the election in October 1992, a reorganisation at ministerial level began by redefining ministerial mandates. The Ministry of Economy now has a leading role in economic planning and, together with the Ministry of Finance provides directives and guidelines to line ministries.

TACIS will cooperate with key ministries on two levels:

- policy advice relating to the organisation of activities; and
- training of its civil servants to carry out new ministerial functions.

The programme 1993-1995 will also address another crucial element in the reform of the public administration: the functional interaction between central and local administrations, which needs to be recast in light of the drive to decentralisation implied by the transition to a market economy.

Another principal objective within the Human Resources field is the reorganisation of social safety nets. The economic recession in Georgia has produced a sharp decline in real incomes, pushing an increasing number of people below the poverty line.

The restructuring of state-owned conglomerates and the privatisation process will produce substantial changes in the social security system, including health. Social services and schemes provided in the past to employees directly by their employers at enterprise level will need to be reorganised at national and local level. Technical assistance for institution building will be provided in this context, including policy advice for the creation of new instruments such as social and medical insurance funds.

In addition to these areas of human resource development, the country may participate in the EC programme for inter-university cooperation (TEMPUS).

## TACIS COOPERATION WITH KAZAKHSTAN



**Focal Sector:**  
Enterprise Restructuring and  
Development

**Other Priority Sectors:**  
Food Production, Processing  
and Distribution  
Human Resources  
Development

## PROGRAMME OBJECTIVES

- Support for the privatisation and restructuring of enterprises and the promotion and development of small and medium-sized enterprises (SMEs), and the improvement and modernisation of the financial services.
- Technical assistance will be aimed at strengthening the Government's programme of institutional and policy reforms and improving and modernising the production and distribution of agricultural products.
- Professional training will be given to create a critical mass of officers in the public service familiar with the needs of a market economy. The educational system will be reorganised and assistance will be provided in public administration support.

## PROGRAMME BACKGROUND

The Government's reform programme in Kazakhstan has achieved significant progress in leading the country towards a market economy.

However, as a result of the disintegration of established political structures and economic links to the former USSR, the transition process has led to disruptions in the economy including a large fall in production and in the living standards of a significant part of the population. In spite of these adverse developments, Kazakhstan has made significant progress in economic management, with a substantial reduction in both the fiscal deficit and the balance of payments deficit in 1992.

To further strengthen the transition process, the Government of Kazakhstan intends to implement its reform programme in three phases: in the first phase (1993) the priority is to reduce inflation, to halt the fall of output and change the relationship between the state and the private sector. In the second phase (1994), the priorities will include institutional transformation, privatisation, and development of a market infrastructure. In the third phase (1995) actions will focus on the finalisation of mechanisms for regulating the market economy.

The EC is committed to supporting this phased process of transition to a market economy in Kazakhstan.

The TACIS programme in 1991 in Kazakhstan supported initiatives in three areas: Food Distribution, Training and Energy. The total EC grant amounted to ECU 10.86 million.

## **TACIS COOPERATION WITH KAZAKHSTAN**

Under the 1992 TACIS programme to Kazakhstan, a total of ECU 20.60 million were allocated in the following areas: Government Advice (development of a new tax policy, public sector investment appraisal, central and local Government structure); Food Production and Distribution (institutional support for policy formulation and statistics, assistance for co-operatives and private food distribution, support to small scale private farmers); Energy (advice to Government, establishment and management of an Energy Centre, study on Kazakhstan hydrocarbon resources); Support for Enterprises (analysis of the financial sector, Business Communication Centre, implementation of a privatisation strategy, training of bankers) and Human Resources Development (public administration reform, higher education reform, Office of the President). In addition, assistance has been provided for the definition of a transport policy, legislation and training.

Apart from the EC, a range of other multilateral and bilateral agencies have established programmes of assistance in Kazakhstan, including the IMF, World Bank, EBRD and EC Member States. The EBRD has provided technical assistance in support of its present and future lending programme, especially in the areas of privatisation and financial services. It will continue to provide such support, concentrating on privatisation and the financial sector.

The World Bank is providing technical assistance in the energy sector, particularly in the production and distribution of gas and oil, and is supporting the restructuring and privatisation of state enterprises. At the institutional level, the Bank is also delivering technical assistance in the areas of policy advice, management and accounting.

TACIS cooperation under the 1993-1995 Indicative Programme will be closely coordinated with the programmes of other international organisations (including the World Bank, the IMF and the EBRD) and bilateral donor programmes in the framework of the Consultative Group process. Attention will be paid to ensuring that the TACIS support, which is likely to continue to form the principal source of technical assistance on a grant basis during the Indicative Programme period, will be applied in accordance with overall national priorities.

**FOCAL SECTOR**

**Enterprise Restructuring and Development**

Following the implementation of the Mass Privatisation Programme (MPP), assistance for privatisation and restructuring will be aimed primarily at implementing the MPP at local and at enterprise level. At the same time, action will be developed to support the establishment by the government of state holding companies for the management of those large enterprises which are to remain under total, or partial, control of the state. This will concentrate on the definition of an effective management strategy on the part of the government in order to restructure and modernise these enterprises.

As regards the development of SMEs, particular attention will be given to enhancing the activities developed under the auspices of the Business Communication Centre. These may include actions aimed at developing operational networks for the business community linking regions within the country and connecting the country with western operators, the establishment of links between local associations and their counterpart organisations in western Europe, and the establishment of a partnership fund to facilitate the participation by Kazakh businessmen in workshops and other such events in Europe.

The SME strategy will focus on specific sectors of the economy at enterprise level. Actions will include evaluations, designing mechanisms to increase productivity and assistance in the definition of a management strategy for new private companies.

TACIS will also promote activities to assess and develop an action plan for reform in the financial sector. Activities directed at the development of modern financial institutions may be supported. Actions could also include support to the restructuring of the commercial banking sector. Since the need for the establishment of financial securities and capital markets will become increasingly evident, support may be provided in defining the legal basis of these markets.

**OTHER PRIORITY SECTORS**

**Food Production, Processing and Distribution**

Due to the breakdown of market structures and the failure of export markets, the 1993-1995 TACIS programme will have two main objectives: to strengthen the government's programme of

## **TACIS COOPERATION WITH KAZAKHSTAN**

institutional and policy reforms, and to improve and modernise the production and distribution of agricultural products.

Under the heading of institutional and policy reform, the main objective will be to overcome problems that have emerged with the implementation of the agricultural reform programme. This will require that close attention be given to the land reform process, land tenure and cadastre legislation, and development of a legal mechanism of market stabilisation.

In the area of production and distribution, the strategy will be to modernise the sector, including the rationalisation of livestock production, and the promotion of production of more diversified agricultural equipment and inputs, adapted to private farming. TACIS will also provide specific support to private farmers through improved and restructured extension services.

To increase programme impact, assistance will be concentrated in the Northern Belt of the country, which includes the following oblasts: Eastern Kazakhstan, Kokchetav, Kustanai, Pavlodar, North Kazakhstan, Tugai, Ouralsk, Tselinograd and part of Aktubinsk and Karaganda. Wherever possible, a 'pilot' approach will be stimulated to enhance cost-effectiveness and multiplier effects.

