



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 23.03.1995
COM(95) 57 final

REPORT FROM THE COMMISSION

Tacis

1993 ANNUAL REPORT

Table of contents

Executive summary		3
Introduction		10
Section 1	Tacis sectoral programmes	13
	Enterprise support services	13
	Financial services	13
	Privatisation	17
	Small and medium-size enterprises	20
	Productivity Initiative Programme	23
	Conversion of defence related industries	24
	Agriculture and food distribution	27
	Human resources development	30
	Public administration	30
	Policy and legal advice	32
	Social protection	35
	Training	37
	Statistics	39
	Customs	40
	Democracy programme	41
	Twinning	42
	Networks	43
	Energy	43
	Transport	47
	Telecommunications	49
	Nuclear safety	51
Section 2	Other Tacis activities	55
	Environment	55
	Humanitarian aid	56
	Regional programme	57
	Tacis information activities	57
Section 3	Legal and operational aspects	60
	Coordination of assistance	60
	Tacis committee meetings	62
	Relations with the European Parliament	62
	Coordinating units	63
	Tacis 1993 Council regulation	64
Section 4	Conclusions and future orientations	66
	Improving programme performance	66
	Future orientations	68
	New themes	70

Executive summary

Introduction

Tacis is an initiative of the European Community, acting in the framework of the European Union, which provides grant finance to promote, support and sustain the process of transformation to market economies and democratic societies in the New Independent States and Mongolia. It fosters the mobilisation of know-how and expertise through partnerships, links and networks at all levels of society.

Tacis 1991

On the basis of a joint assessment of the economic situation and reform process in the former Soviet Union, the European Community and the authorities of the former Soviet Union decided to concentrate the 1991 Technical Assistance Programme, with a total budget of ECU 400 million, on the following five focal sectors:

- training in the public and private sectors
- energy
- transport
- financial services
- food distribution.

Tacis 1992

For 1992, Tacis took, where possible, the form of integrated programmes (as opposed to individual projects) combining actions in priority sectors in order to attain a clearly identified objective or set of objectives. The accelerated development of the private sector was given particular priority. The programme in 1992, amounting to ECU 450 million, covers the following broad areas:

- support for enterprise
- human resources development
- food production and distribution
- networks (transport, telecommunications and energy, including nuclear safety).

In addition to the National Programmes, the 1992 Tacis Programme earmarked ECU 28 million to fund a Regional (multi-country) Programme.

Tacis 1993

A new regulation was adopted by the Council on 19 July 1993. In line with the new regulation's provisions, the Commission prepared, in consultation and coordination with the Authorities of the New Independent States, Indicative Programmes for technical cooperation with these countries over the period 1993-1995. The Indicative Programmes for 1993-1995 received the favourable opinion of the Tacis Committee in June, 1993.

On the basis of the Indicative Programmes, the Commission services prepared the 1993 Action Programmes for Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russian Federation (including the newly chosen regions of Western Siberia and the Urals) and Ukraine. These Action Programmes were submitted to and given favorable opinion by the Tacis Committee in October 1993, together with the Regional (multi-country) Programme. For the other New Independent States, the identification missions have taken place and the Action Programmes will be submitted to the Tacis Committee in March 1994. The 1993 Tacis Programme amounts to ECU 510 million, including humanitarian aid.

Tacis sectoral programmes

Tacis is the leading cooperation programme for the New Independent States. From 1991 to 1993, it has committed a total of ECU 1.36 billion, the totality of its three annual budgetary provisions. These commitments have been made in the following broad areas:

- **Enterprise support services**

Setting up new enterprises and restructuring the old state sector has been a major platform of reform. This has involved privatising a large part of the sector and creating the conditions in which the newly privatised industries and new enterprises can flourish.

Tacis has focused on working with governments on privatisation strategies and with individual companies on privatisation programmes. It assists in the creation of modern financial services in both the private and public sectors, including banking, insurance, financial markets and taxation.

Tacis supports small and medium-sized enterprises by setting up agencies to promote the sector, provide advice and training, and by promoting links with businessmen in the European Union.

Tacis has also devoted considerable resources towards converting defence-related industries to producing civilian goods.

- **Agriculture and food distribution**

Getting agricultural products to market and satisfying consumer demand in the New Independent States is a major priority. Tacis has been working at all levels in the chain of food production, processing and distribution to help improve the speed and efficiency of the system, and thus improve food quality and reduce food shortages. Tacis also provides advice to governments on institutional reform.

- **Human resources development**

Public administration reform

The New Independent States have established as a priority the need to reform the public administration system to operate in an environment which is moving away from central planning. Tacis works with them to provide advice on creating and restructuring administrations and training civil servants to develop new skills.

Policy and legal advice

Tacis is supporting senior New Independent States government figures and institutions in their role as actors of reform in the process of transition from a centrally planned to a market economy. The philosophy underlining the programme is based on the premise that the transfer of European expertise in the form of advice to New Independent States governments and institutions will provide invaluable background to, and analysis of, the policy options open to the New Independent States during this transition period.

Social protection

The forms of social security provided under the formerly centrally planned system need to be modified or newly introduced to meet the changing requirements of a society in transformation to a market oriented social and economic system. Tacis therefore works with the partner countries to establish new services in areas such as employment and reforming the delivery of health care and other social services.

Training

The new societies which the partner countries are creating require a broad range of new skills, particularly in the areas of economics and management. Tacis is working with many different organisations in the New Independent States to establish an education system which provides these skills. This can range from designing new curricula, training teachers, to retraining army officers in management techniques.

Statistics

The reform process currently underway in the New Independent States entails a strong need for the reform of statistical offices. These offices previously focused on the massive (but quite different) information requirements of a centrally planned economy. In most New Independent States the statistical system was mainly based on data collection and did not entail the processing, analysis and the actual use of data. It is today clear that the provision of reliable and adequate information is extremely important for attaining the objectives of reform in the New Independent States. Tacis is contributing to the process of the establishment of adequate statistical systems, and the restructuring of the national statistical offices in each New Independent State.

Customs

Whereas customs authorities within the individual countries in the former Soviet Union had mainly an executive and administrative function, they now are responsible for developing an adequate legal framework and the institutional policies necessary to adapt the customs services to the needs of a market economy. Policies, legal and administrative measures in the field of customs have to be developed which support and are in line with overall national, economic and financial policies and the capacity of the customs authorities to implement the new laws and regulations must be strengthened. Customs operations should also generate revenue for the state. The long-term objective of the Tacis Customs Programme is to assist the national customs organisations of the New Independent State in restructuring their operations to meet the needs of a market-driven economy.

Democracy

By broadening the base of economic activity in the New Independent State, the foundations of a richer and more pluralistic society are being laid. A Democracy Programme has been introduced under the 1993 Tacis Programme.

The programme covers parliamentary practice, but also includes the improvement of the transparency of public administration, support for the development of democratic structures, the promotion of an independent and pluralistic media, awareness building and conflict prevention, promotion of human rights, and the monitoring of security structures.

Twinning

A programme of city twinning in administration and services is being financed, offering practical help to New Independent State local administrators through direct exposure in European Union towns, cities and regional authorities. By emphasizing twinning, the programme is intended to create links between administrations which can form a nucleus within which a broad range of cooperation between cities and regions may grow.

- **Networks**

Under the former Soviet system, infrastructure was developed to meet the requirements of what was one country. Transport was basically oriented towards Moscow, and communications were designed to serve inner-USSR needs rather than world-wide links. Energy was also supplied very cheaply, leading to the inefficient use of energy resources.

Establishing infrastructure that meets the needs of each New Independent State is of major importance and Tacis has been working with the partner countries to restructure energy, telecommunications and transport networks, as well as introducing efficiencies in operation and use of these networks.

- **Nuclear safety**

There is an urgent need to monitor and improve the security of nuclear facilities in the New Independent States. However, it is often not feasible to simply shut down nuclear power plants because many countries depend on them for a large part of their energy needs.

Tacis is therefore working with the partner countries to reinforce the security of the existing reactors and other civilian nuclear facilities. Furthermore, Tacis aims to strengthen the responsible supervisory bodies in this area. Tacis is by far the largest donor in the world working with the New Independent States to improve nuclear safety.

Other Tacis activities

Environment

Tacis builds environmental considerations into its projects across a range of priority sectors. It is also providing support to institution building which can contribute towards enhanced sustainability as part of the general framework within which economic reform takes place. In addition, Tacis provides funding where environmental projects are essential to economic reform.

Regional (multi-country) Programme

A Regional (multi-country) Programme was included under the 1992 Tacis Programme to cover areas where there are advantages in adopting a regional approach, either in terms of economy and synergy - in using the same frameworks and models for similar activities in different states - or where there are problems of genuinely regional dimensions, such as regional transport networks or water resources. The Regional (multi-country) Programme is continued under the 1993 Tacis Programme.

Tacis information activities

The general aim of Tacis information and communication activities is to increase transparency of programme operations and provide information about Tacis to the programme's target audiences.

In 1993, the main task carried out has been the laying of the foundations for the new Tacis communications programme. The infrastructure and basic conditions for the implementation of a new communications programme have now been created. A concrete and complex work programme has been launched and much work has been carried out relating to general strategic aspects of Tacis communications

Legal and operational aspects

Coordination of assistance to the New Independent States

Tacis is only one of a wide range of international efforts designed to assist the process of economic and democratic reform in the New Independent States. Through effective coordination with these other donors, Tacis is able to have an increased effect on reform. Tacis works closely with other donors to increase the impact of its projects. By funding feasibility studies and preparatory work for the EBRD and World Bank investment projects, Tacis is able to contribute directly to investment in the New Independent States. Cooperation with the Member States and other bilateral donors is also growing.

Tacis Committee Meetings

Seven Tacis Committee Meetings took place in 1993. Subjects discussed included, amongst others, the new Tacis Council Regulation, coordination of assistance, monitoring and evaluation of Tacis programmes, Tacis contracts, commitments and payments, as well as the preparation and definition of the 1993-1995 Tacis Indicative Programmes and the 1993 Action Programmes.

Relations with European Parliament

During much of 1993, discussions were dominated by the issue of the freezing of the 1994 Tacis budget by the European Parliament. Forty-five per cent of the budget was unfrozen in December, 1993. Besides the usual visits to the European Parliament to answer questions and the many replies to letters on behalf of constituents, the Parliament this year dedicated a full public hearing to Tacis and Phare in order to review and critically analyse the effectiveness of the programmes.

Coordinating units

Apart from their regular duties relating to the implementation of the 1991 and 1992 Tacis Programmes and the inception of the 1992 projects, the Coordinating units' activities focused on the 1993 Action Programmes.

Efforts have also been continued towards the improvement of the logistic and staff situation in the Coordinating Units. The annual National coordinators meeting took place in November 1993.

Council Regulation

- The final version of the new 1993 Tacis Council Regulation was sent to the Council and to the European Parliament on 15 January 1993. However, during its plenary session of July, the European Parliament decided to deliver a negative opinion, reflecting its disagreement with the comitology. The Council of Foreign Affairs adopted the regulation on 19 July 1993. It was published on 29 July 1993, and entered into force on 2 August 1993.

New elements of the Regulation include

- the extension of activities to Mongolia
- multi-annual programming
- inclusion of triangular operations with Phare countries and Mediterranean countries
- humanitarian aid
- coordinating the provision of know-how with international finance institutions.

The Commission has also been requested to introduce a number of transparency elements in the new regulation.

Conclusions and future orientations

Improving programme performance

The measures instituted to overcome or circumvent the inevitable constraints and difficulties associated with Tacis' infancy have now started to bear fruit, not least as a result of the systematising of all stages of the Tacis project cycle and enhancing programme quality through increased cohesion of design and the diversity of instruments. Some of the more important measures are

- improved quality, effectiveness and coherence
- measures to accelerate programme implementation
- institutional improvements
- improvement of effective donor coordination
- intensified relations with the European Parliament
- intensified cooperation with other Commission services
- launching of an effective monitoring and evaluation programme
- increasing programme transparency.

Future orientations

Tacis is currently focusing on two important elements:

- The streamlining of the programme's administrative procedures. This is being done through a shift to greater decentralisation of programme activities; a greater concentration on regions; increased subcontracting to local New Independent State companies and experts; and the adaptation of its procedures to meet the needs of speedy response and flexibility.
- The further integration, under Tacis, of horizontal themes such as equal opportunities and the environment.

Introduction

Tacis 1991

On the basis of a joint assessment of the economic situation and reform process in the former Soviet Union, the European Community and the authorities of the former Soviet Union decided to concentrate the 1991 Technical Assistance Programme on the following five focal sectors: training in the public and private sectors, energy, transport, financial services and food distribution.

On 10 October 1991, the European Union Member States approved the Commission's first proposal for an energy sector programme (ECU 115 million). Approval was subsequently given on 4 November and 28/29 November 1991, for four additional sector programmes: training (ECU 103 million), food distribution (ECU 73 million), transport (ECU 43 million), and financial services (ECU 37,5 million). This was followed by the Commission's financing decisions of 11 December, 1991 on all five programmes. The five Financing Memoranda were signed on 12 December 1991.

Tacis 1992

For 1992, Tacis took, as far as possible, the form of integrated programmes (as opposed to individual projects) combining actions in priority sectors in order to attain a clearly identified objective or set of objectives. The accelerated development of the private sector was given particular priority.

Cooperation in 1992 covers the following broad areas:

Support for enterprise

- development of policy, legal and institutional mechanisms supporting the creation and the growth of small and medium scale enterprises
- creation and restructuring of financial institutions (commercial banks, financial markets and insurance companies)
- enterprise restructuring and privatisation
- advice for the conversion of defence related industries
- development of policies to attract and regulate foreign investment in support of economic recovery.

Human resources development

- management and economics training actions in public and private sectors.

Whenever possible, these actions dovetail with programmes in other sectors. Emphasis has been placed on the building of modern and efficient public administrations, and the provision of advice to design essential social and education policies in conditions of severe budgetary stringency.

Food production and distribution

- institutional and policy reforms
- programmes in agricultural production, agro-industry, storage, transport and the wholesale and retail sectors.

Networks

Measures to improve management systems, and the organisational, legal and regulatory framework in

- energy (including nuclear safety)
- transport and telecommunications.

Whenever possible, national projects in those areas dovetail with regional initiatives in the same sectors.

In addition to the national programmes, the 1992 Tacis Programme earmarked ECU 28 million to fund the Regional (multi-country) Programme.

The Member States approved the Action Programme for the 11 New Independent States¹ in November and December 1992. The related Financing Memoranda were signed by the European Commission and the Partner States in early 1993.

The more concentrated approach of the 1992 Programme (fewer and larger actions, often integrated with others) and a greater emphasis on early and rapid implementation potential, provided significant scope for earlier and higher levels of commitment and disbursement rates compared to 1991. Accelerated programme implementation should also benefit from the greatly improved enabling framework that has now been established for the Tacis Programme, both at headquarters and in the New Independent States through the coordination units.

Tacis 1993

The European Commission submitted a proposal to the Council for a new Tacis Regulation in November, 1992. After a long period of (often difficult) discussions between the Council, the Parliament and the Commission, the new regulation was adopted by the Council on 19 July, 1993. This delay caused considerable problems with regard to the timely commitment of 1993 Tacis funds.

In line with the new regulation's provisions, the Commission prepared, in consultation and coordination with the authorities of the 11 New Independent States, Indicative Programmes for technical cooperation with these countries over the period 1993-1995. The 11 Indicative Programmes for 1993-1995 received the favourable opinion of the Tacis Committee in June, 1993.

On the basis of the Indicative Programmes, the Commission services prepared the 1993 Action Programmes for Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russian Federation (including the newly chosen regions of Western Siberia and the Urals) and Ukraine.

¹ Tacis activities in Tajikistan have been suspended since October 1992 for political and security reasons

These Action Programmes were submitted to and approved by the Tacis Committee in October 1993, together with the Regional (multi-country) Programme. For the other New Independent States, the identification missions have taken place and the Action Programmes will be submitted to the Tacis Committee in March 1994.