### **Human Resources Development**

The training of professionals in the public administration will address management skills through packages made widely available to various institutions of the Republic. Banking and accountancy skills may also be addressed in this context.

The reorganisation of the educational system, supported already under the 1992 programme, will be extended. The strategy is to reinforce and adapt the economics training programme. Revision of the curriculum and the retraining of teachers will be emphasised. Particular needs such the training of statisticians and language training may be met either through the Inter-State Programme or as part of the National Programme.

Public administration support, which also commenced under the 1992 TACIS programme, will continue. Assistance will be provided in support of the improvement of the management of foreign assistance, and the development of management systems for the public investment programme.

Support may continue to include activities in the field of policy advice to the Government, legislation and other relevant public institutions as well as help with legislation necessary for the establishment and regulation of a market economy.

## TACIS COOPERATION WITH KYRGYZSTAN



### **Focal Sector:**

Food Production, Processing  
and Distribution

### **Other Priority Sectors:**

Energy  
Human Resources  
Development

## PROGRAMME OBJECTIVES

- Improvement in the production capability and the reorientation of production in line with comparative advantage of the sector, as well as improvement in the distribution and marketing activities of agricultural production and inputs.
- Government support in setting up a market-oriented energy policy as well as promoting the local production of energy and energy saving.
- Support for the process of reform of public administration and improving and increasing the level of social protection as well as upgrading the process of policy formulation within the Central Government.

## PROGRAMME BACKGROUND

After the break-up of the former USSR, the Government undertook major steps towards economic liberalisation. These reforms involved policy and institutional changes in a number of areas. Further reforms are planned in the energy and agricultural sectors, as well as the financial system.

In 1992, Kyrgyzstan's economy was severely affected by the disruption of trade and the traditional economic links with the former Soviet Union. The main sources of instability affecting the country were the discontinuation, at the end of 1991, of budgetary transfers from the USSR, price increases especially for imported petroleum products, the disruption of trade and the shrinking of traditional export markets for Kyrgyzstan products, caused by the economic downturn occurring in the other NIS .

A new national currency has been introduced, the "COM", which is linked to the US dollar. Kyrgyzstan is the first country among the NIS to qualify for the IMF's financial support to help the transition from the former centralised system to a market economy.

Under the 1992 TACIS programme to Kyrgyzstan, a total of ECU 9.3 million was allocated to the following areas: Government Advice (advice to the government in macroeconomic issues, support to the government in civil service reform); Food Production and Distribution (support in the formulation of a strategy and master plan for the sector, support to a vocational training centre for the agro-food industry); Energy (advice on energy policy and strategies), Support for Enterprises (privatisation assistance to the Fund for State Property, National Enterprise Fund, State Price and Anti-Monopoly Committee).

## **TACIS COOPERATION WITH KYRGYZSTAN**

Technical assistance has also been delivered by other international agencies, notably the World Bank, the IMF and the UNDP. The use of external aid from other donors is mostly oriented towards government policy advice, formulation of legislation and implementation of reform plans.

EC TACIS assistance under the 1993-1995 programme will be closely coordinated with the programmes of other international organisations (including the World Bank, the IMF, EBRD and UNDP) and bilateral donor programmes within the framework of the Consultative Group process. Attention will be paid to ensuring that TACIS support, which is likely to continue to form the principal source of technical assistance on a grant basis, will be applied in accordance with overall national priorities.

### **PROGRAMME COMPONENTS**

#### **FOCAL SECTOR**

##### **Food Production, Processing and Distribution**

Even though Kyrgyzstan's agricultural sector faces serious difficulties in advancing towards a market economy, it is the sector that presents the greatest potential for substantial growth.

The programme will aim at fulfilling two principal objectives:

- improvement in the production capability of the sector and the reorientation of production in line with comparative advantage of the sector, and
- improvement in the distribution and marketing activities of agricultural production and inputs.

Special assistance will be provided to encourage the development of oil crop production, to support the organisation of private farmers, and to promote the rationalisation of livestock production.

Typical action in support of the reform and reorientation of the production system might include: support to the land reform process, land tenure, cadastre legislation, privatisation and restructuring of state and collective farms; assistance in the reorganisation of the system for importing and marketing agricultural inputs; development of oilseed production and marketing; support to initiatives to develop services for farmers, including research and agricultural credit; activities aimed at rationalisation and technical improvement in the livestock sub-sector.



## **TACIS COOPERATION WITH KYRGYZSTAN**

Support may also be provided to accelerate the privatisation and reorganisation of the wholesale and retail trade for agricultural commodities, including the development of city markets.

### **OTHER PRIORITY SECTORS**

#### **Energy**

The 1993-1995 TACIS programme in the energy sector will be based on three main objectives:

- to support the government in setting up a market-oriented energy policy;
- to promote the local production of energy in order to improve the energy trade balance and to save foreign exchange; and
- to promote energy saving through initiatives on both the supply and the demand side of the sector.

As regards the development of a market-oriented energy policy, areas of assistance may include: support to the definition of a pricing policy and a legal and regulatory framework; restructuring and privatisation of the State Electricity Company; and activities to promote investment and export policy for the hydropower sector.

Assistance relating to production will continue in the coal sector. It will focus on the development of the coal sub-sector strategy based on the assessment of existing mines and investigation of new possible areas of exploitation. Assistance may also be provided for the introduction of updated systems for coal processing and the use of coal waste products. TACIS may also support activities related to the exploration of oil and gas in cooperation with other donors.

In the area of energy saving, support may be provided for actions aimed at achieving energy saving in public buildings, transport and electrical and thermal plants. The key objective would be to promote energy saving and the development of new sources of energy. In addition, a training programme for government officials and for specialists of the different energy sub-sectors would be implemented.

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KYRGYZSTAN**

**Human Resources Development**

The TACIS programme 1993-1995 in Kyrgyzstan will aim to fulfil three specific objectives:

- to support the process of reform of the public administration;
- to improve and increase the level of social protection; and
- to upgrade the process of policy formulation within the central government.

In the area of public administration reform, the TACIS programme 1993-1995 will continue activities of support and will assist in extending the reform process to the regional level within the country. The scope of activities will be widened to encompass training (including the private sector where feasible). In addition, support may be provided for the enhanced management of foreign assistance and to manage the public investment programme.

Social sector support will be vital as the programme of reorganisation and privatisation will result in the shedding of jobs and an increase in the needs of the sick and the unemployed. In addition to the continuation of the 1992 TACIS programme, attention will be given to vocational training.

Support will also continue to be available for policy advice to the government, the legislature and other relevant public institutions as well as assistance in the design and drafting of legislation necessary for the establishment and regulation of a market economy.

## TACIS COOPERATION WITH MOLDOVA



### **Focal Sector:**

Food Production, Processing  
and Distribution

### **Other Priority Sectors:**

Human Resources  
Development

### **Basic Networks:**

Energy and Transport  
Enterprise Restructuring and  
Development

## PROGRAMME OBJECTIVES

- TACIS assistance will be provided to accelerate the transition to a market-oriented production system, to strengthen the production and distribution system so as to sustain local consumption and to improve the quality and packaging of certain products in order to enhance export possibilities.
- TACIS will aim at strengthening the public administration in terms of its capacity to increase a market economy and at providing support for the educational systems and structures for social security.
- Technical assistance will be provided to promote energy saving and efficiency, as well as the modernisation of certain transport sub-sectors.
- TACIS will contribute to the conversion of defence-related enterprises.