The document below summarises progress under the Tacis Programme during 1993. Two critical changes were introduced at the beginning of 1993, resulting in improved quality and management of Tacis. First, a concerted effort was made to eliminate the backlog of projects which built up in the first 18 months of the Tacis programme. Second, multi-annual programming was introduced in order to promote earlier and more rapid project implementation in future.

Seven hundred new contracts worth ECU 345 million have been awarded in 1993, compared to 385 contracts worth ECU 202 million in 1992. This represents an increase of 70 per cent in the number of contracts awarded and 57 per cent in the amount contracted during the year. Over 92 per cent of the 1991 programme and over 40 per cent of the 1992 programme have been contracted out. The monthly rate of payment has risen almost ten-fold, from an average of just ECU 2.5 million a month in 1992 to ECU 20-25 million a month in the last half of 1993.

Although Tacis headquarters have been strengthened in terms of manpower - enhancing both technical and management capabilities - there are still shortages. However the establishment in the New Independent States of systematic monitoring and evaluation systems has started to generate feedback, thus strengthening future programmes and overall Tacis performance. At the end of 1993, the coordinating units are fully operational in all New Independent States (except Tajikistan) and allow Tacis to decentralise certain functions and to benefit from local capabilities and know-how. In Moscow, and now in Kiev, the European Union Delegations are also facilitating this decentralisation process.

Section 1 Tacis sectoral programmes

Enterprise support services

Financial services

General overview

Tacis' main objective in this sector is to cooperate with the partner countries in the creation of a modern financial services sector, whose existence is an essential component of any market economy. Its efficient functioning is therefore a requirement for transformation towards market mechanisms in all other areas of economic activity. Successful enterprise restructuring, privatisation, SME development and investment promotion in different business areas depend heavily on an efficient working financial infrastructure.

Given the previous political and economic system in the former Soviet Union, this infrastructure was underdeveloped and required major assistance. Without success in this process, domestic and foreign investment will continue to be discouraged.

Tacis activities in the financial services sector can be divided into two groups.

Financial services in support of business development, which includes

- commercial banking (retraining of bank staff, restructuring of banks, creation of new financial institutions)
- accounting and auditing (legal framework, development of standards, training)
- insurance (legal framework, training)
- financial markets (legal framework, training, development of pilot stock exchanges).

Financial infrastructure in the public sector, which includes

- central banking (limited to measures for the strengthening of commercial banks in the areas of training, supervision and payments and clearing)
- taxation (training, tax awareness campaigns, reorganisation of tax administrations).

In view of the limited funds available, and taking into account the involvement of other multilateral and bilateral donors, the Commission has to date allocated most of Tacis funds in this sector to projects in the field of commercial banking, since enterprise financing constitutes by far the most important prerequisite for the introduction of market mechanisms.

Implementation progress

By the end of January 1994, only 2.54 per cent of the 1991 programme will still be awaiting implementation. As for the 1992 programme, 13 lots (the projects were grouped into tender lots, allowing for more efficient management of contracting procedures and project implementation), made up of a total of 31 projects, have been

tendered. All but one of the direct agreements have been signed, which constitutes 97.65 per cent of the 1992 programme.

Several 1992 projects have had to be modified during the preparatory phase but, to date, no project has been cancelled. As of the end of January 1994, nearly all the 1992 projects will be in the implementation phase.

As regards the 1993 programme, terms of reference have been finalised and contract launching procedures have now begun. During the first half of 1994, contracts for projects in the four larger New Independent States will be signed. The structure of 1993 national programmes can be outlined as follows:

- | | |
|--------------------|--|
| Russian Federation | <ul style="list-style-type: none">• bank advisory service• bank training - extension of support to Russian banks in developing in-house training capability• support to investment services. |
| Ukraine | <ul style="list-style-type: none">• training programme for the National Bank of Ukraine and Bank Oschadny (Savings bank)• restructuring Bank Ukraina• Ukrainian Bank for Reconstruction and Development. |
| Kazakhstan | <ul style="list-style-type: none">• banking advisory service for commercial banks. |
| Belarus | <ul style="list-style-type: none">• assistance for three medium/large commercial banks to help them develop a long-term financing capability. |

Several projects under the 1991 and 1992 programmes had to be modified during the preparatory phase, for the most part due to the changed context resulting from the break-up of the Soviet Union and the necessity to re-direct programmes to the New Independent States, many of which lack well-established institutions.

Coordination with international financial institutions (in particular the IMF and co-operating central banks and the World Bank) has required time and effort to develop properly. Nevertheless, coordination arrangements for providing assistance in the central banking area have now been agreed between the IMF, European Union central banks and the Commission.

The international financial institutions are increasingly interested in common actions, often involving co-financing. The Commission is working closely with the IMF in the field of reform of the national payments and clearing systems in several New Independent States and with the World Bank in the establishment of accountancy standards in the Russian Federation. A new, promising area of close cooperation with the World Bank is the field of bank restructuring advice in Kazakhstan.

Coordination with European Union Member States is however not systematic, and the Commission does not always receive sufficient timely information on bilateral assistance. Thus, in order to avoid wasteful overlap, it has proved necessary to invest time in reviewing the overall bilateral assistance effort.

Cooperation with the EBRD continues to be important. Particularly noteworthy are the creation of a long-term investment bank in the Russian Federation, the Russian Project Finance Bank (RPFB) and the International Finance and Banking School (IFBS) project in Moscow. The RPFB project has already attracted additional know-how from the US and Canada and it is hoped that it will attract other potential investors. The Commission also works closely with the EBRD in the restructuring of individual commercial banks.

Project examples

As regards central banking, advice is being provided to the central banks of the Russian Federation, Ukraine, Belarus and Armenia on the long-term restructuring needs and options of the banking sector as a whole. In addition, new bank accounting standards are being developed in the Russian Federation in a pilot project, together with the Russian central bank, the World Bank, IMF and international accounting firms.

As regards payments and clearing, a major initiative (the 18 month Action Plan) has been launched with the Bank of Russia as part of a common effort with the IMF, World Bank, EBRD, OECD, Deutsche Bundesbank, Banque de France, Bank of England and the US Federal Reserve. The creation of an Inter-State Bank for Multilateral Clearing among the states of the former Soviet Union is being supported together with the IMF.

A major training programme for the staff of the Russian Central Bank is also being prepared in cooperation with the IMF and several European Union Member States' central banks.

In banking, three types of intervention are undertaken:

- A massive retraining of banking staff is undertaken by a series of bank training projects, particularly through the IFBS in Moscow and similar major training projects in St. Petersburg, Tyumen, Minsk, Kiev, Alma Ata, Tashkent and all three Caucasian Republics.
- Restructuring efforts of major banks, providing advice on strategic reorientation and internal reorganisation of banks in St. Petersburg, Kiev and Minsk, the most recent action being through the European Banking Advisory Service (EBAS).
- The creation of new financial institutions complements these efforts by facilitating the establishment of model institutions for hitherto unknown banking activities, such as the Russian Project Finance Bank which is a long-term investment bank.

In financial markets, lawyers and brokers are designing a development plan for the establishment of the Russian Stock Exchange. A training programme for stock exchange personnel, employees of financial institution and stock exchange administrators in Moscow, St. Petersburg and Kiev, in close cooperation with European Union stock exchanges, is about to start.

The restructuring needs of the insurance sector are currently being examined in the Russian Federation. Training centres for insurance are being established at two locations in the Russian Federation, as well as in Kiev.

The International Advisory Board for development in accounting and auditing in the Russian Federation is receiving Tacis support in the elaboration of draft legislation for the accounting and auditing sector and in the definition of training needs for the development of the accounting and auditing profession. Advice on the implementation of a legal framework in this field is also being provided in Ukraine, Uzbekistan, Kazakhstan and Turkmenistan.

In the field of taxation, advice is also being provided to the Russian state tax service on the improvement of tax collection services. Similar programmes are under way in Ukraine and Belarus.

Finally, a document entitled 'Orientations for Assistance to Financial Infrastructure Development in Economies in Transition', applicable to both Phare and Tacis partner countries, has recently been established. These orientations establish a set of options for focused actions in the financial services sector, serving as a systematic framework for programming and priority identification. The document has been made available to the Members States at the Tacis Committee.

Observations and conclusions

Research carried out in preparation for the above mentioned document has led to the conclusion that the sub-sector with the highest priority in the financial services sector is banking, including central banking, followed by financial markets and insurance. Secondary priority is attributed to accountancy and auditing.

The stage of development of each financial sub-sector in the different New Independent States determines the type of assistance to be provided:

- At the early stage of financial infrastructure development, the Commission will provide policy advice, improvement of framework conditions (legal, regulatory, accounting standards, supervision) and short-term professional training.
- At the intermediate stage, projects for restructuring, long-term training and support to professional organisations can be included.
- At the advanced stage, support will also comprise the provision of know-how for the creation of new or the privatisation of existing institutions.

Immediate lessons to be learned from the implementation experience gained so far in the financial services sector are

- The use of mid- to long-term experts will have to be increased, to the detriment of short-term advice. This shift should be made in coordination with an increased utilisation of qualified and reliable local expertise, a process which has already begun in some projects.

- The number of small projects with individual contracts will be significantly reduced in favour of larger package projects, where several related actions are grouped under one lot and/or contract. This has already proved to be a efficient way of decreasing the overall negotiating time of a programme.
- The introduction of flexible instruments for the provision of know-how will have priority in the forthcoming programmes.
- Coordination with other donors should be continued and strengthened.

Privatisation

General overview

Tacis projects in the privatisation sector are either those managed by the EBRD (funded under the Bangkok Agreement), or those fully defined and managed by Tacis.

The projects generally fall into three broad categories:

- institutional support at either central or regional level
- privatisation and/or restructuring of companies, including sectoral review
- encouragement of contacts with foreign partners.

The placing of advisers in the institutions involved in the privatisation process constitutes a major contribution to the future viability of the economy. Supporting the privatisation committees and departments in defining their programmes and drawing up the legal framework on the basis of clearly stated objectives and arguments (which must also reconcile the often conflicting political priorities of governments), is essential if these bodies are to survive in the political struggle with those vested interests in the sectoral ministries whose power to control sections of the economy should diminish or disappear following privatisation.

Actual privatisation transactions are also an essential part of the programme, since a successful privatisation demonstrates more than anything the importance of reform.

The attention given to the Russian mass privatisation programme, launched with the help of EBRD consultants and financed by Tacis, is indicative of the importance of privatisation within the overall economic and political reform of the New Independent States. After pioneering work in Poland and Czechoslovakia, the adoption of mass privatisation in the Russian Federation has set the trend for other former Soviet republics. The forms of mass privatisation may differ from one republic to another, but all are adopting some form of it to cope with the absence of capital and the need rapidly to reform the economic structure. All New Independent States have received, or are in the process of receiving, assistance from the Tacis Programme.

However, privatisation, which changes the ownership structure, is clearly only an enabling factor which cannot create a market economy overnight. It neither changes the basic structure of industry, nor modifies the monopolistic structures inherited from communist times. More in depth action will be needed, both at the central level with de-monopolisation, and at local and regional level with programmes addressing the

modernisation and restructuring of enterprises, as well as regional re-deployment towards new activities. In 1993, Tacis programmes have initiated support towards the restructuring and re-deployment of activities, while continuing to support the long-term effort involved in privatisation. Furthermore, following the G7's decision at the Tokyo Summit in July 1993, to support the Special Privatisation and Restructuring Programme, Tacis has decided to contribute \$100 million to the programme over a period of two years.

Implementation progress

1992 Programme

The second half of 1993 saw an acceleration in the implementation of the Tacis 1992 privatisation programme, with projects to the value of nearly ECU 9 million underway and tenders for all remaining projects launched. All projects under the 1992 Action Programme, worth over ECU 20 million in total, were launched by early 1994.

1993 Programme

Under the ECU 10 million contract to support the Russian Privatisation Centre, two long-term experts are now working with M. Boyko, the Chief Executive of the Russian Privatisation Centre, to develop the regional network and activities of the Centre. The restructuring of about 12 privatised enterprises and implementation on the ground should commence very shortly. The evaluation of a tender for a review of the Russian steel industry (ECU 2 million) will be completed at the end of June, 1994. The level of commitments under the 1993 privatisation programme in the Russian Federation has now reached 36 per cent.

Project examples

The teams implementing a 1992 project in Ukraine have already carried out sector analyses in consumer goods (confectionery, clothing, health care products) and in mechanical industry (industrial vehicles and components). These studies have enabled the authorities to better understand the strengths and weaknesses of their industries, and identify their restructuring needs. Enterprises eager for privatisation with foreign investors have been identified, and work on the audit and valuation of these enterprises has commenced.

A multinational consortium led by the London firm of MMD has completed the preparation of the first auction for mass privatisation in Kazakhstan. Through a comprehensive information campaign set up and strict organisation ensured by the consortium, by mid-January 1994 (i.e. one and a half months after the launch of the programme), more than five million people (out of a population of 14 million) had already withdrawn their coupon booklets, 57 privatisation funds had been licensed, and some 50 more were due to be licensed. Training was, in addition, provided by the consortium for all participants in the programme. The consortium has spent a considerable amount of time working on holding companies as the creation of holdings will strengthen the industrial structure of the Kazakh economy.

A project to assist Ukrainian enterprises in developing partnerships and negotiating with foreign investors has been set up with a private foundation, the Centre for Market

Reforms in Kiev. Enterprises were selected in a single focal region, in Kiev, Odessa, Lvov, and Zaporozhye. Managers from these enterprises will attend a training seminar and exchange forum, together with potential partners from Germany. A similar centre is due to open in Minsk in February 1994.

In Belarus, CIE Consult of Dublin is continuing some very useful privatisation work in the Ministry of Transport, while the Spanish consultancy firm DFC, assisted by Ernst & Young, is assisting the Committee of State Property on the implementation of its voucher privatisation scheme.

In the course of 1994, the following privatisation projects will be supported.

In Kazakhstan, enterprises to be privatised under the 1993 Tacis Programme have now been selected (in continuity with the 1992 programme, in the field of chromium and chemical fibres). A project to be launched in February, 1994, will continue to strengthen the Kazakh Committee of State Property, and begin to address some post-privatisation issues.

In Ukraine, the 1993 programme will focus on mass privatisation and support to the region of Zaporozhye, one of the most dynamic regions of Ukraine. The projects will be launched in February.

Two large projects in the Trans-Caucasus (ECU 3.5 million) and Central Asia (ECU 1.8 million) have now commenced. Resident advisors have been appointed and work in the most crucial areas of privatisation will be carried out over the next 18 months.

In Belarus, following on-going discussions with the World Bank and the EBRD, Tacis is focusing its 1993 privatisation effort on anti-monopoly policy. Support will be given to the Institute for Privatisation and Management, recently set up in Minsk, and training provided to both the public and private sector on the crucial issues of a market economy.

Finally, Tacis is expecting to launch, during the first half of 1994, the remaining projects in the Russian Federation in the framework of the Commission's participation in the G7 initiative (regional centres in the Urals and Western Siberia).

Observations and conclusions

The monitoring of privatisation projects has been carried out in Ukraine and Kazakhstan, where the first 1992 projects began in the field in July, 1993. The monitoring effort has enabled us to appreciate better the needs of the New Independent States' partners, as well as be more sensitive to emerging problems and new issues to be addressed under the 1994 privatisation programme. Further monitoring will be carried out by a team to be established during the first half of 1994.

Coordination is ensured through regular bilateral meetings held with all donors to discuss the privatisation effort in the New Independent States. The EBRD, in particular, has indicated its interest in supporting and following up Tacis work. Joint missions with the EBRD have been organised, such as the mission to the Urals in November, 1993.

Coordination with the World Bank is sometimes more problematic, due to the large size of the bank's loans and the many projects which these cover. Nevertheless, by ensuring early consultation and discussion, potentially overlapping programmes have been avoided.

The delay in the implementation of the World Bank loan in Kazakhstan has left Tacis as the only provider of support to the Kazakh Committee of State Property. Although the bank's original terms of reference overlapped with those of Tacis, it agreed to re-focus its know-how as a result of a more rapid deployment of the Tacis team of experts. Thus, the amended terms of reference will continue Tacis assistance rather than duplicate it.

In both the above cases, the use of experts formerly on the World Bank staff has greatly facilitated coordination.

Among the problems encountered in the coordination effort is the absence of a forward looking view by the potential partners, and the practice, inherited from the past, of requesting the same thing from all donors. This increases the need for specific assistance coordination and the exchange of experience between the various countries of both the New Independent States and central and eastern European countries.

Parallel to the decentralisation of Tacis support to regions away from national capitals are increasing difficulties encountered in recruiting qualified consultants to carry out the privatisation projects. The development of specific incentives, including financial bonuses, or the grouping of projects into lots (e.g. a more straightforward project together with a more difficult project in a remote area) may offer solutions to this issue. The provision of Russian language training for experts may also be an incentive.

Related to the above problem is the considerable time involved in travelling to some of the partner countries or regions, such as central Asian countries or Siberia. It could be envisaged that consultants be awarded contracts which allow for the possibility to work simultaneously on several projects, in order to maximise their use of time spent in areas difficult to reach.

Finally, the political environment clearly has a great effect on privatisation programmes. Programmes must be flexible and reviewed regularly in order to cope with political changes.

Small and medium-sized enterprises

General overview

Tacis aims to encourage the development of small and medium-sized enterprises (SME's) in the New Independent States and promote the establishment and expansion of contacts between New Independent States and foreign enterprises, notably those within the European Union.

The programme aims to address important problems which currently impede the spread of enterprise in the New Independent States, including the

- lack of business awareness
- absence of a developed business support framework
- inadequate business training services
- difficulties in identifying potential business opportunities in domestic and foreign markets
- problems in finding potential trading/joint venture partners
- communication difficulties.

Undoubtedly, the effects of the transition to a market economy will greatly increase unemployment among groups of qualified persons in the New Independent States. The Tacis SME Development Programme aims to assist these groups in becoming economically productive. The SME programme was established under the 1992 Tacis Programme, with a total budget of ECU 20 million, a sum of ECU 18 million under national Action Programmes and ECU 2 million under the Regional (multi-country) Programme. The overall budget allocation for the SME sector has remained the same under the 1993 Tacis Programme, although funding has increased under the Regional (multi-country) Programme (ECU 7 million).

Implementation progress

1992 Programme

The first SME initiatives were launched under the 1992 programme. Tenders for all national projects were launched between April and August 1993 and the four main tenders for SME projects under the national Action Programmes were evaluated by September. Representatives of the New Independent States counterpart organisations were invited to take part in these evaluations with an observer status. During these visits, they were also able to establish important contacts with SME organisations both in Belgium and in the Netherlands.

By December 1993, all four contracts (amounting to a total of ECU 13.2 million) had been signed with western European consortia representing a wide range of SME development organisations. From January 1994, onwards, the contractors will initiate activities in view of the rapid establishment of SME Development Agencies (SMEDA) and Business Communication Centres (BCC) in most New Independent States capitals.

The SMEDA's will provide support to individual New Independent State entrepreneurs who wish to start up business and to existing private SME's, promoting business awareness, in particular with regards to local authorities. Information and counselling will be offered to new and existing SME's, and specialist consultancy services provided in fields such as marketing, taxation, accountancy and product costing. In addition, special business training will be provided. The BCC's will contribute to the development of SME's through the exchange of information on export opportunities for indigenous enterprises, joint venture possibilities and foreign (inward) opportunities.

The tender for the establishment of a SMEDA and BCC in Moldova, the establishment of a BCC in Samara, assistance to the Legal Committee in Turkmenistan for the drafting of legislation in the SME sector and assistance to the Chamber of Commerce of Industry in Uzbekistan will be evaluated in early January 1994. Implementation on the ground will then start in March 1994.

The revised tender related to training for entrepreneurs in Belarus will shortly be evaluated. The terms of reference for this programme include three components: training for business trainers, training for entrepreneurs and a pilot project to provide specific tailored assistance to a number of Belarusian enterprises. Tacis will implement the last component in conjunction with the EBRD and UNDP.

1993 Programme

SME activities will continue under the 1993 Tacis Programme in Azerbaijan, Georgia, Kazakhstan, Turkmenistan, Uzbekistan, Ukraine and the Russian Federation. Programme activities will be in continuity with the 1992 Programme, covering in particular

- The expansion and deepening of activities of the SMEDA/BCC network, with the establishment of SMEDA's in other New Independent States, and further assistance provided in the Russia Federation and Ukraine for the rapid establishment of the SMEDA/BCC network in new regions. In cooperation with the SMEDA's and BCC's which will be established under the 1992 Tacis Programme, business advice, training of agency staff and training for trainers will be provided. Special emphasis will be given to information and the training of future women entrepreneurs.
- Parallel to the SMEDA's, the monitoring of a limited number of selected SME's with growth potential. This will be organised in Azerbaijan, Uzbekistan, Kazakhstan and Ukraine. The objective is to stimulate entrepreneurship and encourage innovative processes within the local industry and service sector. The enterprises concerned will receive a complete range of business development services over a period of 12 to 18 months.

Regional Programme

Projects under the 1992 Regional Programme are now all successfully underway. One hundred and thirty missions are being carried out by the European Senior Service Consortium, and 30 missions have been completed. During these missions, advice is provided on company organisation, restructuring, privatisation and the preparation of business and marketing plans. In many cases, this has led to the creation of spin-offs, in the sense that it has encouraged the fostering of joint ventures between New Independent States and European enterprises.

Under the Eurochambres Exchange Programme, 38 visits were made between October and December, 1993. To date, 12 staff members of New Independent States chambers of commerce have visited European Union chambers for a period of two weeks, and 16 staff members of European Union chambers have visited New Independent States chambers for one week. It is envisaged that six Russian chambers and eight European Union chambers will shortly be exchanging visits. The final selection of the participants is scheduled for January, 1994.

Building on the experiences gained under the 1992 Regional (multi-country) Programme, the Eurochambres Exchange Programme and Seminars and the European

Senior Executive Service Programme will be continued under the 1993 Regional Programme.

A new initiative will also be launched to provide work experience and training attachments for New Independent State managers with companies in European Union Member States. This will build on already existing links between European Union and New Independent States chambers of commerce and enterprises.

Coordination with other donors

On 4 and 5 November 1993, Tacis, together with the EBRD, organised an international donor coordination meeting on SME development in the Russian Federation. Participating institutions included, among others, the European Union (Tacis), the EBRD, the IFC, the OECD, the UK Know-How Fund, US AID and the World Bank. The meeting greatly enhanced coordination and cooperation among the main donor institutions, and it was decided to reconvene the meeting in the Russian Federation during the first half of 1994. Furthermore, the attendance at this next meeting will be widened to include Russian counterparts and representatives with field experience.

Observations and conclusions

European Union experts under the SME programmes have been enthusiastically received in each New Independent State, where a high level of satisfaction has been noted with the services supplied..

In addition to the expansion and deepening of activities of the SMEDA/BCC network, programmes planned for 1994 will include measures to speed up the adaptation of the legal and institutional environment for SME development in the New Independent States. Creating a capability to advise and encourage governments to develop the environment for SME development is therefore routinely part of the mission statement of the new development agencies.

Productivity initiative programme

General overview

During the G7 Tokyo Summit, the European Commission committed itself to allocating \$10 million to the Productivity Initiative for Russia. This initiative, which is very similar to the training of European managers which took place in the 1950's in the framework of the Marshall plan, would consist of the financing of a number of small groups from Russia to come to study production and working methods in European Union enterprises and public administrations, with a view to ensuring a massive transfer of information skills.

The basic principles of this technical cooperation would be

- a bottom-up approach which would guarantee effectiveness despite the political and economic instability which exist in the Russian Federation

- a deep involvement of European Union economic operators (enterprises and public administrations)
- the obligation of the Russian partners to disseminate the results of their study visits in view of creating a multiplier effect.

The Productivity Initiative will consist of a large amount of study visits, integrated in a global training approach to ensure a maximum impact on the Russian economy. Under the 1993 Tacis Programme, a budget of ECU 1.2 million has been allocated to a pilot phase of the Productivity Initiative.

The programme is also based on a temporary transfer into business in the west so as to let the Russian managers get a first-hand experience in the functioning of an open market economy. This on-the-job training would consist of three months participation in the management process with continuous interaction between several departments such as marketing, finance, engineering, etc. and with a customer-oriented business approach. The programme is aimed at senior level managers and executives operating in medium-size and large companies and who are anxious to implement upon their return to their own countries the necessary changes so as to put their own parent company on track for the open market economy. In addition, a large number of study visits are expected to take place in the framework of wider projects funded under the 1993 Tacis Programme.

Implementation progress

Under the 1993 Programme, a pilot phase will start with 40 participants. In order to coordinate the selection of the trainees and to ensure that the experience gained is followed through properly upon their return, Tacis has set up a support unit in Moscow working with a local management institute to advise returning managers on how to implement the necessary changes.

The coordination with European Union companies is being handled by a consortium of three highly professional management training institutes from Germany, Belgium and Spain. These companies have already built up valuable experience in arranging exchange and twinning-type operations through work carried out in different regions of the Russian Federation.

Observations and conclusions

European Union experts under the Productivity Initiative visiting the European host companies have noted a great enthusiasm and high level of satisfaction for the proposed new programme. A serious expansion of the Productivity Initiative is planned for 1994.

Conversion of defence related industries

General overview

As the principal beneficiary of the centralised system, the military sector was the strongest, most technologically capable sector within the industry of the former Soviet

Union. Its industrial output was 20 per cent of the gross industrial output and it employed some 13 million people, half of them from the Russian Federation.

Other areas of concentration are Belarus and Ukraine, employing 500,000 and 1.2 million people in respectively the military sector. Important military enterprises are located in Kazakhstan (75,000 in the shipbuilding and nuclear industry), Georgia (25,000 in aviation, shipbuilding, electronic and telecommunications industry), Uzbekistan (aviation and radio-electronic industry). Significant military enterprises with excellent capabilities in radio-electronics are located in Armenia (20,000 people) and Moldova (30,000 people).

Since late 1989, military orders in the New Independent States have dropped by more than half. As a consequence, no less than six million jobs, providing living means to more than 20 million people, may be dismissed in the next few years.

The objective of the Tacis conversion programme is to save jobs and maintain existing technical and scientific capabilities. Conversion is to be driven by European Union industrial groups through the creation of joint ventures, and Tacis funds to cover the expenses incurred by these groups to identify business opportunities with military enterprises in the New Independent States.

Implementation progress

Seven projects for a total of ECU 15 million are being implemented under the 1992 programme and nine projects for a total of ECU 13 million under the 1993 programme have been identified and prepared for tender.

1992 programme

At the core of the programme, a ECU 4.5 million project, which is being implemented by British Aerospace in association with Sofitrade Intergroupe, is aimed at the setting up of a coherent conversion plan in four regions where the economy was formerly based mainly on military production. These are the St Petersburg and Samara Oblasts, Kharkov and Minsk. The plans are being prepared following an assessment of the regions' existing industrial assets, the identification of the potentials and sizing of the corresponding investment needed in order to implement the conversion plans.

Three categories of enterprises will be identified in order to evaluate conversion potentials:

- Enterprises that could be rapidly adapted to civilian production without substantial reconstruction. It is expected that in a number of these enterprises, the conversion process will be driven by external investors or by the establishment of joint ventures during the next two years.
- Enterprises that require fundamental reconstruction over a 5 to 10 year period. These enterprises will need a detailed financial analysis of the prospect of conversion and the corresponding costs, from organisational restructuring to the introduction of new processes, management method and technology. It is expected that most of these enterprises will find a western partners or investors within four to five years. In this respect, further support may be provided by Tacis through the

agencies set up under the Financial Services programme for the promotion of foreign investments.

- Enterprises that do not lend themselves to conversion or where the cost would be prohibitive and their future viability is doubtful.

Another ECU 4.5 million project relates to the conversion of specific military enterprises in Moscow, Kiev and Minsk into enterprises producing agricultural and food processing equipment.

The remaining five projects, which total ECU 5.5 million, relate to specific industries which present excellent potential for conversion (amongst others, the aircraft designer MIG and the aircraft manufacturer Lukovitsky, both located in Moscow, the optical manufacturer Lomo and engine manufacturer Arsenal, both located in St Petersburg, and manufacturer of electronic component Agat in Minsk).

1993 Programme

The 1993 Programme is financing eight projects in four countries: the Russian Federation, Ukraine, Belarus and Moldova. Military enterprises will be converted into enterprises producing, among other things, air traffic control equipment, civilian chemical products, energy control systems, medical equipment, household appliances and telecommunications equipment. In addition, two enterprises producing helicopters will receive assistance to introduce western specifications in view of enabling them to establish partnership and/or subcontracting agreements with European Union enterprises.

Observations and conclusions

One of the major difficulties encountered in implementing the Tacis conversion programme stems from the Russian authorities' reluctance to see a permanent and irreversible withdrawal from military production in the Russian Federation. Their belief is that conversion cannot provide a means of enhancing civilian capabilities with an affordable investment and they argue that it is better to export high technology arms, and use the proceeds to import consumer and other civil goods, than to convert aircraft design and production facilities.

The Russian idea does have undeniable appeal. The Russian Federation currently has annual export possibilities worth ECU 3.5 billion for less sophisticated weapons and up to ECU 10 billion if sales were opened to include most modern weapons (the total world exports of major conventional weapons is estimated at ECU 20 billion). However, the Russian government's cautious attitude towards conversion is not shared by the management of a number of Russian military enterprises which feel that conversion is necessary in order for them to continue to operate and, thus, to maintain employment. As a consequence, the Tacis Programme is mainly orienting its activities towards supporting specific enterprises, with only minor projects providing advice to institutions.

Contrary to the Russian Federation, Belarus and Ukraine have a favourable attitude with regard to conversion. In these two countries, most of the military enterprises produced only components and the final product was assembled in the Russian

Federation. As a consequence, there is currently no customer demand for their products and conversion is therefore seen as the only way of keeping enterprises running.

Agriculture and food distribution

General overview

In the agriculture and food distribution sector, Tacis is providing support for both the public authorities and the emerging private sector in the New Independent States. Efforts are being made to cover all points of the food supply chain in order to tackle the existing bottlenecks and assist the transition process towards a free market and private enterprise system. It should be noted, however, that the current situation in the agriculture and food distribution sector in the New Independent States is one of total collapse, rather than of transition.

Although a non-state-administered sector is expanding, aspects of the former Soviet system are still in place. In a number of New Independent States, an appropriate legal framework for a new market economy is lacking, which hampers the privatisation process. The notion of land, farm or factory property remains unclear.

The situation in the food chain is as follows.

Farming output is gradually declining, in part because of the absence of agricultural inputs (fertilisers, seeds, equipment, etc.) and due to the lack of credit facilities favourable to new private farming operators. The process of privatisation is very complex as privatisation of land ownership requires a specific regional approach. There is also a problem of water use.

In addition to a shortage of farm input supply and the absence of rural saving and credit institutions, the shortage of on and off-farm storage facilities and ineffective food transportation (bottlenecks) are critical issues. This situation is creating enormous food losses, beginning before the products leave the field. In the food processing field, major problems are encountered in the control of produce quality, packaging and cooling. The product range is limited and generally produced in unhygienic conditions.

Under the centrally planned economy, the food bases (large warehouses) performed a function which is somewhat similar to wholesale/distribution in a market economy. These organisations no longer fulfil their role, while newly established private retail shops and food supermarkets have to find new channels of supply.

At the end of the food chain, consumers face the problem of food quality and pricing. There is both a general problem of quality standard and a suspicion of nuclear contamination. Prices of products are far from being rational economic information or regulated in the New Independent States. The rapid inflation of prices of all major foodstuffs is a severe obstacle to the purchase of small quantities by consumers.

Therefore, the objectives of the Tacis programme in this sector are to

- intervene at all stages of the entire food chain, from the farm gate to the consumer

- concentrate its support on the reorganisation of farming, which is extremely complex (particularly in the case of collective farms)
- support the improvement of foodstuff processing and marketing (including training)
- define and support the establishment of new agricultural policies and adequate legal framework
- provide support towards the definition of bankable projects in order to meet the strong need for investments.