## PROGRAMME BACKGROUND

Agriculture is the most important sector in Moldova and contributes over 40% of its Net Material Product (NMP) and 35% of employment. The main crops grown are fruit and vegetables, tobacco, oilseeds, sugar beet and grapes.

Fruit, dairy and cereals are also important and the country is normally self-sufficient in food. Fruit canning and wine production are the main agro-industrial activities.

Moldova has very limited mineral resources and is wholly dependent on imported energy, which comes from or through Ukraine. Industry is relatively poorly developed, but employs 22% of the labour force. Much of the industrial production is located in the disputed area of Trans-Dnestr. The main industrial sectors are electronics, precision tools, farm machinery, leather goods and textiles. Tourism was an important source of earnings before the outbreak of civil conflict.

The Government of Moldova is strongly committed to the reform process and transition to a market economy. Its programme for adjustment was set out in the "Draft Reform Programme of the Government of Moldova" prepared in 1991. The reform programme is currently under discussion in Parliament for final approval. The EC is committed to supporting the process of transition to a market economy in Moldova in both the short and medium term.

## **TACIS COOPERATION WITH MOLDOVA**

The 1991 TACIS Programme in Moldova supported projects related to the marketing of fruits and vegetables and privatisation of sovkhoses. In 1992, the European Commission approved a TACIS package worth ECU 9 million. The assistance covered the following areas: Government Advice (ECU 1 million), Food Production and Distribution (ECU 2.50 million), Energy (ECU 2.00 million), Human Resources Development (ECU 2 million) and Support to Enterprises (ECU 1.50 million).

A wide range of donor agencies have established programmes of support to Moldova including the IMF, the World Bank, the EBRD and several EC Member States. The EC has provided substantial flows of humanitarian assistance and is expected to remain the principal source of technical assistance on a grant basis. TACIS assistance to Moldova will be coordinated with the activities of other international and bilateral donors in the framework of the Consultative Group process.

### **PROGRAMME COMPONENTS**

#### **FOCAL SECTOR**

##### **Food Production, Processing and Distribution**

The rationale for concentration on agriculture and agro-processing under the 1993-1995 TACIS programme is based on several considerations:

- agriculture is the leading sector in the economy;
- the sector has been severely disrupted by loss of markets, drought and the effects of civil conflict;
- the sector has a large potential to relieve macroeconomic and balance of payments constraints through improved performance.

Institutional support for agricultural reform initiated under the 1991 and 1992 TACIS programmes will be continued. Support for privatisation and restructuring of selected sovkhoses and kolkhozes will be extended.

Production and distribution of agricultural inputs (fertilisers, pesticides, herbicides, seed, animal feed and agricultural equipment) and services (research, credit, extension and maintenance of agricultural equipment) will be improved. Support will also be given to the restructuring of processing facilities and the development of wholesale and retail markets for agricultural produce.

## **TACIS COOPERATION WITH MOLDOVA**

TACIS assistance will be provided to increase the quality and therefore the value of agricultural export products. Activities could include support for the modernisation of food processing industries, diversification of products and research for potential export markets.

### **OTHER PRIORITY SECTORS**

#### **Human Resources Development**

The 1993-1995 TACIS programme for Moldova will concentrate its efforts concerning Human Resources Development on the areas of restructuring the public administration and supporting the educational and social sectors.

As regards the public administration, TACIS will aim to promote a new institutional framework, at both central and regional levels, capable of regulating and supervising the functioning of the market. Extensive training will be provided to civil servants to redefine their professional role within this new framework.

Support may include activities in the field of policy advice to the government, the legislature and other relevant public institutions as well as help with legislation necessary for the establishment and regulation of a market economy.

The educational system must be adapted to be able to meet the future needs of the labour market. For this reason, emphasis will be given to the diffusion of key skills in enterprise and economic management through support to training institutions in these fields.

In addition to these areas, the country may participate in the EC's programme for inter-university cooperation (TEMPUS).

Regarding the social sector, advice will be given on financing and organisation. Training will be given to facilitate the application of that advice as well as to help the unemployed to meet the demand for new labour skills. Support may also be provided in the sphere of health protection in the form of policy advice, expertise, equipment and the training of personnel

#### **Basic Networks: Energy and Transport**

The inclusion of Energy as one of the other priority sectors is dictated by the structural imbalance of the country in terms of resource endowment. As a pure importer of energy, Moldova has been extremely badly hit by the rise in energy prices.

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MOLDOVA**

TACIS assistance will be given in the promotion of energy saving and efficiency in the industrial, commercial and domestic sectors. Possible development of non traditional energy resources will also be investigated.

Technical assistance for institution building purposes will continue to be provided to the three main energy bodies, the Fuel Association, the State Department of Gas and Moldenergo to define their specific responsibilities better and to improve their management capabilities.

As regards the transport sector, TACIS may provide support to river ports and air transport. In relation to river ports, TACIS will finance feasibility studies, technical design studies and further development in relation to the planned construction of a port on the Danube at Giurgiulesti in the southern part of Moldova.

As far as air transport is concerned, TACIS will support the creation of a joint-venture international airline on the basis of the existing Air Moldova, in cooperation with foreign partners.

**Enterprise Restructuring and Development**

In the sector of Enterprise Restructuring and Development, there is a pressing need for the conversion of defence-related enterprises.

TACIS assistance may be given in areas such as advice for conversion into new product lines, studies on market research and assistance on the protection of shareholders' interests in restructured and privatised enterprises.

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**Focal Sectors:**

Enterprise Restructuring and  
Development  
Human Resources  
Development

**Other Priority Sectors:**

Food Production, Processing  
and Distribution  
Energy  
Transport  
Telecommunications

**PROGRAMME OBJECTIVES**

- Assistance in the design and implementation of an orderly industrial enterprise restructuring process without undue social consequences.
- Cooperation aimed at reforming the institution of public administration and retraining the economic and business management of an economy run on market principles.
- Support aimed at stimulating the availability of adequate food supplies through the transition period and support to the agricultural sector.
- Support for halting the decline in oil and gas production as the main sources of financing, and to energy saving through improved efficiency and energy conservation methods.
- Contribution to building up an efficient transport system as a prerequisite for the development of a market economy and its integration into the world economy.
- Support to the Telecommunications Network to facilitate business communications both within the Russian Federation and with Europe and beyond.

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**PROGRAMME BACKGROUND**

The Russian Federation has embarked on a process of transition to an economic system based on market principles. This involves an unprecedented programme of social, political and economic reform. In the economic sphere, the removal of the former centralised system of production management and distribution throughout the former USSR has paved the way for the emergence of a competitive private sector.

In its early stages, the reform programme encountered serious problems at the macroeconomic level: the price liberalisation of January 1992 coupled with difficulties in controlling the expansion of credit led to rapid inflation, whilst output in many sectors was disrupted as the trade and payments system of the former USSR disintegrated.