Implementation progress

The total budget of the Tacis agriculture and food distribution sector for 1991 and 1992 is broken down as follows:

Country	ECU	
	1991	1992
Russia	44,722,274	20,620,000
Ukraine	6,739,820	11,600,000
Moldova	1,120,000	2,500,000
Belarus	1,330,000	2,800,000
Kazakhstan	1,886,023	3,800,000
Kyrgyzstan	0	2,810,000
Uzbekistan	699,767	3,000,000
Turkmenistan	1,000,000	3,650,000
Tajikistan	0	0
Georgia	2,286,495	2,500,000
Armenia	0	2,000,000
Azerbaijan	0	3,000,000

1991 Programme

Sixty-nine projects have been launched under the 1991 Tacis Programme in the Agriculture and Food Distribution Sector. A large majority of these projects concern the Russian Federation (53 projects).

The largest projects concern wholesale trade in the fruit and vegetable bases of the Moscow region, support to food chain organisations (St Petersburg, Yaroslavl, Ekaterinburg, Kaluga, Samara), support to the Consumer's Union (Moscow) and an integrated centre for food production and distribution (Vologda). Other major projects include the provision of know-how in the sector of dairy products, fruit, vegetables and animal feed.

At the end of 1993, 18 projects have been completed, mainly low budget and short term projects including, for example, the privatisation of food distribution and of sovkhoses in Ukraine, the de-collectivisation of kolkhozes and the development of a fruit and vegetable retail association in Uzbekistan.

1991 projects which have been successfully implemented include, inter alia, the reorganisation of a number of processing plants in Kazakhstan, pilot operations in the St Petersburg Region (bakeries, collective restaurants in universities, chains of retail fresh produce stores) and the drafting of legislation (agricultural reforms, cadaster, etc.) in Georgia.

1992 Programme

The 1992 programme includes a total of 36 projects. Some 15 projects will be implemented in the Russian Federation, and all other New Independent States (except Tajikistan) are covered under the programme. Projects have now been tendered, evaluated and launched for each country except Georgia.

Main projects include support to Uzbek private farmers (ECU 3 million), the University of Tyumen (ECU 3 million) and a demonstration farm in Orekhovo Zujevo (Moscow Region). Other major projects cover assistance in the processing of vegetables and meat (Belaja Tserkov), the reduction of food losses in the distribution chain (Ukraine), and assistance to the pilot agro-industrial food chain (Centrobusiness) in Moscow.

1993 Programme

For the 1993 Programme, 24 projects are planned. The terms of reference of all projects identified under the approved Action Programmes have now been finalised.

ECU 6.3 million will be allocated to policy advice and the establishment of information structures for the Ministry of Agriculture in Ukraine. Other major projects concern model farm management techniques, the development of agricultural input and marketing groups, and food distribution systems and catering.

Regional (multi-country) Programme

ECU 4.7 million has been allocated to a project for Water Management in Central Asia under the 1991 and 1992 regional programmes. The objective of this project is to provide a framework forming the basis of inter-republic water allocation and management policies amongst the five republics of the Syrdarja and Amudarja Basins. Specific objectives of the project are the improvement of operating systems and the development of new techniques in irrigation and cotton production through pilot projects. The five countries involved have each agreed on these objectives.

All 1991 and 1992 projects are now subject to the Monitoring and Evaluation Programme which commenced in December 1993. Projects are to be monitored on a quarterly basis with appraisal after one year.

Observations and conclusions

Although the priorities and objectives of the Tacis Agriculture and Food Distribution Programme are globally confirmed and all critical issues mentioned above recur in all the New Independent States, more and more multi-country differences are appearing, in particular with regard to land privatisation. Tacis activities must therefore pay particular attention to these multi-country differences and be flexible in order to be adapted to individual specificity's.

In addition, food security is becoming a major issue in many New Independent States cities. While increasing food shortages have clearly been evident for some years, the

food situation is now deteriorating at an alarming pace. Tackling this situation is now becoming a new priority for the food and agriculture sector.

Human resources development

Background

Tacis is designed to assist the ex-Soviet Union meet the challenge of the world market economy. It is increasingly apparent that the ethical underpinning of a market economy is a plural and democratic society. Reinforcing this foundation is an integral part of Tacis work in the New Independent States, through non-governmental organisations, legal assistance and increasing exposure to democratic practice in the European Union.

The transition from the command economy is leading to income disparities, unemployment, and a crisis of values. To keep the economic transition on track, a major effort is needed to ensure that there remains a consensus behind economic reform, at the same time conserving social consensus and providing help for the most disadvantaged.

Tacis has increasingly taken up these concerns. When the programme began, the emphasis was placed on the creation of new skills, particularly in the field of management training, and also through the government advice programme. Whilst this remains a priority, two other major thrusts developed, one concerned with the reform of public administration, and the other with social protection. At the base of this whole approach lies a concern for a healthy society, which has militated in favour of support for democratic mechanisms and non-governmental organisations.

Building on the existing Phare Democracy Programme, a programme specifically in support of democratic institutions has begun under the 1993 budget. Under the 1992 programme, an allocation has been secured for the establishment of a resource centre for non-governmental organisations (NGO's) and for the financing of links between NGO's of the New Independent States and the European Union. Comparable activities are to be supported in St Petersburg and Kiev through balances made available on the 1991 budget.

Public administration

General overview

The break-up of the former Soviet Union and the adoption of a market based economy are the two major factors driving changes in public sector management in the New Independent States.

The independence of the 12 New Independent States implies that critical administrative and political responsibilities have been transferred from Moscow to the new government administrations. This has necessitated the implementation of administrative reform programmes aiming at the reorganisation of the new administrations both at central, Oblast (district) and regional level. A reduced civil service staff is to perform the assigned tasks better, to do so without directives and instructions originating from

the old centre of the USSR and within the context of the current economic reform programme, implying inter alia a redefinition of the role of the state apparatus in society. New Governments are also losing some of their previous functions whilst acquiring others - such as customs, for instance - which were not necessary in the context of the past integrated economy.

ECU 15 million was allocated to the provision of advice and training in the public sector under the 1992 Tacis Programme. Although the reform of public administration was indicated in general as a priority by all New Independent States, actions have been identified and undertaken only in some countries (Ukraine, Armenia, Kyrgyzstan, and Kazakhstan). In Russia (Moscow and St Petersburg) and Azerbaijan, projects specifically focused on training in public administration will soon be initiated. The Tacis programme for public administration has given priority to major activities in structural reform and training.

Implementation progress

Structural reform

Structural reform projects are on-going in Armenia and Ukraine where, in addition to the setting up of schools of public administration, support is provided to the newly established Commissions for the Reform of Public Administration responsible for the design of an appropriate legal framework and bringing proposals for the general organisation of the government structure.

Public administration training

Following the 1991 programme which mainly focused on management training geared to assist the liberalisation-privatisation policy, the 1992 and 1993 Action Programmes include a wide range of projects in support of public administration reform in most of the New Independent States. A large training component is generally included and some projects in Turkmenistan, Azerbaijan, St. Petersburg and the Russian Federation, including in the Urals and Siberia, are geared to the provision of training.

A project for the training of civil servants has begun in Moscow with the Russian Academy of Administration, teaching public administration to top level administrators and elected government officials. Particular support will be devoted to the development of research in public administration matters through the creation of a library and documentation centre linked to an international data bank.

Specifically focused on in service practical training is a project which aims to reform the working methods in the three administrations of St. Petersburg (Mayor's Office, City Council and Oblast). The project started in November 1993.

Observations and conclusions

The importance of an impartial and effective civil administration at both national and local levels cannot be underestimated. The process is long term in that the evolution of a service culture in an administration, most important for stability and continuity, needs political support and an understanding at all levels of the hierarchy. Training will be needed for a long time to come, particularly in the areas of management for

results, policy formulation, organisational structure, and in changing attitudes and expectations in the role of the administration, both internally and externally, in addition to specific subject skill development, and will require repetition.

The impact of the public administration on all sectors of the economy will nevertheless remain important. For example, the encouragement rather than the strangulation of the emergent private sector will require an understanding of the conditions for a private sector to develop. Stable legislation, administrative, financial and contract practice which is enforced with fairness, and the capacity for recourse to law for remedy under tort in a reasonable time and without fear of retribution, are examples of those needs both for local and inward investment where the administration has a regulatory and facilitating role.

The processes that are currently under way are but the beginning, aimed primarily at preparing the structures of some of the civil and public services, and setting in place the institutions which will propagate the message. As long as our partners are willing to support the activities Tacis wishes to undertake, there will be scope for assistance in this field so crucial for the development of a market economy.

Policy and legal advice

General overview

Tacis is supporting senior New Independent States' government figures and institutions in their role of actors of reform in the process of transition from a centrally planned to a market economy. The philosophy underlining the programme is based on the premise that the transfer of European expertise in the form of advice to New Independent States' governments and institutions will provide invaluable background to and analysis of the policy options open to the New Independent States during this transition period.

The European Expertise Service (EES) was set up as a mechanism through which to deliver the Tacis policy advice programme. The Commission supervises and monitors the provision of advice through the EES, while the operation as a whole is managed by sub-contractors. During its first 15 months of operation, the EES concentrated its activities in the Russian Federation, Ukraine, Belarus and Kazakhstan. Policy advice has primarily focused on the following areas:

- macroeconomics, including subjects such as interstate economic relations, budgetary matters, specific advice to key ministries and other agencies engaged in the process of economic reform, labour market and securing a social safety net
- institution building, including such matters as the working of democratic government, the structure of ministries in a market economy, in particular the relationship between central and other tiers of government
- economic restructuring covering, for example, definition, development and application of strategies for sectoral reform, anti-monopoly policy and the promotion of competition.

Implementation progress

Policy advice

The state of play in the Russian Federation, Ukraine and Kazakhstan will illustrate the types of areas covered.

- Russian Federation
 - government restructuring and reform
 - budget policy and revenue mobilisation
 - industrial restructuring
 - market regulation
 - support to the Central Bank of Russia on managing inter-enterprise debt and monitoring the performance of enterprises
 - support for the management and financing of the higher education sector.

Building on the recommendations of projects already completed, a number of projects currently in progress focus primarily on privatisation involving foreign investment, enterprise monitoring in the Central Bank of Russia and the structure of the apparatus of Government.

Other on-going projects include policy advice on

- higher education
- Civil Service reform to the Head of the Administration of the President
- budget policy
- Kaliningrad regional development to the Kaliningrad Regional Administration.

EES support to the Macroeconomic and Finance Unit in the Ministry of Finance is also on-going, guaranteeing a continuity of Tacis efforts to strengthen the capability of economic analysis and strategic planning in the Russian Federation.

- Ukraine

In contrast to in the Russian Federation, there is no comprehensive economic reform programme to date in Ukraine. The privatisation programme approved by the Ukrainian Parliament has not been implemented and the restructuring of the banking sector is yet to begin. In addition, Parliamentary elections will be held on 27 March 1994, followed by Presidential elections on 26 June 1994.

However, against this discouraging background, the EES has provided advice on

- the structure of government to the First Deputy Minister of Economics
- the structure of Ministries to the First Deputy Prime Minister
- the relationship between the legislative and the executive bodies of the government, and the tiers of the Ukrainian Government, to the Deputy Speaker of the Supreme Rada.

- Kazakhstan

In Kazakhstan, policy advice has been provided to the Ministry of Finance on tax policy. Another major project on public investment management (in coordination with the World Bank) was also undertaken by the EES.

A major on-going policy advice project in Kazakhstan relates to support of new economic structures and restriction of monopolistic activity and is being addressed by the Deputy Minister and Vice Chairman of the Committee. A second project focuses on central and local government finance.

Although the broad outline of the overall reform in Kazakhstan is in place, the government is still facing serious difficulties, considering that output has declined dramatically in recent years and about a quarter of the Kazakh population is living in extreme poverty.

The sequencing of reform currently links price and trade liberalisation to reduced government market intervention, to enterprise adjustment and market based financial sector intermediation. It is on this sequence of events that EES activities in 1994 will primarily focus.

The three main areas in which policy advice will be provided are

- economic and monetary policy
- industrial restructuring and private investment
- restructuring and rationalising the machinery of government.

Legal advice

The priority areas under the Tacis Legal Reform Programme are

- investment legislation
- preparation of civil codes
- classification of law.

A programme to provide know-how, supporting the review and preparation of legislation in the New Independent States in the defined priority areas, has been launched, with an allocation of ECU 2 million under the 1992 Tacis budget.

In Armenia, a project for the revision of Company Law is currently under implementation. In Belarus and in Kazakhstan, projects for the revision of the Civil Code are also on-going.

Important projects to be implemented in the next semester include

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|--------------------------------|---|
| Russian Federation and Ukraine | • revision of the Civil Code and investment legislation |
| Belarus | • revision of the investment legislation |
| Azerbaijan | • revision of the draft Civil Code |
| Georgia | • preparation of insurance law |

Observations and conclusions

In the Russian Federation, the elections of 12 December, 1993, have resulted in considerable uncertainty as to whether, and at what speed, reforms will proceed. Given this uncertainty, it is concluded that the Tacis policy advice programme should aim to

- consolidate and expand existing support in the area of macroeconomic policy advice
- strengthen the profile of industrial policy and strategy
- place greater emphasis on policy support to social safety issues with a view to improving the management of the social implications of economic reform
- provide greater support to promote restructuring and effective management of major areas of government expenditure such as education, health and agriculture
- promote effective management and implementation of economic reform through regional administrations and cities.

In addition, it is envisaged to create a research centre in the Russian Federation employing a permanent staff of Russian reform-minded economists, assisted by European advisers.

In Ukraine, it is expected that 1994 will see a new Constitution and the definition of an economic reform programme. Although the potential contributions of the EES in these matters are substantial, it is unlikely that Ukrainian government officials will actively seek EES support before March, 1994. Furthermore, to identify beneficiaries at this stage in the government structure entails important risks, as key figures are likely to change following the elections. For this reason, it is important to identify key areas where policy advice could be provided to reformers, with an aim to enable them to develop and strengthen a programme of economic reform. Thus, a major EES project that will enhance the country's capability of gathering, analysing and disseminating information on the trends of the key economic indicators in a systematic fashion is a clear priority.

Social protection

General overview

Before the 1993 programme, only limited action had been undertaken under Tacis in the field of social security. Funds were only allocated for work in this field in Kyrgyzstan.

The Russian Government has now given high priority to the establishment of a system of sustainable social protection for the population of the Russian Federation and asked the European Union for advice and support in the establishment of this system. The initial action consists of the project identification study necessary for a major intervention in the coming years. The objectives of the study are to develop a mechanism in order to provide the Russian government with policy and legal advice and advice on the reorganisation of the administration by drawing on the pool of skills and the experience in the field of social security which exists within the European Union.

In the run-up to the G7 meeting in Tokyo, it was decided that in addition to assistance at a policy level, social protection is to be an important consideration in conjunction with privatisation under western programmes of assistance for the transition process in the New Independent States. Social protection is indeed already an important factor in the World Bank's programme.

Implementation progress

1991 Programme

Under the 1991 training programme, a project is being financed to assist the Russian Federal Employment Services in establishing adequate local employment offices and networks with basic facilities, equipment and trained staff. It also aims to develop an unemployment benefit system capable to handle registration benefit calculation, payment processes, supported by basic computerisation and to develop a placement and job referral system capable of matching the unemployed clients to jobs, training options and to public works. The cost of the project is ECU 2.95 million and its duration two years. Implementation started in January 1993 and is running well.

Tacis is also supporting the Information Systems Department of the Federal Employment Service (FES). Difficulties were encountered here in identifying local equipment needs, and the classification of sites for installation and service have been delayed due to communication difficulties with the regions.

Tacis is also participating in the FES Technical Assistance Group meetings. At the meeting held in March 1993, the specific problems existing in Russia (primitive information network, low unemployment benefits, underdeveloped retraining, no capacity for responding to mass redundancies) were pointed out and it was decided that the models presently being established under the Tacis Programme could be replicated throughout the country.

1992 Programme

Projects in the field of employment services are being funded in Russia, Ukraine, Belarus, Moldova, Uzbekistan and Georgia. The terms of reference of these projects were reviewed at the beginning of 1993 and tenders subsequently launched.

The main objective of these projects is the creation of employment services aimed at providing a better knowledge of the labour market situation, defining employment strategies and policies and assisting in the organisation and management of the institutions in charge of applying the employment policy.

The implementation of most of these projects started early 1994.

1993 Programme

Under the 1993 Programme for Russia, efforts are being made to identify activities which define a clear link between privatisation and the social response to that privatisation. This has been done in the geographical zones of focus of the Tacis Programme - in western Siberia and the Urals.

Moreover, projects related to the reform of the social security systems and the creation of pension funds, in some cases with the wide scope of assisting in the overall reform of the social security system, have been worked out in Armenia, Kyrgyzstan, Georgia and the Russian Federation.

The reform of the health sector is starting with a ECU 4 million project designed for four regions in the Russian Federation. The project focuses on support to primary care services and assistance in some institutional and financial issues.

Finally, a small project will be carried out in Azerbaijan to support the employment services.

Training

General overview

The Tacis education and training projects aim to develop capabilities of New Independent States institutions to deliver training courses to managers of state and private enterprises, officials who have responsibilities in state economy management, young students and starting entrepreneurs who need to acquire new competencies for their future jobs and activities. Through the provision of know-how knowledge in the field of training is transferred to already existing New Independent States training institutes (both state and private), and the central and local authorities which administer the education system.

Implementation progress

Management training

On the basis of the 1992 programme, and building on the 1991 training programme which concentrated its activities in the Moscow and St Petersburg regions, it was decided to assist existing training institutions in the New Independent States with the establishment of management schools in Georgia, Uzbekistan and Moldova. Preparatory work for these projects has been carried out in the course of 1993 and project implementation should commence shortly.

Under the 1993 programme, new management schools will be set up in several Russian regions, Kazakhstan and Turkmenistan.

Language Training

Terminology projects have been identified with Russian partners to establish dictionaries - in an initial phase, from Russian to English and German and vice-versa - within areas where no terminology exists so far in Russian. The first of these dictionaries, covering economics and management terminology, was finalised in December 1993. The publication will be extended during the first half of 1994. The second dictionary, dealing with taxation terminology, is expected to be finalised during 1994. The programme is extended under the 1993 budget.

The training of trainers programme, targeted at fifty language teachers selected from ten university centres in the Russian Federation, covers issues such as community affairs, international institutions and international relations. The trainees are trained by the College of Europe in Bruges and the EIPA in Maastricht. The first session of three weeks started on 1 May, 1993, and the last one took place in October, 1993. The programme will be continued under the 1993 Regional Programme.

The second intensive course in English, German and French started in the second half of 1993. This action is being implemented over an eight month period, due to its complex-character (three languages, 290 participants from 12 countries to be trained in four European Union member states for six weeks).

Distance teaching

A distance teaching pilot programme was launched in June 1993. Some 209 project proposals were received, following an invitation published in the Official Journal C 166 of 17 June 1993. Following the success of this invitation the original number of six pilot projects of ECU 300.000 each has been raised to nine. These nine successful pilot projects in the Russian Federation, which use five different methods of distance teaching, will begin in March 1994, and last until March 1995, at which point an intensive evaluation process will take place. The aim of this process is to select the most effective methodology. After the evaluation, and pending approval of the Russian Federation and the other New Independent States, Tacis should be able to offer more distance learning projects in these countries.

Military retraining

One of the most important and politically sensitive groups to be retrained in the Russian Federation, and perhaps in other New Independent States, are the military. They are a highly trained and politically influential group, so it is vital that they are able to find places in the market economy and have skills which the market values. This is the purpose of the human conversion programme.

The first project in this area was the military officers retraining project for the Russian Federation, to which a total budget of ECU 14 million has been allocated. The immediate objective of this three-year project has been to strengthen a network of 15 selected training centres already existing in different regions in the Russian Federation, which will eventually train a minimum of 16,000 officers in the second and third years of the project. The tender process for the ECU 12 million training component of this project has been finalised and implementation is about to commence.

On the basis of the 1993 Action Programme for Ukraine, a similar project will be launched. ECU 7 million have been allocated to this project.

Observations and conclusions

1993 was the year during which the first activities of Tacis developed from plans to effective programmes under implementation. In training, this tested the capacity of both New Independent States counterparts and European Union experts to manage change and reform institutions. By the end of the year, a body of experience had been built up, and exchange of that experience was seen as a key to advance.

During the year, a newsletter for management schools was tested, and later it was decided to hold in 1994 a workshop for all the different actors: New Independent States counterparts, European Union experts, contractors, as well as the Commission.

The interplay between pilot activities as models, and systemic change through policy reform continue to be a key issues of the sector. The extension of TEMPUS to other New Independent States, and the decision of the European Council in October 1993 to set up a new European Training Foundation in Turin, set the scene for a new phase of cooperation between the New Independent States, Tacis, and the many partners and institution in the European Union whose experience may be shared.

Statistics

General overview

The reform process currently underway in the New Independent States towards the establishment of a market economy and democratic society entails a strong need for the reform of statistical offices. These offices previously focused on the massive (but quite different) information requirements of a centrally planned economy. Furthermore, in most New Independent States the statistical system was mainly based on data collection and did not entail the processing, analysis and the actual use of data. It is today clear that the provision of reliable and adequate information is extremely important for attaining the objectives of reform in the New Independent States.

Implementation progress

The long-term objective of the Tacis statistics programme is to contribute to the process of the establishment of adequate statistical systems, and the restructuring of the National Statistical Offices in each New Independent States, which are the former branches of the Central Statistical Office in Moscow. Two ECU 4 million projects under the 1991 budget are currently under implementation by a consortium under the supervision of Eurostat. They are aimed at the development of statistical information systems, in which institution building plays a central part, the upgrading of technical capabilities of staff working in statistical offices, which consists of training of trainers and general training. Both projects include substantial linguistic support.

Observations and conclusions

In general, projects in all the New Independent States are moving as planned. Results however, may depend on the specific situation of every single republic. Compared to the situation at the start of the programme, several presidents of the statistical offices of the republics have changed. Therefore, some changes have taken place in the role and organisation of statistics (e.g. in respect of data collection for foreign trade statistics by the statistical office or the customs administration).

For the Russian Federation, some delays in implementation have occurred due to a change of management of the statistical office. As regards business registers and enterprise statistics, all actions will be organised as planned. Delays may be expected in the area of foreign trade statistics where the competence for data collection between statistical office and customs administration have to be clarified.

Customs

General overview

The break-up of the former Soviet Union has led to drastic changes in the role of national customs authorities. While before, the customs authorities within the individual countries had mainly an executive and administrative function, they now are responsible for developing an adequate legal framework and the institutional policies necessary to adapt the customs services to the needs of a market economy. Policies, legal and administrative measures in the field of customs have to be developed which support and are in line with overall national, economic and financial policies on foreign investment and international trade, privatisation, monetary policies, international security, taxation etc. of the individual countries. At the same time, the capacity of the customs authorities to implement the new laws and regulations must be strengthened. Customs operations should also generate revenue for the state.

The long-term objective of the Tacis customs programme is to assist the national customs organisations of the New Independent States in restructuring their operations to meet the needs of a market-driven economy.

Implementation progress

ECU 7 million have been allocated for customs activities under the 1991 Tacis budget. Actions supported include

- training and the provision of know-how for customs and customs officials in the New Independent States (implemented by Eurocustoms, the consortium of European Union Member States' Customs Administrations)
- a feasibility study for the computerisation of customs
- visits of New Independent States customs officials to their counterparts in European Union Member States.

In addition, advice is given by enforcement specialists in the field of drugs and customs fraud. Further assistance in terms of practical training and provision of basic equipment will also be given.

The new allocation of ECU 1 million under the 1993 Regional (multi-country) Programme will provide for more assistance in individual countries. Further to that, activities tailored to the needs of each country will be designed.

Observations and conclusions

The European Union Member States have showed a very positive reaction to the Tacis customs programme and the work carried out by Eurocustoms has to date been very satisfactory.

The implementation of the Tacis customs programme is at various levels of completion in the different republics. These vary according to the level of development of national customs legislation, the level of development of the customs administrations and the possibility and their readiness to cooperate at international level.

As the reforms are more advanced in some countries than in others, and in order to achieve the maximum benefit for all republics, the original time frame of the programme will be extended.

As regards the computer feasibility study, the first results have shown that all republics face common problems, albeit at different levels in the computerisation process. Efforts will be made to arrive at a common approach, which is necessary in order to avoid future communication problems between the different New Independent States' customs administrations.

Democracy programme

General overview

Supporting transparent and pluralistic development has always been a central concern under the Tacis programme. By broadening the base of economic activity, the foundations of a richer and more pluralistic society are being laid. Tacis has therefore introduced a democracy programme under the 1993 Tacis Programme.

The interpretation of the promotion of democracy is broad. Parliamentary practice is a very important element of it, but it also includes the improvement of the transparency of public administration, support for the development of democratic structures, the promotion of an independent and pluralistic media, awareness building and conflict prevention, promotion of human rights, and the monitoring of security structures.

Although the democracy programme will be allocated a separate budget line from Tacis in 1994, it will continue to be managed as a coherent part of the Community's support for the transition process in the New Independent States.

Implementation progress

The monitoring of the Russian elections in December, 1993, was one of the first activities supported under the democracy programme, not only to meet a legitimate European Union foreign policy objective, but also in order to use the elections for training related to better understanding of the democratic process.

Early in 1994, a fresh initiative is to be taken, jointly with Phare, to invite any association bringing together more than one European Union Member State to put forward proposals for projects promoting a more just and plural society. It is expected that hundreds of requests will be submitted by end April, 1994. The Commission intends to repeat the call for proposals later in the year.

It should be mentioned that Tacis already supported a number of projects related to the above objectives well before the democracy programme was adopted. An example of this is the programme in the Russian Federation supporting the development of trade unions which have a sound understanding on how to operate effectively in a market economy.

Observations and conclusions

The scale of the task at hand under the democracy programme is very great. It has therefore been necessary to limit the number of activities which are directly initiated, and to open the rest of the programme to indirect management. The Commission will accordingly use the services of the European Human Rights Foundation in order to advertise the programme and to facilitate the most deserving and highest priority proposals put to the Commission. They will be implemented in projects based on cooperation between non-state, non-profit organisations in Europe and the New Independent States.

The regulation governing Tacis refers not only to economic transformation but also to progress in the setting up of free democratic systems, open and respecting human rights. The democracy programme specifically pursues these objectives and, in so doing, gives a human and social dimension to the economic transformation process.

Twinning

A two-year pilot programme on city twinning in administration and services was established under the 1993 Tacis Programme. This ECU 6 million (ECU 3 million from the Regional (multi-country) Programme and ECU 3 million from the budget for the Russian Federation) is intended to offer practical help to New Independent States local administrators through direct exposure in European Union towns, cities and regional authorities. In the first instance, the emphasis is to be put on exchange and training in fields where Tacis is already very active, i.e. employment and SME creation, management of employment services, privatisation and accounting. Over time, links will be built up in other areas such as the social safety net. By emphasising twinning, the programme is intended to create links between administrations which can form a nucleus around which a broad range of cooperation between cities or regions may grow.

A variety of bodies may take part in the programme. In addition to local authorities, regional associations, local public associations of towns or counties and even private associations, agencies or other non-profit companies can be considered as hosting institutions, depending on the level and constitutional delegation of responsibility in the individual legal framework of different European Union Member States.

Networks

Background

Under the former Soviet system, infrastructure was developed to meet the requirements of what was one country. Energy was supplied very cheaply, leading to the inefficient usage of energy resources. Transport was basically oriented towards Moscow and communications were designed to serve inner-USSR needs rather than world-wide links.

Establishing infrastructure that meets the needs of each New Independent States is therefore important and Tacis has been working with these countries to restructure energy, telecommunications and transport networks, as well as introducing efficiencies in the operation and use of these networks.

Energy

General overview

There are considerable energy resources in the New Independent States (with the exception of Belarus and Ukraine), raw materials remain plentiful and electricity generation levels are high. However, structural problems in the industry, coupled with inefficient production techniques, mean that much investment is needed in order to reach a level of operating efficiency allowing the sector to play its full role in underpinning industrial restructuring and economic development.

In the Russian Federation, oil production has seen a decline of 30 per cent since the late 1980s, from a peak of 560 million tonnes to 396 million tonnes in 1992. Coal production is also declining, though less dramatically at present. Natural gas production, on the other hand, has remained stable: around 640 billion cubic metres. The reduction in oil production has hit Russia's hard currency earnings particularly hard, as the 35 per cent decline in export levels since 1990 coincides with a period of very low world oil prices.

Despite reductions in Russian oil and coal production, generating capacity and electricity output have remained relatively stable: a little over 1000 TWh, with 20 GWe of installed capacity in the nuclear sector, 43 GWe in hydropower, and 140 GWe in thermal power. The decline in coal generated power appears to have been offset by natural gas, with a consequent reduction in the proportion available for export (down from 64 billion cubic metres for western Europe in 1991 to 61 billion cubic metres in 1992).

The energy sector in the New Independent States faces problems at three principal levels :

- Difficulties in primary energy production, partly linked to remoteness of resources and harsh climatic conditions, and partly to the lack of recent New Independent States or foreign investments.

- The inefficiency of much of the power generation sector, and its environmental problems, including those linked to the safe operation of the nuclear sector (the subject of a separate programme).
- The inefficiency of industry in terms of its very high energy requirements.

The Tacis programme aims to provide support for the establishment of dynamic energy sectors responsive to market conditions, for the efficient use of energy resources, and advice on energy consumption and saving.

Particular attention has been paid to the integration of concerns for environmental protection into the definition and execution of projects. This is of major importance in projects aiming to improve the use of the natural resource base as well as in the energy saving sector. In general, two dimensions can be distinguished: the environmentally sustainable design of capital projects, and the introduction of environmentally sound management procedures in institutional development and training projects.

Implementation progress

1991 Programme

The total budget of ECU 17 million allocated to the electricity sub-sector under the 1991 programme has now been contracted. Projects launched in this field concern principally the following activities:

- assistance for the reform of management methods in power distribution companies, in order to achieve improved company production and profitability
- assistance in repairs, renovation of power plants, drafting of new electricity tariffs (calculation of costs, tariff structures, means for metering and monitoring, etc.), training of local staff
- the improvement of the electricity network including interconnections with the European system.

Similarly, in the oil and gas sub-sector, all the funds (ECU 17 million) have been contracted. An important oil and gas project in the Tyumen region aims to stabilise and, if possible, increase hydrocarbon production and boost foreign interest in the local oil and gas industry.

Other major projects relate to the development of recommendations for the Russian gas industry's transition to market conditions, and an implementation plan for these recommendations; the evaluation of the main oil and gas pipelines in the Russian Federation to improve capacity and reduce losses, and the examination of compressor stations in trunk pipelines; and, finally, the optimisation of the petroleum refining facilities of several refineries.

In the energy saving sub-sector, the budget contracted to date is ECU 19.8 million from a total of ECU 21 million. ECU 10 million have been allocated to the strengthening of energy saving centres in Moscow, St. Petersburg, Minsk and Kiev, established under the EC/THERMIE Programme, which form the nucleus for the future establishment of a network of such centres operating throughout the New Independent States. The objective of these centres is to ensure coherent action in the area of energy saving, principally by improving the performance of the energy systems

in the New Independent States and by facilitating the transfer of European energy technology.

A further ECU 11 million have been allocated to energy saving demonstration projects.

Finally, in the sectoral structures sub-sector, support is being provided in legislative development. The principal action in this field is a long-term action of legal assistance in the subject of hydrocarbon legislation for the Russian Federation. This action is a continuation of a Tacis-sponsored workshop which was able to settle a dispute between the draft laws that were competing for adoption. The resulting law will form the backbone of the reform of the oil and gas sector.

1992 Programme

The 1992 energy budget is approximately ECU 46 million and includes 48 projects. Activities under the 1992 programme are foreseen at three levels: advice to the governments, advice to industry and training.