Oil and gas production, which used to generate substantial financial resources, fell each year. The productive economy continued to be dominated by large vertically integrated state enterprises which responded to the removal of controls in a monopolistic manner.

Nevertheless, the Government has taken important steps to establish the basic framework within which the competitive market economy can be developed. These steps include reorganisation of the structure and system of government administration at the Federation and regional level, the passage of many new laws necessary to underpin market transactions, and a range of steps aimed at mitigating the potential adverse social consequences of the reform programme on vulnerable social groups.

Clearly, given the scope and depth of the reform process, completion of the transition to a market economy will take several years. The European Community is committed to supporting the Russian Federation in the transition to a market-based economy both in the short term and the medium term. This Indicative Programme sets out the principal objectives and strategies for EC support to the transition process over the period 1993-1995.

Apart from the EC, a range of other multilateral and bilateral agencies have established programmes of assistance, including the IMF, World Bank, EBRD and the EC Member States. Of these, the EC is the major source of technical assistance on a grant basis.

Coordination with other donors and/or financing institutions will be achieved through the Russian Agency for International Cooperation and Development, and in conjunction with the Consultative Group process.



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**The TACIS Programme in 1991 and 1992**

Under the 1991 TACIS programme, projects were selected in the Russian Federation in five sectors: Food Distribution, Transport, Energy (including nuclear safety), Financial Services, and Training.

Under the 1992 TACIS programme, assistance was concentrated in four geographical areas: Moscow, St. Petersburg, Tyumen and Samara. The programme embraced four main areas: Food Production, Processing and Distribution; Human Resources Development (recasting of public administration, management training, social safety net and strengthening of civic society); Support for Enterprises (enterprise restructuring and privatisation, SME development, defence industry conversion, financial services); Networks, including Transport, Energy (including nuclear safety) and Telecommunications.

The Moscow component included actions relating both to the Moscow region and to the Russian Federation as a whole. In addition, assistance was provided in the form of government advice at the level of ministries.

The Tyumen TACIS Programme contains two main elements: assistance to the hydrocarbon production industry, and regional development initiatives in the Tyumen oblast in the areas of agriculture and food distribution, energy saving, financial services and human resources.

Assistance to St. Petersburg aimed to assist transition in the St. Petersburg region with actions concentrated in Support for Enterprises (mainly conversion, restructuring and SME development), Food Production and Distribution, Transport, Energy, Human Resources and Financial Services.

The Samara programme concentrated heavily on the restructuring of the food production, processing and distribution system, with smaller components in Financial Services, Enterprise Support, and Human Resources.

**Other External Assistance**

Apart from the EC, a range of other multilateral and bilateral agencies have established programmes of assistance, including the IMF, the World Bank, the EBRD and the EC Member States. Of these, the EC is the major source of technical assistance on a grant basis.

Coordination with other donors and/or financing institutions will be achieved through the Russian Agency for International Cooperation and Development, and in conjunction with the Consultative Group process.

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**PRIORITY AREAS FOR COOPERATION**

TACIS assistance under this programme will be concentrated in a limited number of focal and other priority sectors and will be provided at two levels: at the federal level and at the level of selected geographical areas.

At the federal level, annual Action Programmes will be prepared to address nationwide issues. The purpose of activities at the federal level is to provide support to the central institutions of government in design and management of the overall reform strategy and to help assess problems with a national bearing. The main areas of support will be:

- assistance in the design of legal, regulatory and institutional frameworks; and
- assistance on policy issues, including elements of the reform strategy (privatisation strategy) and nationwide policy for particular sectors.

In the selected geographical areas, which will constitute the bulk of the programme, resources will be concentrated in a limited number of regional programmes addressing key adjustment problems in the selected areas. During each year of the Indicative Programme a limited number of new concentration areas will be included to increase the overall coverage of the programme. It is anticipated that two new areas of geographic concentration will be included in each annual Action Programme. Provision will also be made for follow-up actions in areas of concentration in 1992 and subsequent years. Areas will be selected on the basis of:

- their suitability for addressing priority issues identified on a national basis;
- the magnitude and acuteness of their social / economic problems; and
- the correspondence of regional problems with areas of comparative advantage of the EC as a donor.

An Action Programme will be drawn up for each selected concentration area which will establish integrated programmes involving actions in several sub-sectors.

**Selection of Geographical Concentration Areas for 1993**

Under the 1993 budget, Action Programmes will be prepared for two new areas of geographical concentration, the Urals (Chelyabinsk, Ekaterinburg and Perm) and western Siberia (the Kemerovo region and Novosibirsk). These two areas are selected

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because they are appropriate areas for concentrated assistance under the programme's overall focus point, namely industrial conversion and restructuring. The Urals cities have a large concentration of industrial military complex state enterprises in the machine building sub-sector. As a result of their location, they have received less attention from external agencies than industrial zones closer to Moscow. Kemerovo region (the Kuzbass area) is situated in western Siberia, with a population of about 3 million, with major cities at Kemerovo and Novokuznetz.

It contains extensive coal and steel industries which face an urgent need for restructuring in the wake of the rapidly changing economic environment. The area is heavily polluted and faces serious health and environmental problems.

Novosibirsk is, in addition, a major centre for scientific expertise (centred at Akademgorodok), again largely within the military industrial complex. The EC is strongly placed to provide assistance in the establishment of regional restructuring programmes in these two regions, drawing on experience gained within western Europe. In Kemerovo region, the EC has already supported the initiatives in establishing a regional restructuring capability (1991 TACIS Programme) and is assisting the development of the Free Trade Zone and attraction of foreign investment. These areas, the Urals and western Siberia, represent the core of the problem of transition to a market economy in the Russian Federation.

## **PROGRAMME COMPONENTS**

### **FOCAL SECTORS**

#### **Enterprise Restructuring and Development**

The principal objective for the 1993-1995 TACIS programme will be to provide assistance in the design and implementation of an orderly industrial enterprise restructuring process without undue social consequences, relating both to the operation of continuing large state enterprises, many of which will remain in the state sector for the period of the Indicative Programme, and to the growth and functioning of new and emerging enterprises in the private sector.

As regards enterprise restructuring and privatisation, technical assistance may be provided in the provision of expertise and training to regional and municipal centres in charge of privatisation. Assistance may also be provided to Russian entrepreneurs in their negotiations with new partners. TACIS may also support the establishment and implementation of

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strategic audits and business plans of large companies, where partial privatisation may derive from restructuring as well as for strategic review of some industrial sub-sectors.

TACIS may also support the setting up of a network of SME support centres offering advice and training to entrepreneurs, assistance to school and undergraduate training establishments and assistance in the creation of new enterprise settlement areas.

The 1993-1995 TACIS programme may also strengthen the conversion of the defence industry, concentrating on the following priorities: development of research on the potential market for basic products, assisting in the establishment of new product lines in selected firms, assisting in the conversion of military infrastructure or equipment to civilian use, provision of advice and training in managerial sciences, developing the involvement of Research and Development centres in consulting activities and applied research contracts.

As regards the financial services sector, TACIS may cooperate in the design and implementation of an efficient national payments and settlement system, assisting in building up or restructuring commercial/specialised banks.