High level expertise will be provided to help design overall energy policies, with particular emphasis on oil and gas production and inter-state transport, including measures that will improve the industry's efficiency. The Tacis Programme will support energy-related advisory services at governmental level, and projects aimed at the restructuring and modernisation of major energy consuming industries. Other activities will focus on the training of engineers and future managers in the energy sector. Pilot projects will be carried out, mainly in the energy efficiency sector, to be duplicated and disseminated.

1993 Programme

The following projects have been identified under the 1993 energy programme.

In the Russian Federation, assistance has been extended to the regions of the Urals and Western Siberia. The five projects to be supported relate to the development of a structure and organisation of the Russian oil industry:

- the audit of coal exploitation
- assistance provided to the Moscow authorities to promote an energy policy and energy saving measures
- the development of new oil fields in the Tyumen region
- the development of the oil equipment industry capacity in the Russian Federation.

In St Petersburg, three projects in the gas sector and one project relating to electricity tariffs will be financed.

In the Urals region and Western Siberia, energy centres will be set up in Ekaterinburg and Novosibirsk. Energy supply projects in the Baikal Region and management training projects for the Russian coal mining industry in Kemerovo are also foreseen.

In Ukraine, actions will be initiated in 4 main areas: coal, oil and gas, electricity and energy saving.

In the coal sector, support will be provided towards the restructuring of mining enterprises through the establishment of a model mine management system in the Donbass region. Two other projects in this sector will seek improvements in the production and use of coalbed methane, and provide advice and training for the use of waste anthracite.

In the gas sector, expertise will be provided in the assessment of the current state of the natural gas grid and its future maintenance requirements and development.

In the oil sector, Tacis will support the modernisation of the Lysychansk refinery, the largest oil refinery of the former Soviet Union.

In the electricity sub-sector, a project is directed at the development of an electricity generation and cost management system for scheduling load in order of merit. A second project matches the recommendations of the World Bank, EBRD and G7 for power plant rehabilitation. This project encompasses a feasibility study on combined cycle gas topping for the Ulegorsk power station.

In the field of energy saving, Tacis will support two projects related to the improvement of the district heating system in Dnepropetrovsk and energy efficiency restructuring of the fertiliser industry.

In Kyrgyzstan, three projects will prepare the ground for the setting up of a future Kyrgyzstan Energy Centre. The projects will provide management training to the staff of key energy sector institutions, improve the efficiency of energy utilisation by addressing issues related to energy saving in buildings and support activities under the existing Tacis Energy Law legal support programme.

Energy has been selected as the focal sector in Armenia under the 1993-1995 Indicative Programme. The main objective of the programme relates to energy saving and efficiency, with special attention paid to integrating concerns for environmental protection in the definition and execution of projects. The assistance is focused on the extension and strengthening of the energy savings programme initiated in 1991 and 1992, and on the rationalisation and diversification of energy supply. Actions within the latter area will concentrate on the improvement of the gas supply system with a view to the expected introduction of Iranian gas in the Armenian pipeline system.

In Azerbaijan and Moldova, identification missions were carried out in the course of the second half of 1993, and the Action Programmes will be submitted to the Tacis Committee in March, 1994.

Regional Programme

Building on the 1992 Regional Programme which provides assistance in the management of oil and gas pipelines, the following actions will be undertaken.

Extension of the 1992 pipeline management project to Moldova and Ukraine; follow-up in Central Asia and the Caucasus, focusing on feasibility studies for new oil and gas transport routes, considered for funding under the 1994 budget.

Advice on effective management, operation and development of regional electricity networks in Ukraine, Belarus and Moldova:

- a technical study of the interface between the extended west European power system and its eastern neighbours (in conjunction with a Phare project for the neighbouring countries of eastern Europe)
- improvements in system operational planning, operation and control practices in the Caucasus and central Asia
- improvement in electricity transmission, distribution and end-use efficiency in central Asia
- common technical and organisational requirements for extended economy and security of power systems operation in all the New Independent States.

Humanitarian aid in the energy sector

Following the Commission's decision on 22 September 1993, to allocate an ECU 8 million grant to the purchase and transport of fuel oil for two of Armenia's thermal power stations, contracts were signed with a procurement agent and independent inspectors. A call to tender for suppliers of fuel oil was issued and a further contract signed with a supplier. By 31 December 1993, some 16,000 tonnes of fuel oil had reached their destination, under very difficult conditions.

As in the case of Armenia, a ECU 6 million Tacis project in Georgia is being financed under the Tacis 1993 budget in order to deliver fuel oil for use in thermal power stations which provide electricity for heating and lighting to the Georgian population at large. Fuel oil supplies arrive from the Russian Federation or Turkmenistan via Baku in Azerbaijan.

Observations and conclusions

1993 is the year during which real progress has been made under Tacis in the energy sector. Tacis experts have been received very favourably in each New Independent States, and a high level of satisfaction with the services supplied has been observed. During the course of 1994, the result of this work will be assessed.

Close coordination was assured with other donors such as the World Bank and the EBRD during the preparatory phase of the 1993-1994 programmes. Such coordination is vital in order to avoid any overlapping of projects, but also in order to identify the best way to put into practice the results of the Tacis studies which have been carried out. This is done by ensuring appropriate follow-up investment, which is seen as the final objective of any development programme.

Transport

General overview

The transport sector in the New Independent States is currently going through a process of decentralisation and moving towards a more market-oriented operation. However, the sector still suffers from institutional problems and poor technical capacity. The former Soviet transport system was strictly centrally planned and

vertically organised, with practically no links between the different transport sectors. This rendered the transport terminals very inefficient, creating huge bottlenecks in the distribution system.

The Tacis transport programme therefore covers activities in inter modal transport and the alleviation of bottlenecks in the transport terminals. In addition, a training component is included, aiming to make better use of the existing infrastructure.

Implementation progress

1991 Programme

The implementation of the 1991 programme is being carried out successfully.

Attempts are being made to secure funding from financial institutions for those 1991 transport projects where feasibility studies have been completed. Positive support has been secured from the EBRD for the upgrading of the road from Brest to Minsk. The EBRD may also support the modernisation of St Petersburg Airport and the cargo terminal at Yerevan.

A number of projects under the 1991 programme have been continued and included in the 1992 programme, e.g. projects providing assistance to the Ports of St Petersburg and Odessa.

1992 Programme

The 1992 transport programme covers the following transport modes: civil aviation, railways, road and multimodal transport.

In the field of civil aviation, an important training programme is supported in the field of air traffic control, to review the organisation and the costing of international air traffic and to carry out a master plan and business plan for one of the largest airports of the region, the Nizhny Novgorod Airport.

In railways, organisational and technical means to upgrade the track between St Petersburg and Moscow are being investigated to allow higher running speeds and assist the railways in business management and operations monitoring. This assistance to the Russian railways in the field of management training and freight operations monitoring and control will be dovetailed with the Railways Modernisation Programme of the EBRD.

In addition, Ukraine is receiving assistance in improving existing railway lines and institutional support is being provided to the rail organisations of Turkmenistan and Armenia.

In road transportation, action is being taken in support of the development and the operations of new transport operators and the maintenance and rehabilitation of highway infrastructures. Support to the transport industry is also being provided through the privatisation study of a road transport company and the creation of a training centre for transport operators.

Assistance in the field of road infrastructure is being provided in Belarus, Armenia and Azerbaijan. Emphasis is being placed on obtaining funding from outside financing institutions for the proposed investments.

An important programme of assistance is also being implemented in the maritime sector. The programme builds on initiatives developed under the 1991 programme for the ports of St Petersburg and Odessa. A study to assess the organisation and structure of the Caspian shipping company in Azerbaijan is included in the programme.

Under the Regional (multi-country) Programme, a major conference on regional transport, TRACECA, was held in Brussels on 3-7 May 1993. The meeting concluding with the signature by the states of the Caucuses and Central Asia and the Commission of a declaration on future cooperation. Agreement was also reached on the main outlines of future know-how provision.

1993 Programme

In the Russian Federation, Tacis is providing further assistance in the field of air traffic control and towards the privatisation of Aeroflot, the development of multimodal transport terminals, continued support to the port of St Petersburg, the extension of activities to the port of Novorossysk and assistance to the road transport sector in a number of fields.

In Ukraine, the focus is on improving the main road infrastructure, the regulation of the aviation sector together with continued support for the airline, and assistance to the ports with an extension of activities to the Danube ports of Ismail and Reni.

In Moldova, a study has been initiated to assess the viability of constructing a new port in the South of the country. The Moldovan airline will also receive Tacis support.

Observations and conclusions

The scale of the assistance requirements in the telecommunications sector in the New Independent States is enormous. However, considering that the Tacis budget is very small in comparison to the tasks at hand in the sector, the Tacis telecommunications programme is having a remarkable impact in the New Independent States. This is particularly noted in the field of air traffic control.

Telecommunications

General overview

Due to the former centrally planned system and the low priority given to trade and services, public telecommunications were largely neglected in the former Soviet Union. As a result, this sector is currently among the least developed areas in the New Independent States' economies in terms of regulation, organisation, and equipment. This makes it particularly hard for the new economic actors to establish productive horizontal ties, which are essential for the growth and efficiency of a market economy.

While the particular structure and development of the telecommunications sector varies in the different New Independent States, and the particular needs are to be addressed in the definition and implementation of each project, a number of common issues can be identified. These concern in particular legislation and regulation, network development, layout and interconnection. Development needs in these areas serve as common basic indicators for the overall programme strategy in the Tacis telecommunications sector.

Under the 1992 and 1993 programmes, the following budgetary resources have been allocated to the telecommunications sector:

ECU	
1992	9,410,000
1993	6,150,000
Total	15,560,000

Implementation progress

1992 Programme

The 1992 Tacis telecommunications programme focuses on the review and elaboration of all aspects of the legal and regulatory framework of the sector. In addition, in order to plan for the development of the physical telecommunications infrastructure, it includes projects for the technical review of the existing network; the identification of a short-term rehabilitation programme; an assessment of the market for telecommunications projects and the development of standards in cooperation with European institutes. These advisory services, directed at upgrading the structural conditions of the sector, are provided directly to the New Independent States Ministry of Telecommunications. The 1992 projects will prepare the ground for the more technically oriented projects to be implemented under the 1993 programme.

Other projects included under the 1992 programme are directed at providing training to the major New Independent States institutes of telecommunication, such as the Moscow Technical University for Communication and Informatics and the Central Asian Regional Telecommunications Training Centre in Tashkent.

1993 Programme

The 1993 Tacis telecommunications programme focuses on network development, layout and interconnection.

The most important common shortcomings of the New Independent States telecommunications networks are an inadequate and highly variable quality of the public network, the low density of main lines, the particularly low penetration rates in rural areas, and the co-existence and insufficient interconnection of the public networks and various closed private as well as by-pass networks.

The 1993 programme addresses specific aspects of these problems: Projects include

- assistance to improve testing services for telecommunications equipment in the Russian Federation

- support for the production of switching equipment at a factory in the Urals region
- the provision of know-how for the production of automatic telephone stations in Western Siberia
- advisory services for the construction of two optical fibre links in the Ukraine;
- support in the development of new information technology for the Russian Federation's post offices
- follow up on Support for the central Asian telecommunications training centre in Tashkent.

These projects are to be launched in the course of 1994.

Observations and conclusions

Telecommunications is one of the most rapidly expanding sectors in the world economy, as well as a sector that stimulates wider economic development and growth. To create more effective competition vis-à-vis the global leaders in the telecommunications market, support in this sector should therefore promote mutually beneficial cooperation between the European Union and New Independent States. At policy level, there is clearly a need for more regular communications, information technology and space institutions. The European Commission (and not just Tacis but all relevant Commission services) should take the initiative in setting up such policy dialogue. Advance in this dialogue and policy definition on both sides should make it easier to implement specific projects which provide know-how and business cooperation in the future. It should be mentioned that the difficulties and subsequent delay which Tacis encountered in launching a project for the conversion of military satellites resulted mainly from unresolved questions at policy level.

Nuclear safety

General overview

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

Specific programme objectives are to

- assist operators and design institutes in assessing the most important technical and safety problems and to implement suitable short and medium-term improvements
- improve plant operation through better organisation and procedures, upgrade inspection facilities and procedures and improve training and quality assurance
- develop strong, independent regulatory authorities and technical support organisation in charge of the safety of the population and the protection of the environment
- provide assistance in the field of nuclear fuel cycle and waste treatment and storage.

To date, the Commission has committed the following budgetary resources to nuclear safety in the framework of the Tacis Programme:

ECU	
1991	53,000,000
1992	80,000,000*
1993	103,000,000 **
Total	236,000,000

* including a Community contribution of ECU 20 million to the International Science and Technology Centre (ISTC) in Moscow.

** including a Community contribution of ECU 15 million to the Multilateral Nuclear Safety Fund recommended by the G7 at the Munich Summit.

A nuclear safety budget of ECU 75 million is foreseen under the 1994 Tacis Programme.

Implementation Progress

1991 Programme

The 1991 Tacis nuclear safety programme includes 35 projects which are mainly generic safety studies (i.e. they cover specific types of reactor, especially those considered least safe, such as the RBMK and VVER 230) or training projects. A number of these activities have been partially subcontracted to Russian organisations and institutes.

The signature of the contracts was delayed significantly by an issue raised by western experts: the liability which would be borne vis-à-vis third parties in the case of a nuclear accident. After difficult negotiations, the Commission succeeded in finding an interim solution in May 1993. This essentially entailed a two-phase approach which allowed the contracts to be signed and the projects to begin immediately.

The first phase of these projects has now been underway for a number of months and initial results are now available. During a second phase, the progress made to date should be secured by a comprehensive agreement to be reached with the Russian government on the question of liability, which for the moment has not been extended to cover changes in operating procedures or installation of equipment.

1992 Programme (ECU 60 million and ECU 20 million ISTC)

The 1992 Tacis nuclear safety programme takes account of the priorities proposed by G7, concentrating to a large extent on the on-site assistance component:

Safety of nuclear installations	ECU
Operational safety (on-site assistance)	38,000,000
Design safety (generic studies)	10,000,000
Assistance to safety authorities	6,500,000
Master Plan	3,500,000
contingencies	2,000,000
Total	60,000,000

In addition, a ECU 20 million contribution has been allocated to the International Science and Technology Centre (ISTC) in Moscow.

On-site assistance

As recommended by the G7, the European Commission is providing valuable on-site nuclear safety assistance. Projects aim at the improvement of operational and technical aspects of the plants, going beyond formal bilateral twinning programmes. In practical terms, this has involved the presence of one or two Union operators at each of the eight sites in the Russian Federation and Ukraine since June, 1993.

At this point, the initial phase of the on-site assistance has been completed, resulting in a close cooperation with the partners and, most importantly, in the elaboration of specifications for safety equipment as well as for engineering studies. Equipment tendering and procurement procedures are well underway and the first pieces of equipment are currently being manufactured and delivered.

In addition, part of the nuclear safety budget has been allocated to the supply of spare parts in Ukraine. The on-site Community operators have cooperated with the three Ukrainian plants in the programme (a ninth site having been added under the 1993 programme) to establish a list of urgently required safety-related spare parts which are now being purchased and delivered.

Two major projects related, respectively, to the de-commissioning operations for units (reactor blocks) 1, 2 and 3 and the management of radioactive waste dumps in the Chernobyl exclusion area are now being launched.

In October 1993, the Ukrainian authorities confirmed their desire to have a feasibility study of the unit 4 sarcophagus carried out under the Tacis programme (provision under the 1992 budget). The evaluation of tenders is soon to be completed.

Generic safety studies are to be launched for the VVER 213 and 1000 reactors and for fuel cycle operations. Tenders are currently being launched for some of these projects, while for others the terms of reference are being drafted.

Two large projects providing advice to safety authorities on the transfer of western European regulatory methodology are being carried out in the Russian Federation and Ukraine since December 1993.

In addition, plans have been drawn up to answer the computer and organisational needs of the Russian and Ukrainian safety authorities. Equipment is currently being procured and delivered.

The Master Plan, initiated under the 1992 Tacis Programme, is designed to establish a coherent policy framework for the nuclear safety activities vis-à-vis the relevant New Independent States and central and eastern European countries, over a period of four to five years. It should develop a set of policy recommendations concerning the appropriate measures which need to be taken to improve the safety of all aspects of the civilian nuclear fuel cycle.

As a first step, a methodology for a Master Plan was developed. Since then, detailed studies and preparatory work for the development of an action plan have been undertaken. This action plan will be drawing on the basis of a matrix covering individual beneficiary countries and different reactor types. Inputs must come from the partner countries, in particular through their domestic nuclear safety programmes. Other inputs are policy guidelines as well as results of safety assessments and other on-going nuclear safety activities.

Tacis 1993 Programme (ECU 88 million and ECU 20 million ISTC)

The 1993 programme foresees a continuation of the on-site assistance with the inclusion of a ninth site (Zaporozhe, Ukraine).

For the design safety projects, a first set of technical terms of reference have been submitted to the Russian side. For the other parts of the programme, such as nuclear fuel cycle and waste management, specific projects are being defined and selected.

In addition to the ECU 88 million allocated to the Tacis Programme, ECU 20 million (ECU 15 million Tacis and ECU 5 million Phare) will be contributed to the EBRD Nuclear Safety Account, recommended by the Munich summit and created to complete bilateral engagements concentrating on urgent upgrading operations for the most unsafe reactors.

Observations and conclusions

The most important obstacle to a rapid implementation of nuclear safety projects in the New Independent States remains the lack of formal guidelines governing the nuclear liability of western experts. The Commission has been forced to find ad hoc solutions in the form of indemnity statements from governments of the partner countries. A partial statement has been provided by the Russian authorities but it is not sufficient to allow the continuation of all projects.

An indemnity statement was requested from the Ukrainian government in early May. To date, the Commission has received no satisfactory response.

It must be noted that cooperation with New Independent States counterparts has improved considerably since the earlier stages of the programme. Useful working relationships between European Union and New Independent States partners, built up over time, have increased the effectiveness of support efforts.

Section 2 Other Tacis activities

Environment

The new Tacis Regulation (1993-1995) includes, for the first time, a specific reference to the environment. Article 3, paragraph 3 of the Regulation states :

"Due regard shall be taken of environmental considerations when designing and implementing programmes."

As a consequence, the Tacis Programme has not only started building an environmental dimension into individual projects; it is also providing support to institution building that can contribute towards enhanced sustainability as part of the general framework within which economic reform takes place. As a Treaty and regulation obligation, it requires an active response in the programming and the preparation cycle of projects.

In that context, the environmental dimension should, as part of the Tacis Programme, become an integral and reinforcing part of the Tacis concentration sectors. It should, on the one hand, aim at strengthening The New Independent States' capabilities, especially through institution building, awareness creation, and the development of a minimum legal framework. On the other hand, it should ensure that economic reform and short-term economic gains are not accompanied by further environmental damage of lasting consequence. Sustainable economic reform must become one of the central objectives of Tacis.

Concrete steps towards integration of environmental principles, such as a training seminar for Task Managers and the staff in the coordinating units and the inclusion of environmental chapters in the country Sector Strategy papers, are under preparation and will soon be implemented.

1992 Programme

The implementation of the environment projects under the 1992 Tacis Programme is proceeding satisfactorily. The 'Analysis of Data and Management capabilities of the Black Sea Laboratories' project is under implementation in four of the five participating countries. But due to the continued fighting and civil unrest in Georgia, the programme activities envisaged in the Black Sea coastal region of Georgia had to be postponed. It seems, however, that the monitoring stations at Batumi have been spared major damage from the fighting and, if the current calm persists, the team of experts will proceed to Georgia as soon as possible.

The Environmental Legislation Seminar will take place in April 1994, in Kiev. It will assist the riparian states to establish an institutional (including legislative) framework, to fight pollution and stimulate sustainable development. Tacis is providing the European Union environmental legislation with regular updates, as well as a consultation service. Georgia will also participate in this seminar.

Through the Bistro Facility in Moscow, Tacis has provided funding to the environmental non-governmental organisation Globe. This organisation, which

operates from within the Russian Parliament, is responsible for the monitoring of environment related developments and for assisting with the drafting of environmental legislation. It is supported by a network of European Parliamentarians. Following the recent-violent events in Moscow and the closure of the Parliament, the project has been temporarily halted. Globe is however refocusing its efforts on the translation of legislation into Russian and will resume its original tasks as soon as the new Parliament becomes operational.

1993 Programme

The only environmental programme under the 1993 Tacis Programme is the regional environmental facility, which aims at integrating environmental considerations in the economic reform process. The tender was launched in January 1994. The focal areas of the Facility are project preparation, natural resources management, public awareness and non-governmental organisation support, and legislation, the Black Sea and the Caspian Sea. Under the natural resources tranche, special attention will be paid to Lake Baikal, in follow-up to the recent resolution of the European Parliament calling for the protection of this important natural resource and the world's deepest sweet water lake.

Humanitarian aid

Background

The Tacis Regulation states at the request of a beneficiary state, humanitarian aid and technical assistance for its implementation can exceptionally be provided (art.6). In the minutes of the regulation, it is indicated that up to 10 per cent of Tacis budgetary provisions can be allocated to humanitarian aid.

Implementation progress

In 1993, Tacis financed three major humanitarian aid operations. Two of these operations relate to the energy sector and involve the provision of fuel oil, to Armenia and Georgia (see chapter 1 on energy sector).

In the case of Azerbaijan, Tacis has provided a ECU 8 million grant for the purchase and delivery of pre-fabricated housing for some 15,000 persons displaced by the conflict in and around the region of Nagorny Karabakh. The funds will also cover associated requirements for sanitation, water supply and basic household needs.

The provision of a basic infrastructure will be complemented by a financial allocation from ECHO of ECU 3 million, which will supply the camps with food and medicines. In accordance with Tacis aims, management of the camps will gradually be transferred to Azeris after an initial period of management assistance. Tacis has given a delegation to ECHO for signing contracts and making payments, after which the programme will be implemented by ECHO.

Regional programme

Background

A Regional (multi-country) Programme was included under the 1992 Tacis Programme to cover areas where there are advantages in adopting a regional approach, either in terms of economy and synergy - in using the same frameworks and models for similar activities in different states - or where there are problems of genuinely regional dimensions, such as regional transport networks or water resources.

1992 programme

ECU 28 million have been allocated to the 1992 Regional (multi-country) Programme. All of the planned projects are now well underway. These projects are referred to in the chapters earlier in this report.

1993 programme

Tacis drafted a 1993 Regional (multi-country) Programme on the basis of preliminary discussions with and proposals put forward from governments and the Coordinating Units in 11 New Independent States. The proposals cover

- support for the developing economic sector (financial services, partnerships in enterprise)
- assistance to the environment and water resources
- democratic structures
- networks (transport, energy and telecommunications)
- human resources (government and legal advice, language training, statistical services, town twinning) and support related to the consequences of the Chernobyl accident.

Tacis information activities

Within the new Tacis Council Regulation, information is now mentioned as one of the areas covered under the programme (Art. 4.2). On this basis, a financing proposal outlining the new Tacis communication programme was established and a corresponding tender launched.

The general objectives of the Tacis information and communications activities are to increase transparency of programme operations and provide information on Tacis to the programme's target audiences.

In 1993, the main task carried out has been the laying of the foundations for the new Tacis communications programme. Although budgetary resources are still modest in comparison to the strategic importance of the Tacis Programme, the situation has substantially improved. The infrastructure and basic conditions for the implementation of a new communications programme have now been created. This more concrete and complex work programme was launched at the end of 1993. Consequently, over the last year, much work has been carried out relating to general strategic aspects of Tacis communications. This included important analytical aspects such as an assessment of

the strengths and weaknesses of the current situation, the definition of target audiences and the development of working plans for the different levels and areas concerned.

On this basis, work has started on the basic instruments required. A new visual identity, together with a corporate identity manual, are currently under preparation. The existing mailing list has been completely revised and extended to serve as a communications database. The publications programme has also been substantially extended.

New documents published include

- Summary of Indicative Programmes 1993-1995
- The Tacis Progress Report January-July 1993
- Tacis Activities in Ukraine
- Tacis Activities in Belarus
- Tacis Contract Information - Budget 1993.

The last mentioned publication, in particular, represents an important contribution towards an increase in transparency of Tacis activities, providing all relevant data to economic operators interested in participating in the programme.

Furthermore, many new publications have been or are currently being prepared:

- Tacis Activities in Kazakhstan
- Tacis Activities in the Russian Federation
- Compendium of Tacis Action Programmes 1993
- The Tacis Newsletter
- Russian version of:
 - Summary of Indicative Programmes
 - Progress Report January - July 1993
 - Report on Activities 1992
- An English - Russian Glossary of key Tacis terms
- Progress Report July - December 1993
- What is Tacis?
- How to work with Tacis.

Cooperation between the Tacis information office and the Commission Spokesman's Service has intensified, especially in terms of regular flow of information for the drafting of press releases on Tacis.

The last year has also seen a sharp increase in the information office's attendance at speaking engagements such as conferences, seminars and workshops and meeting individuals and smaller groups for in-depth interviews at the Tacis information office.

In addition, the Tacis Information office participated in and was present at a number of important events, including the World's biggest industrial fair in Hannover in April, 1993. This was combined with targeted press work, lectures on Tacis and direct interviews with hundreds of visitors. Tacis is currently preparing its participation in a similar event in London, the CEETEX exhibition in May 1994, which will be attended by over a 1,000 exhibitors from the New Independent States and central and eastern European countries. This will provide a forum of major importance to Tacis.

A number of important steps have also been taken to intensify cooperation on information work with the Tacis coordinating units in the New Independent States.

Finally, close cooperation has been maintained between the Tacis Information service and DG X's external information unit.

DG X has continued its information work following the guidelines of the 1991 Commission paper on information strategy towards central and eastern Europe and the New Independent States. The demand for information on the European Union, its institutions and policies is enormous and still growing following the development and widening of bilateral relations. The budgetary resources, made available under the Tacis Programme and divided for the implementation of information work on Tacis itself and information on the European Union in general, are modest and inadequate in comparison to the importance of the strategic goals of the European Union in the region. A better informed public in the New Independent States could only ease the achievement of these goals and help overcome the misunderstanding of the European Union and the negative attitude towards it in some of these countries.

The actions providing information on the European Union were concentrated on the general public and specific audiences (decision-makers, media people, academics, students, young people). There were television and radio programmes on various aspects of the European Union and its relations with the New Independent States, which were regularly broadcast on channels covering the whole territory of all 12 countries. Programmes on the European Union were also aired by local television and radio stations in Moscow. Due to high demand, the circulation of the Europa magazine (84 per cent of which is being sold in all New Independent States and the rest distributed by mailing list) has been increased from 100,000 to 120,000. articles on the European Union in general were published in leading newspapers and magazines.

It is important to underline that cooperation between DG X, DG I, DG IA and the delegation in Moscow in this area has continued to be excellent.

Although significant progress has been made in the area of Tacis communication work, it is clear that much remains to be done. A further extension and intensification of this programme therefore continues to be a priority for the Commission Services.

Section 3 Legal and operational aspects

Coordination of assistance to the New Independent States

Multilateral Coordination

Following the Tokyo Conference on Assistance to the New Independent States in October 1992, a new phase in coordination began. The World Bank was given a mandate to convene Country Consultative Groups (CGs) for each of the twelve New Independent States. This more standard mechanism for international aid coordination on a country-by-country basis replaced the international conferences which had been responsible for coordination of assistance to the New Independent States as a whole. To date, CG meetings have been held for Kazakhstan and Kyrgyzstan (December 1992), Russia (June 1993), Belarus and Moldova (September 1993). A meeting for Kazakhstan will be held in January, 1994. These meetings are open to all donor countries and international organisations with a meaningful contribution to make to the transformation process, and are held to review the balance of payments situation and external financing requirements as well as technical assistance needs. In the absence of sufficient progress towards an agreement with the IMF on macro-economic stabilisation, pre-CG meetings can be held which are limited to discussions on the provision of know-how.

At each of these meetings, the Commission presented its programmes to the other G7 donors and discussed progress and the future orientations for reform in each of these countries.

In the Belarus and Moldova CG meetings, the Commission led the discussion on food production processing and distribution, which is a Tacis priority sector in both these countries under the 1993-1995 Indicative Programmes.

Other Coordination

Outside the context of the CG meetings, further coordination at the operational level is necessary to avoid overlapping, fill gaps, ensure complementarity between donor programmes and to allow an informal exchange of views and experiences. Tacis is actively involved in pursuing such coordination with other multilateral institutions and major bilateral donors.

World Bank

Through an exchange of letters in April, 1993, the Commission and the World Bank have continued to deepen their contacts, both at a policy and working level, in order to exploit better the complementarity between their respective activities in the New Independent States.

In addition, Tacis and the World Bank are now cooperating on a number of projects in different countries, including the Russian Federation, Kazakhstan and Ukraine, across a wide range of sectors such as energy, financial services and telecommunications.

IMF

Cooperation with the IMF in the field of central banking, training and the reorganisation of payments systems is well underway. One example illustrating this cooperation is the participation of Tacis and the IMF in creating an inter-state bank with the Russian Federation, Ukraine, Belarus and Kazakhstan.

EBRD

Relations with the EBRD are mainly based on the Bangkok Agreement (concluded in October, 1991) through which in 1993 ECU 20 million were set aside from the Community budget for EBRD operations in the New Independent States. The Agreement is aimed at combining the Commission's capacity for grant funding of feasibility studies and other preparatory work and the EBRD's capacity to generate investment projects in order to ensure the complementarity of both institutions. Tacis and the EBRD are currently cooperating on more than 40 projects under this agreement.

Outside the Bangkok Agreement, there are, in addition to regular working level contacts, a number of joint projects underway. Examples include cooperation in transport projects in both Belarus and the Russian Federation.

OECD

Close links are also being maintained with the OECD, as Tacis continues to provide regular updating of project information for the CCEET (Centre for Cooperation with the European Economies in Transition) Register.

Coordination with European Union Member States

Significant steps have been taken in 1993 to improve the coordination of Tacis activities with those of the European Union Member States. Two meetings have taken place at which Member States presented their activities in all of the New Independent States, and a number of specific ideas for advancing coordination on a policy and project level were discussed. These meetings provided a useful forum for an initial exchange of information on strategies and projects, and form a basis on which more detailed work on the ground and at an operational level can build.

One element which emerged from the first of these meetings was the new Partnership and Coordination Programme within Tacis. Approved by the Tacis Committee and the Commission in December, 1993, with an initial budget of ECU 5 million, the programme will support projects proposed by organisations in the Member States on a cost-sharing basis. Projects must be within the Tacis priority sectors as identified in the 1993-1995 Indicative Programmes and will be expected to complement, but not duplicate, on-going Tacis and other assistance. The new programme solicits proposals directly from European Union economic operators with sound knowledge and experience of the region concerned, contributing to a better understanding of the problems to be faced, the generation of sound project ideas and the identification of the right partners and final recipients. The cost-sharing formula has the dual advantage of doubling the budgetary allocation to projects and of being selective, since it ensures

real interest on the part of the European Union operator. This, in turn, leads to sustainable projects and a better chance of follow-up actions.

Finally, by encouraging the coordination of Member States bilateral programmes with that of Tacis, the Partnership and Coordination Programme will contribute to a more effective use of available resources. Final details of the programme are currently being discussed in close consultation with the Member States, and the programme should be under implementation in the first quarter of 1994.

Tacis committee meetings

Seven Tacis Committee meetings and one informal meeting took place in 1993. Discussions focused mainly on the following points :

- the new Tacis Council Regulation and orientations for the 1993 Programme
- coordination with other institutions providing know-how to the New Independent States
- the methodology and progress of the Monitoring and Evaluation Programme
- the extension of the TEMPUS programme to the New Independent States
- internal Rules of Procedure of the Committee
- guidelines on conditionality of the technical assistance
- financial infrastructure development in economies in transition
- TRACECA agreements
- Chernobyl situation
- progress on the Monitoring and Evaluation Programme
- follow-up of the G7 Summit held in Tokyo in July 1993
- Tacis 1994 budget and the European Parliament
- statistics and graphics on contracts, commitments and payments
- Tacis National Coordinators meeting held in Brussels in November 1993
- Tacis assistance in the elections for the Russian Parliament in December 1993.