**Human Resources Development**

The 1993-1995 TACIS human resources support will concentrate on recasting public administration on a federal, regional and local level and creating or restructuring institutions required for the supervision, regulation and management of the emerging market economy.

Another priority will be to support the creation of an institutional basis for social security and health. Restructuring of state enterprises will typically involve the collapse of social service delivery systems based on the place of work and run by large enterprises. Priority must be afforded to the creation of new structures for social security delivery.

In addition, support will be provided to develop an expanded training programme in economics and business management. The Action Programmes under the 1993-1995 Indicative Programme will concentrate on consolidating training institutes, through curriculum development in economic and management sciences and through outreach programmes and the use of distance teaching methods aimed to achieve the widest possible diffusion of managerial capabilities especially in those social / professional groups badly affected by the reform process.

Finally, support may also include activities in the field of policy

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advice to the Government, the legislature and other relevant public institutions as well as help with legislation necessary for the establishment and regulation of a market economy.

In addition to these areas of human resource development, the country may participate in the EC's programme for inter-university cooperation (TEMPUS).

**OTHER PRIORITY SECTORS**

**Food Production, Processing and Distribution**

Support will aim at stimulating the availability of adequate food supplies through the transition process. The agricultural sector plays a key role in terms of employment, the linkages with industry, the potential to relieve macroeconomic and balance of payments constraints through improved performance, and the large potential for improvements in efficiency of production.

Within this sector, the programme will be focused at the national level on rationalising and assisting the process of transformation to private ownership in agricultural production and food distribution, and (ii) legal and technical support to the land reform process, social marketing research on population requirements and development of reliable information systems relating to production and consumption.

At the regional level, support will be provided for the review of production and marketing chains of selected sub-sectors, the restructuring and, when possible, partial privatisation of large-scale production units and assisting private farmers and agro-industrial entrepreneurs at both managerial and technical levels.

**Energy**

The Energy Sector has been heavily distorted by pricing and other policies of the former economic management system, but it provides the essential base for economic restructuring.

Under the 1992 TACIS programme, EC support to the sector was concentrated on the national regulatory framework and on Tyumen oil and gas production.

Under the 1993-1995 TACIS programme, support will be provided in stabilising energy production and energy saving. These priorities were established by the European Energy Charter.

The Action Programmes under the Indicative Programme will focus on the development of economic evaluation and

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programming, tendering and project monitoring, specific and practical research and development programmes related to modernisation of facilities and providing expertise and on-the-job training for some pilot projects to be replicated further.

As under the 1992 TACIS Programme, the area of Nuclear Safety will be addressed separately through a set of actions to be defined on an inter-state basis and financed under the global TACIS programme.

**Transport**

TACIS will cooperate in the development of road transport with a rapid shift to private operators, technological modernisation in the fields of transport equipment and infrastructure construction equipment, ports, and adaptation of the regional and urban administration in the light of local transportation needs, through legal assistance, management consultancy, studies and training.

**Telecommunications Network**

Support will be given in the accelerated development of the telecommunications system. The main objective within this sector will be the modernisation of Russia's telephone network.

Actions in support of this objective may include studies for the modernisation of cable and satellite communications links, assistance to administrative bodies at the federal, regional and local level in the establishment of economically efficient systems of pricing management and control, and development of appropriate data transmission systems.

## TACIS COOPERATION WITH TURKMENISTAN



### **Focal Sector:**

Food Production, Processing  
and Distribution

### **Other Priority Sectors:**

Enterprise Restructuring  
and Development  
Human Resources  
Development

## PROGRAMME OBJECTIVES

- TACIS will contribute to alter the balance of production that relies heavily on the monocultural production of cotton to include more home produced food.
- TACIS assistance will support initiatives to achieve the creation of SMEs and to provide an adequate privatisation programme.
- TACIS assistance will support the reorientation of individuals and institutions towards a market economy both for public administration and employment orientation, as well as curriculum development in the new environment.

## PROGRAMME BACKGROUND

The specialised orientation of Turkmenistan's production and the consequent openness of the economy, makes the nation vulnerable to external shocks, as is shown by the serious economic consequences that have occurred due to disruptions in trade with Republics of the former USSR over the past three years.

As in most other NIS, Turkmenistan's economy was adversely affected by instability in the USSR towards the end of the 1980s. Supplies of imported industrial inputs and intermediate goods became erratic, capacity utilisation in industry declined, and industrial Net Material Product (NMP) contracted significantly.

To overcome the problems arising from the disintegration of the former USSR, the Government of Turkmenistan is slowly developing the institutional framework necessary to formulate and implement the reforms needed to advance towards a market economy. As key factors for reactivating the economy, the Government has placed emphasis on attracting foreign investment and facilitating technological foreign investment. Thus it has passed laws to stimulate and protect foreign investment, laws relating to commercial banking, insurance and tax reform, and has introduced a value-added tax.

Turkmenistan's strategy for restructuring the economy is based on the following principles:

- to reduce the country's dependence on imports of finished and intermediate goods by diversifying economic activity, primarily in agriculture;

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- to reduce trade dependence on the other NIS and to obtain new trade partners with the West by developing communications and transportation links;
- to increase value-added, especially in export goods (e.g. cotton, natural gas, oil);
- to improve irrigation efficiency; and
- to expand the industrial sector through direct foreign investment, privatisation and demonopolisation.

This strategy is the basis of a three-year national investment programme which began in January 1993.

Under the 1992 TACIS programme to Turkmenistan, a total of ECU 8.8 million was allocated in the following areas: Government Advice, Food Production and Distribution (advice to the Ministry of Agriculture); Energy (restructuring of oil and gas, legal assistance in petroleum legislation, rational use of energy and training); Human Resources Development (management training), Support for Enterprise (advisory services, assistance to the Chamber of Commerce and Industry), and regional projects.

Apart from the EC, a range of other multilateral and bilateral agencies have established programmes of assistance, including the IMF, the World Bank, the EBRD and certain EC Member States. Of these, the EC remains the major source of technical assistance on a grant basis.

The use of external aid from other donors is mostly oriented towards formulation of legislation, implementation of reform plans, environmental issues, irrigation and telecommunications.

The TACIS programme 1993-1995 will be closely coordinated with the programmes of other international organisations (including the World Bank, the IMF and the EBRD) and bilateral donor programmes. Attention will be paid to ensuring that TACIS support will be applied in accordance with overall national priorities.

## **PROGRAMME COMPONENTS**

### **FOCAL SECTOR**

#### **Food Production, Processing and Distribution**

The difficulties that Turkmenistan's agricultural sector is encountering is a consequence of its semi-colonial past, where



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the heavily centralised control structure has made the country an exporter of raw cotton only, with virtually no processing capacity. Agriculture is a strategic sector in the transformation process in terms of its potential to generate hard currency through exports, diversify production and generate competition, but it is confronting a series of obstacles which require priority attention and substantial investments.

In addition, the specialised orientation of Turkmenistan agricultural production towards cotton implies the import of a large part of its basic food needs such as meat, milk products, sugar, flour, eggs, vegetables and oil. Therefore, crop diversification will reduce imports and will have a positive impact on the balance of trade and payments.

TACIS will support activities aimed at improving the overall production volume and quality of current food and non-food products, and will encourage the introduction of alternative products to reduce imports and improve variety. To benefit from the expected increase in output, TACIS will strengthen initiatives related to the development of value-added agro-industries, and to the definition of a distribution system for home produce foods and imports.

These activities will be supported during the whole period of 1993-1995, detecting priorities within each sector and defining specific strategies for the short, medium and long term. In this regard, a close link will be encouraged between production, agro-processing and distribution.

Moreover, to assure maximum benefits from the TACIS programme 1993-1995, work in the agricultural and food distribution sector will be carried out in close cooperation with the other priority sectors (Support for Enterprise and Human Resources).

### **OTHER PRIORITY SECTORS**

#### **Enterprise Restructuring and Development**

Turkmenistan is at an early stage of economic reform. The continued dominance of a centralised economy and the slow implementation of a reform programme aimed at dismantling the old institutions seems to be the main constraints for advancing towards a market economy. In this regard, one of the mechanisms necessary for the Government of Turkmenistan to enter into a market economy is the acceleration of the slow process in the formation of private enterprises.

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Successful decentralisation, reform and the formation of a market economy will depend on the private sector. The development of SMEs will be one of the mechanisms for absorbing employment from the old system and generating new employment, rent and competition. It will also stimulate the economy and secure the establishment of a market. TACIS will support this process by financing courses and training programmes in accounting, developing of business plans, and international trade. The programme will strengthen initiatives aimed at transferring skills and knowledge of modern market economics.

In the area of privatisation, support will be given to the Government through policy advice to develop a framework for the implementation of a privatisation programme. The main emphasis will be placed on the privatisation of state enterprises (transport and energy), agro-industries and food-related activities.

### **Human Resources Development**

The Turkmenistan administration is still too inward looking and operates in very similar ways as during the USSR era. Nevertheless, Turkmenistan is currently undergoing a fundamental transformation to a market economy, which entails extraordinary changes in all aspects of its political, social and economic environment. This process implies changes in the way the government and the population perceive the legal, institutional and organisational framework which guarantee the functioning of a competitive market economy.

TACIS aims to raise people's skills, motivation, confidence and organisation so they can participate more productively in the economy. TACIS will encourage the organisation of a curricula for higher level education, which takes into account the employment aspects for the development of a market economy. These actions will take the form of post graduate training and specialisation for the new environment.

In addition, support will be given to immediate actions targeting vocational training in and around places of employment and training in aspects of public administration, particularly economic management and policies.

## TACIS COOPERATION WITH UKRAINE



**Focal Sectors:**  
Enterprise Reform and  
Development  
Food Production, Processing  
and Distribution

**Other Priority Sectors:**  
Basic Networks:  
Energy, Transport,  
Telecommunications  
Human Resources  
Development

## PROGRAMME OBJECTIVES

- Contribution to macroeconomic stabilisation by supporting the process of privatisation, corporatisation and restructuring of major state-owned industries.
- Increase the availability of adequate food supplies, in strengthening the productivity and production of the livestock sector, and in supporting improvements in the food processing and food distribution system.
- Technical assistance in the energy sector reforms at central and sector levels as well as support to the diversification of fuel sources. Assistance to the coal industry and support to energy savings.
- Assistance in drafting a legislative framework and a master plan for the transport sector.
- Improving of financial structures in the telecommunications sector.
- Support to develop human resources by strengthening an institutional and regulatory framework within which private operators and enterprises can function effectively, and by building up a critical mass of entrepreneurs and managers with appropriate economic and business management skills.

## PROGRAMME BACKGROUND

The economy of Ukraine was a major element of the former USSR, with important contributions coming from both the industrial and agricultural sectors. Ukraine is home to major heavy industries which developed historically on the basis of the ready availability of cheap sources of energy. The break-up of the USSR has led to acute problems of economic transition at a macroeconomic and industry level, as the price of imported energy has risen steadily towards world market prices and inflation has accelerated.

The major task for the medium term is the restructuring of Ukrainian industry on the basis of comparative advantage, given the emerging structure of prices and the need to reshape industrial enterprises on a viable basis in the new market environment.

The Government of Ukraine is committed to the task of transforming of the national economy from a command system to a market-oriented system, though it is recognised that this will take several years, given the structural constraints to be overcome.

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**The TACIS Programme in 1991 and 1992**

EC support under the 1991 programme included initiatives in the areas of management training, transport, food distribution, banking, energy and nuclear safety. The total project costs for the 1991 programme were ECU 28.2 million.

Under the 1992 EC Technical Assistance Programme to Ukraine a total of ECU 98.8 million were allocated in the following areas: Government Advice (monetary policies, trade payments mechanisms, balance of payments statistics, national accounts calculations, labour market policies), Food Production, Processing and Distribution (assistance to agro-industry, meat and vegetable processing, transportation of foodstuffs), Energy (energy strategy, pricing and tariffs, studies on the gas pipeline network, energy efficiency issues, strategy studies for the coal industry, technical training), Transport (seaport/landport interface, inland waterways, ports, civil aviation, railways and road transportation), Telecommunications (training, tariff structures), Support for Enterprises (privatisation, small and medium -sized enterprises, military conversion, financial services), and Human Resources Development (reform of the public administration, assistance to the national centre for employment). Furthermore, Ukraine will benefit from an extensive programme in Nuclear Safety.

The TACIS programme has been implemented in close collaboration with other donors, in particular the World Bank and EBRD and also through the EC's participation in the Consultative Group process.

**Other External Assistance**

Various international organisations and countries are assisting the reform process in Ukraine. The World Bank has carried out a number of sector studies in Ukraine (energy, agriculture and the social sectors). Discussions are taking place with the government on an institutional building loan of about US\$ 40 million that will focus on technical assistance in the fields of:

- enterprise reform;
- the financial sector; and
- government advice and statistical services.

The EBRD has approved a number of projects on privatisation, in different transport sub-sectors (railways, roads, aviation and waterborne transport) and in the sector of telecommunications. The IMF, OECD and UNDP have carried out several studies in different sectors.

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### **Priority Areas for Cooperation**

The TACIS 1993-1995 programme will concentrate on a limited number of priority sectors and will be provided at two levels: at the central level and at the level of selected geographical concentration areas.

At the central level, annual Action Programmes will be prepared to address nationwide issues. The purpose of activities at the central level in Kiev is to provide support to the central institutions of government in design and management of the overall reform strategy. The main areas of support will be:

- assistance in the design of legal, regulatory and institutional frameworks;
- assistance related to policy issues, including elements of the reform strategy (privatisation strategy) and sector policies (e.g. land reform, pricing and reform of the transport sector and other key sectors).

In the selected geographical concentration areas, which will constitute the bulk of the programme, resources will be applied to regional restructuring programmes, combining a limited number of actions addressing key adjustment problems in the selected areas. The geographical areas have been selected on the basis of their suitability for addressing priority issues identified on a national basis, the magnitude and acuteness of their social, economic and environmental problems, correspondence of regional problems with areas of comparative advantage of the EC as a donor and economic interests of Ukraine. Annual Action Programmes will be prepared for the selected geographical areas, which will establish integrated restructuring programmes covering actions in several sub-sectors.

Apart from the central level of Kiev, two geographical concentration areas have been selected for support over the next three years: the Donbass region and the region of Kharkov Dnepropetrovsk Zaporozhye. In both regions support will be concentrated in the focal sectors of Enterprise Reform and Development and Food Production and Distribution.

The development of programmes in both regions will depend on the absorption capacity for concrete actions. In spite of this geographical concentration, continued support may be provided to successful activities implemented under the 1991 and 1992 programmes.

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**Selection of Geographical Concentration Areas 1993-1995**

**The Donbass Region.** Major resources of high quality coal are concentrated in the Donbass region. This has led to a high concentration of metallurgy, chemical, and heavy machine building industry and energy generating facilities in the region. Most of the industry in this region is old fashioned and ecologically unsustainable and unsound. Corresponding infrastructure also needs serious modernisation. These problems require immediate technical assistance intervention, which is strongly requested by the local administration. The population of the two Donbass oblasts (Donetsk and Lugansk) amounts to about 10 million or almost 20% of the total population of Ukraine.

**Kharkov Dnepropetrovsk Zaporozhye.** This triangle is the focal region of concentration of high technological and predominantly military production, such as airspace in Kharkov and Dnepropetrovsk, aviation in Kharkov and Zaporozhye, motorcars in Zaporozhye and tanks in Kharkov as well as traditional ferrous metals industry. The region is linked with the Donbass region through the supply of materials. The above-mentioned industries in the region will have to be converted and have, in principle, potential for international cooperation. At the same time these industries require reconstruction, reform of management, standardisation, energy saving and modernisation of infrastructure as well as environmental protection measures. A great part of the skilled labour force of Ukraine is concentrated in this region. Due to the forthcoming conversion, this labour force will be faced with problems of unemployment and retraining.

## **PROGRAMME COMPONENTS**

### **FOCAL SECTORS**

#### **Enterprise Reform and Development**

Focus on the enterprise sector is required in view of the critical constraint to macroeconomic stabilisation resulting from the slow progress achieved to date in addressing the central problem of loss-making state enterprises. The process of industrial restructuring will require sustained application of substantial technical assistance resources if the programme is to be established within an acceptable timetable and if momentum is to be maintained.

TACIS cooperation in this sector may continue to be provided in the formulation and implementation of central and regional

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policies and procedures for privatisation, industrial restructuring, enterprise corporatisation, and demonopolisation (including support for the State Property Fund and privatisation agencies at regional level).

TACIS assistance may also be provided for the continuation and extension of the restructuring/privatisation programme in selected industries or industrial sub-sectors, including the conversion of defence-related industries. Under the 1993-1995 Indicative Programme, such support will be through geographically concentrated regional restructuring programmes which will include demonstrations of a range of privatisation procedures in a number of industries and an enlarged programme of support for conversion of military-related and other enterprises (this will include market research for high-tech production and the creation of facilities for high technology transfer).

TACIS cooperation could also include the introduction of world standards for industrial production, safety and environmental protection.

Support for measures could be continued and extended for small and medium-sized enterprises in order to establish a network of organisations in other cities as well as various measures to support groups of small and medium-sized enterprises. Measures to link the Development Agency and the Business Communication Centre to the programmes for small and medium-sized enterprises development implemented by the European Commission could also be continued as well as the creation and promotion of Business Innovation Centres and a managers exchange programme.

The promotion of a performant commercial banking network will continue and proceed in parallel to enterprise restructuring support. In order to enhance the effective use of savings, support could be given to the formation of saving banks and institutions.

### **Food Production, Processing and Distribution**

Several considerations point to the need for support to the agricultural sector: the importance of the sector in terms of employment through linkages with industry; the potential to relieve macroeconomic and balance of payments constraints through improved performance; the potential for efficiency improvements in production.

Support will continue at the central level regarding land reform, land registration, privatisation and restructuring of agricultural enterprises, rationalisation of food processing and food distribution, agricultural services and information systems.

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At the level of the geographical concentration areas, the following programmes could be developed:

- support for privatisation and restructuring through pilot projects for privatisation, restructuring and management reform of selected sovkhozes and kolkhozes, restructuring and management reform in the food production and distribution sector;
- support to the private sector farmers in improving the efficiency of their production systems;
- support for the livestock sector through improvements in animal feed production (development of protein rich oil crops) and preservation of cereals, genetic upgrading and improvement of animal health conditions and farm management systems;
- support to the agricultural crop sector (e.g. fruit, vegetables, maize) through introduction of improved western technologies and improvements in the production and distribution of inputs;
- support to activities in the sector of food processing (reduction of losses, quality improvement, introduction of new technologies and development of wholesale markets).

### **OTHER PRIORITY SECTORS:**

#### **Basic Networks: Energy, Transport, Telecommunications**

Support to the energy sector is required in view of Ukraine's energy import dependence and the crisis posed to the entire Ukrainian economy by the substantial shift in the cost of imported energy which has followed the break-up of the USSR. Ukraine has been particularly hard hit by rising prices in view of its large industrial base in energy-intensive primary processing activities.

The 1991 and 1992 TACIS programmes provided several actions in the energy sector aimed at the establishment of sector and sub-sector strategies. The TACIS programme 1993-1995 is a follow-up to these activities.

The TACIS programme 1993-1995 will therefore provide support of energy sector reforms at central and sector levels. Assistance will also be provided in support of the diversification of fuel sources in search of alternative fuel supply facilities.



## **TACIS COOPERATION WITH UKRAINE**

TACIS will cooperate with the coal industry to favour the introduction of advanced technology, to improve the efficiency of operations and to promote market and enterprise reform. Assistance will be provided in energy saving in both the domestic and industrial sectors.

Energy-related activities will be closely integrated with the enterprise sector activities in the regional restructuring programmes. This will be achieved by concentrating technical assistance resources in programmes that combine industrial restructuring and improved energy efficiency for selected core industries in the geographical concentration areas. The environmental implications of the TACIS energy programme will be given due consideration.

In the transport sector, TACIS assistance could be provided in drafting a legislative framework and a masterplan for the transport sector. Cooperation may include policies regarding tariffs for public transport services, procurement legislation, road transport legislation and road maintenance and regulations, promotion of competition and demonopolisation, creation of transportation and road maintenance companies and support for improvement of the transport infrastructure in the geographical concentration areas.

As regards telecommunications, activities could include efficiency improvements of financial structures, and modernisation and extension of existing infrastructural facilities.

### **Human Resources Development**

TACIS assistance will be given for the promotion of institutional development for the regulation and management of the market economy. Support may include activities in the field of policy advice to the Government, the legislature and other relevant public institutions, as well as legislative assistance necessary for the establishment and regulation of a market economy.

Assistance will be granted in accelerating the diffusion of key skills in enterprise and economic management through support to training and higher education institutions.

TACIS will also support training measures for the target group of demobilised officers and management staff of defence converted industries with follow-up professional guidance and advisory services.

TACIS will also cooperate with appropriate institutions for the delivery of social services under the new economic system. This will require support both at the national level, defining legal and ministerial frameworks, and at the regional level where

operational responsibility for social services will primarily lie. This element will be integrated within the selected geographical concentration areas so that the social problems emanating from the restructuring of specific industries will be addressed within the specific context of the regional restructuring programme.

In addition to these areas of human resource development, the country may participate in the EC's programme for inter-university cooperation (TEMPUS).

## TACIS COOPERATION WITH UZBEKISTAN



### Focal Sectors:

Human Resources Development

### Other Priority Sectors:

Enterprise Restructuring and  
Development  
Food Production, Processing  
and Distribution

## PROGRAMME OBJECTIVES

- TACIS will cooperate with the Government and the private sector to develop an effective economic management capability.
- TACIS will promote the development of small and medium-sized enterprises as one of the mechanisms for dealing with problems of unemployment arising from the restructuring and privatisation of state enterprises (agriculture and industry). TACIS will assist the restructuring and privatisation of state enterprises, and will support activities aimed at restructuring and improving management capabilities in the financial sector.
- TACIS will promote product diversification; assist in the development of the food processing sector using traditional and new crops and support the definition of a proper marketing strategy to promote exports to the rest of the NIS and neighbouring countries.

## PROGRAMME BACKGROUND

Uzbekistan has considerable potential for medium-term development as a result of its rich endowment of natural resources. However, due to the disintegration of the former USSR, the country has recently experienced a large drop in real income, high inflation, and substantial reductions of trade, both external and within the NIS.

The disruptions that occurred in trade in 1991 resulted in a shift towards foreign and barter trade. The trade balance with the NIS, which recorded deficits in 1989 and 1990, shifted into surplus in 1991 as imports fell because of difficulties in obtaining supplies from other states, and price adjustments resulted in a growth of exports in rouble terms.

Despite the upheaval caused by the break-up of the Soviet Union and the decline in real output, the Government has managed to keep the budget deficit under control (less than 9 % of Gross Domestic Product (GDP) in 1992).

The Government's reform programme for transition is based on the belief that the social and economic circumstances of Uzbekistan warrant a gradual and measured pace of adjustment.

Three factors underlie the approach to reform:

- the need to move away from the heavy dependence of the economy on the production and export of raw cotton, and to

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exploit the considerable potential in mineral and energy resources;

- the need to ensure adequate food supplies and social benefits (health and education); and
- the need for the transition process to avoid adverse effects on the income of vulnerable groups, given the relatively low income levels of the vast majority of the population.

The TACIS programme of 1991 supported initiatives in two sectors: Transport and Food Production and Distribution. A total of ECU 1 million was assigned for these purposes.

Under the 1992 TACIS programme to Uzbekistan, a total of ECU 8.8 million was allocated in the following areas: Food Production and Distribution (support for private farmers); Energy (assistance and advice for a new strategy for oil and gas, assistance to electricity utility management, energy saving strategy); Transport (study on Tashkent airport, training of air traffic control and airport management); Support for Enterprise (establishment of a Business Communication Centre, assistance to the Committee for Privatisation, establishment of a Regional Bank Training Centre); and Human Resources Development (assistance to the Ministry of Labour, management training, training of trainers).

Technical assistance is also being provided by other international agencies. These include the World Bank (Training and Policy Advice), the IMF and the EBRD (joint programme in training trainers in macroeconomics), and the EBRD (financial sector development). Bilateral donors, including some EC Member States, have also established programmes.

TACIS cooperation with Uzbekistan under the 1993-1995 programme will be closely coordinated with the programmes of other international organisations (including the World Bank, the IMF, and the EBRD) and bilateral donor programmes.

Attention will be paid to ensuring that TACIS support, which is likely to continue to form the principal source of technical assistance during the next years, will be applied in accordance with overall national priorities.

**Human Resources Development**

The concept of transition to a market economy adopted by the government implies, alongside a balanced and gradual transformation of the economic structures and institutions, the preparation of a new generation of skilled professionals in both the public and the private sector to cope with the new challenges of the country.

TACIS cooperation will focus on the following:

- improve the capability of existing public and private institutions involved in education in fields and topics related to the management and training of a market oriented economy, with particular emphasis on retraining of medium and high level administrators and managers;
- strengthen the effectiveness of public sector staff involved in policy preparation and implementation, in particular those responsible for labour and employment, improving the linkage with vocational training and higher education institutions;
- encourage the development of new and sustainable systems of social security, including health financing and management, as an integral part of the overall economic reform process.

In defining and implementing TACIS activities in this sector, special attention will be given to the results and lessons of initiatives already implemented or planned in the framework of the 1991 and 1992 TACIS programmes. TACIS will also support the promotion of a decentralised approach between central government and local administrators, stressing the need for a clear division of responsibilities.

In order to encourage a more integrated approach to the transition process, the 1993-1995 programme will consider linkages with related sectoral activities such as support to small and medium-sized enterprises and Food Production and Distribution.

**Enterprise Restructuring and Development**

Uzbekistan is implementing a programme to establish the legal and institutional framework for a market economy. However, a crucial precondition for the market to function is the creation of enterprises and the stimulation of competition. Due to the present degree of concentration in Uzbekistan industry, agriculture and services, competition has hitherto been virtually non-existent.

Support to small and medium-sized enterprises development during the period 1993-1995 will include actions such as: the formation of business associations, the establishment of business networks and will promote the creation of a Business Communication Centre to promote international contacts for cooperation. TACIS will also encourage small and medium-sized enterprises to conduct strategic diagnoses to identify problems and seek out opportunities.

In the area of privatisation a set of coherent activities will be defined, aimed at supporting the restructuring and privatisation of enterprises. Particular attention will be given to the restructuring of state industries and state farms. The emphasis of this support will be on practical assistance at the operational level. However, support may also be provided to institutions of central government responsible for the definition and management of privatisation policy.

TACIS will also support activities directed at the development of modern financial institutions in support of the emerging private sector. Actions under this heading could include, for example, assistance to the creation of investment banking institutions in either the public or private sector with appropriate advisory support facilities for the investor.

TACIS assistance may also be provided either under the national programme or as part of the regional financing facility to extend the Regional Bank Training Centre, to address priority requirements such as accounting needs of the enterprise and, possibly, a bank advisory service. These activities would be subsequent to the full establishment of the Regional Bank Training Centre.

**Food Production, Processing and Distribution**

Recognising the strength and the potential of the agricultural sector within Uzbekistan, TACIS in 1993-1995 will focus on the

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implementation of a programme aimed at moving the sector out of its heavy dependence on cotton by diversifying agricultural production.

In product diversification, TACIS actions will be directed to reduce basic food imports and encourage export-oriented production, which will help integrate this sector into the international market.

Concrete activities will be designed to assist the development of a food industry, processing and packaging of products for domestic consumption and for export.

At the same time, TACIS will cooperate in developing export transportation capacities and marketing / sales strategies for non-traditional markets (including emerging markets such as Central / Eastern Europe, India, Pakistan, Iran).

TACIS may also support the establishment of a Central Asia Agricultural Exchange Programme, offering farmers the opportunity to gather experience in Western Europe and observing in situ the use of western technology and know-how in the food processing industry.

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