The Committee gave a unanimous favourable opinion on

- the eleven 1993 -1995 Indicative Programmes
- the 1993 Action Programmes for the Russian Federation, western Siberia, Urals Region, Belarus, Ukraine, Kazakhstan and the 1993 Regional Action Programme
- the 1993/94 Armenia and Kyrgyzstan Action Programmes
- the Tacis 1993 Nuclear Safety Programme
- the Tacis Partnership and Coordination Programme
- the humanitarian aid projects for Azerbaijan and Georgia
- Tacis information activities financing proposal;

Relations with European Parliament

Besides the usual visits to the European Parliament to answer questions and the many replies to letters on behalf of constituents. This year the European Parliament dedicated a full Public Hearing to Tacis and Phare 8-9 June, 1993 in order to review and critically analyse the effectiveness of the programmes. Sir Leon Brittan presented the final address at this Hearing, in which all main issues raised during the meeting were

responded to. Representatives from various Parliamentary Committees and all units of Tacis and Phare, as well as a number of delegates from the partner countries were present.

Other meetings between Tacis and the European Parliament have also frequently been conducted. For example with the European Parliament and New Independent States' delegations and the Budgetary Control and REX Committees. A number of meetings have been held with the European Parliament and New Independent States delegations in order to brief its members on the state of play of Tacis operations. During much of 1993, discussions were dominated by the issue of the freezing of the 1994 Tacis budget by the European Parliament. Forty-five per cent of the budget was unfrozen in December 1993.

Although discussions have covered a wide range of subjects, the same issues prevailed:

- transparency of Tacis operations
- need to monitor what aid goes where, and what effect it has
- over-reliance on consultancies
- greater involvement of local expertise
- move towards greater decentralisation
- lack of links between structures in the east and west at all levels
- lack of follow-up investment
- lack of coordination on whether work is being duplicated
- non-implementation in the New Independent States of recommendations outlined in Tacis reports.

Coordinating units

Apart from their regular duties relating to the implementation of the 1991 and 1992 Tacis Programmes and the inception of the 1992 projects, the activities in 1993 of the coordinating units focused on the 1993 Action Programmes.

In the four larger New Independent States (Belarus, Kazakhstan, Ukraine and the Russian Federation), where the project identification was concluded in the first half of 1993, the coordinating unit's main task was to ensure that the terms of reference were approved and the statements of endorsement signed by the New Independent States counterparts.

In the remaining seven New Independent States (Armenia, Azerbaijan, Georgia, Kyrgyzstan, Moldova, Turkmenistan, Uzbekistan) the coordinating units played an essential role in the pre-identification phase. Based on the 1993-1995 Indicative Programmes, potential New Independent State counterparts and projects were identified. In the identification phase, the coordinating units assisted Tacis experts and Task Managers in selecting projects. Consultations with the relevant ministries were held, prior to the National Coordinators giving their approval in principle of the final list of projects. Altogether, the coordinating units performed extremely well and contributed to a coherent outcome of the identification missions.

Efforts have been continued towards the improvement of the logistic and staff situation in the coordinating units. The coordinating unit in Uzbekistan relocated to new offices.

A number of new staff were recruited to re-establish the balance in units where vacancies had arisen, and these appointments are proving to be a great success. The team of experts in the Russian coordinating unit was reduced as discussions took place over the future structure of the unit and the availability of office space.

The centralisation of international aid coordination is in the pipeline in several New Independent States. Following the establishment of the Agency for International Cooperation and Development in Moscow and the Agency for International Cooperation and Investments in Kiev, other New Independent States (Kyrgyzstan, Azerbaijan, Belarus, Kazakhstan, Uzbekistan) have taken measures in the course of the year to improve the structures of their aid coordination. However, in most cases, the central aid coordination agencies are not yet operational. In all these cases, the coordinating units will be affected in terms of status and responsibility, and Tacis is studying the possible implications and the action that may need to be taken.

The annual National Coordinator's Meeting was held from 8 to 12 November 1993. It was attended by Commission officials and by staff from twelve National Coordinating Units, as well as delegates from Mongolia. This included several National Coordinators, the Executive Directors and European Community team Leaders of the coordinating units.

A broad range of topics was extensively discussed, including the implementation of the 1991 and 1992 Tacis Programmes, procedural and regulatory aspects of programme implementation and the coordination of the Tacis Programme with other donors. Tacis sector activities were discussed in working group meetings, to which the New Independent States delegates contributed actively as speakers and panellists. The opportunity to exchange information on Tacis and strengthen relationships between New Independent States and European Commission officials was much appreciated. The meeting resulted in a series of conclusions and recommendations for the future.

Tacis 1993 Council Regulation n° EEC (Euratom) 2053/93 of July 1993

The first draft of the Tacis Council Regulation was finalised in July 1992. It was approved by the Commission on 25 November 1992.

Discussions on the 1993 Regulation started on 27 November 1992 in the Council Working Group. The draft version was revised by the jurists-linguists and agreed upon on 7 January 1993. The final version was sent to the Council and to the European Parliament on 15 January 1993.

The European Parliament was asked to deliver an opinion through the urgency procedure in March 1993. This was refused, due to the fact that by that time the Council and the Commission had already agreed in principle on the text of the regulation. The European Parliament discussed the proposal during its plenary session of May 1993, and decided to send the proposal back to the Committee, as a result of their disagreement with the comitology proposed. The Council then decided, a second time, to request for urgency. The urgency was accepted, but the proposal was sent back again in June 1993. During its plenary session of July, the EP decided to deliver a negative opinion, reflecting its disagreement with the comitology.

The Council of Foreign Affairs adopted the regulation on 19 July 1993. It was published on 29 July, 1993, and entered into force on 2 August 1993.

The new regulation encompasses the following new elements, as compared to the previous Tacis regulation:

- modification of the title, reflecting the inclusion of the 12 New Independent States, rather than the former USSR
- extension of activities to the republic of Mongolia (as from 1994)
- multi-annual programming
- slight redefinition of some sectors in the annex II (but maintaining the same priorities)
- inclusion of triangular operations, on a case by case basis, with Phare countries and Mediterranean countries
- inclusion of humanitarian aid
- coordination of know-how with international finance institutions.

In addition, the European Commission has been requested to introduce a number of transparency elements in the new regulation. In future, the Commission will therefore provide a report to the Tacis Committee every six months, as well as pre-tender information on projects expected to be put out for restricted tender.

Section 4 Conclusions and future orientation

Improving programme performance

The measures instituted to overcome or circumvent the inevitable constraints and difficulties associated with Tacis' infancy have now started to bear fruit, not least as a result of the systematising of all stages of the Tacis project cycle and enhancing programme quality through increased cohesion of design and the diversity of instruments. Some of the more important measures are

Improved quality, effectiveness and coherence

The shift to multi-annual programming has allowed Tacis to develop strategic priorities and a greater concentration of available resources in a limited number of key areas for greater impact. At the same time, Tacis has started to benefit from the standardisation and formulation of all its procedures, from the introduction of programming guides, systems and improved criteria, and from the strengthening of the human resources for effective programme preparation and management in both Brussels and the New Independent States. At the same time, a diversification beyond the traditional consultant or expert assignments have induced innovative programmes for the mobilisation of skills and know-how (e.g. Productivity Initiative, Twinning, EBRD/Tacis Bangkok Facility, European Senior Service Consortium) often with rapid and highly visible impact at relatively low know-how unit costs.

Measures to accelerate programme implementation

Every effort is being made to further accelerate programme delivery, in particular through a shift towards fewer, larger and faster disbursing projects, with a shorter average duration and more up-front disbursements, and by grouping different smaller projects under a facility managed by one appropriate implementing institution or operator. These measures, and the introduction of multi-annual programming, are already having a significant impact on both accelerated commitment and disbursement rates.

Institutional improvements

Tacis headquarters have been strengthened significantly (although with 32-A staff remains small by any standards), enhancing both technical and management capabilities. The establishment in the New Independent States of systematic monitoring and evaluation systems has started to generate feedback, thus strengthening future programmes and avoiding past mistakes. Of great importance also are the coordinating units, fully operational in all New Independent States except Tajikistan, and allowing Tacis to decentralise certain functions and to benefit from local capabilities and know-how. In Moscow, and now also in Kiev, the European Union Missions are also facilitating this decentralisation process.

Donor coordination

Tacis has been instrumental in establishing effective coordination mechanisms with other donors, and in particular with the Member States, the Washington-based institutions and EBRD.

Regular meetings with the Tacis Committee provide an effective forum for the exchange of information and overall coordination between Member States and the Commission. In addition, coordination with Member States has been improved through special meetings to discuss programming and projects at an operational level. Furthermore, Tacis participates actively in the G7 forum, the Consultative Group process and similar groupings.

Relations with the European Parliament

In the course of last year, Tacis' relations with the European Parliament have been intensified. Tacis has had increasingly regular contacts with the European Parliament, particularly with the European Parliament-New Independent States delegation and with the Budgetary, External Economic Relations and Budgetary Control Committees. The Commission is anxious to build on these fruitful contacts.

Cooperation between Commission services

Within the Commission, the main responsibility for Tacis rests with the Directorate-General for External Economic Relations. In many cases, the specialist know-how of other Commission services is drawn upon to assist DG I, for instance, in the identification of projects, the drafting of terms of reference or the participation in tender evaluations. In a few cases, other directorates-general may assume a leading role in the technical preparation and execution of projects.

Financing proposals for Tacis programmes are discussed with other Commission services at a concertation meeting held before the proposal is submitted for a decision.

Monitoring and evaluation

A programme like Tacis, which aims to contribute to reform, must have an independent overview and reporting system in order to ensure that the projects undertaken remain on course and fulfil the programme's objectives. Such a system can also help to ascertain whether maximum value is derived from expenditure, and provide information that may be used for future programming.

The Tacis Monitoring and Evaluation Programme was launched in 1993. The programme is divided into two parts. Monitoring is carried out while projects are in operation, indicating whether or not projects are on course and providing early warning of potential problems so that adjustments can be made with minimal disruption. During the Evaluation phase, the monitoring information which has been gathered is summarised, and the sustainability and impact of individual actions or lessons learned from individual projects can be assessed.

At present, the focus is more on monitoring than evaluation because the latter is normally carried out ex-post. As most Tacis projects are still operational, it is still too early to get significant evaluation information.

In the Russian Federation, a monitoring and evaluation core team made up of one independent western representative per sector is based in Moscow, each with a Russian counterpart. The team works closely with the Commission, and in particular with the provision of know-how section of the Commission delegation. It is responsible for all aspects of monitoring and evaluation, including the quality and timeliness of reports, the coordination of monitoring and the follow-up of recommendations made in the monitoring reports. For each priority sector, Tacis has provided specialist monitoring and evaluation support teams who are responsible for specific projects alongside members of the core team. Each monitoring and evaluation specialist also has a Russian counterpart. This enables monitoring and evaluation activities to be carried out jointly by both western and Russian members, and reports to be agreed and co-signed by both.

In the other New Independent States, the Monitoring and Evaluation Programme is implemented in the same way as above, although the activities of the Core Team are assumed by the sector co-ordinators at Tacis headquarters in Brussels.

Information

The Commission is committed to making the Tacis programme as transparent as possible. The Tacis Information Office plays a key role in increasing the transparency of programme operations and in providing the relevant information on Tacis to the target audiences of the programme, such as economic operators, European institutions, Member States, media, coordinating units and all other bodies interested in following the evolution of the Tacis Programme.

The infrastructure and basic conditions for the implementation of a new information and communications programme have been created. The launch of this new, more complex and strengthened work programme started at the end of 1993.

Future orientations

Decentralisation

Tacis is moving towards greater decentralisation at two levels:

- stronger involvement of recipients in the planning process and the administration of Tacis
- the transfer of some of the Commission's responsibilities from headquarters in Brussels to the Commission delegation in the recipient country (in those countries where an office is already in place).

Involvement of recipients in planning and administration requires a balanced approach between, on the one hand, the need for acceptance of the programme by the partner and, on the other hand, the need for proper management according to the European Union's budgetary rules.

Initially, recipient institutions had little or no experience in implementing Tacis projects, and so most decisions and all the administration were handled centrally by the Commission in Brussels. Three years on, the partner countries are playing a more important role, particularly with regards to Tacis programming, project identification and preparation.

Concentration on regions

Decentralisation is also taking place at a regional level. In Russia, for instance, Tacis has included priority regions in each annual programme since 1992. The advantage of regional decentralisation lies in the creation of direct links with the local authorities, and in the combination of a critical mass of programmes in different sectors. Given these advantages, regional focusing of the Tacis programme is likely to increase and is also planned for other large countries like Ukraine and Kazakhstan.

Subcontracting to local companies and experts

Given that a key objective of Tacis is the mobilisation of know-how through partnerships, links and networks with the New Independent States, it is natural that the programme should draw on employing the services of western economic operators.

Nevertheless, Tacis is now making systematic efforts to encourage the participation of local companies and experts in Tacis projects. This not only helps to increase their involvement and commitment to the projects, but also makes it more likely that they will have a lasting impact. In the tender evaluation procedure, marks are allocated for the use of local expertise and its integration into the project. The marks allocated vary from project to project but can make the difference between success and failure in a competitive tendering situation. This should over time steadily increase the involvement of local companies and experts.

Tacis administrative procedures

Tacis has tried to adapt its procedures as much as possible to meet the needs of speedy response and flexibility. Large programmes have to follow the full cycle which, although long in absolute terms, is still shorter than the cycle of most other donors, including the World Bank.

For smaller projects and urgent needs, a number of short cuts have been designed, such as the Multidisciplinary Facility under which experts can be mobilised within weeks; the Small Scale Technical Assistance Facility and the Bistro programme for quick operations to be mobilised by the Commission Delegation in the country; the EBRD-Bangkok facility; and a system of framework contracts allowing speedy recruitment of experts for short assignments. The Commission has also increasingly built an element of flexibility into regular tendered contracts and has standardised and simplified its contracts. Tacis will continue to look for ways to reduce the burden of procedures without endangering financial priorities.

New themes

Tacis focuses on key sectors needing reform, but a number of horizontal issues are becoming increasingly important. The Tacis approach to the four most important of these is outlined below.

Seeking a holistic approach to the transformation process

Initially, Tacis implemented single projects, but it looks increasingly to develop a broader approach to reform. Tacis is drawing out the connections between privatisation and restructuring of production on the one hand, and the reorganisation of social issues and public administration on the other. Care is being taken to ensure that an integrated approach ministers to the social as well as economic needs of the recipients.

Democracy

Supporting transparent and pluralistic development has always been a central concern under the Tacis programme. By broadening the base of economic activity, the foundations of a richer and more pluralistic society are being laid. Tacis has, for example, helped to support the development of trade unions in Russia and introduced a Democracy Programme under the 1993 Tacis Programme.

Support for women

The Commission works actively to support equal opportunities, not as a separate programme but through the normal facilities open to Tacis. A number of projects of this sort have already been supported through the Bistro facility in Moscow, while projects such as, for example, in Uzbekistan to spread information on management and the market economy will have a women entrepreneurs organisation as one of the main beneficiaries.

Environment

The environment plays a very important role under Tacis, a role which has been extended with the support of the European Parliament. It is not supported as a separate sector under the Tacis Programme. Instead, environmental concerns are integrated into every project. Most sectors include environmental projects, such as Energy, with its focus on conservation and efficiency, and Agriculture, under which locals are trained in the management of by-products and waste in food processing operations. In addition, the Commission finances certain projects where the links between economic reform and environmental protection are evident, such as the Black Sea Environmental Management Programme.

Environmental projects that do not fit into any of the Tacis sectors but are worthwhile can be financed under the regional Environmental facility, which is currently already discussing joint projects with the World Wildlife Fund for Lake Baikal.

ISSN 0254-1475

COM(95) 57 final

DOCUMENTS

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Catalogue number : CB-CO-95-070-EN-C

ISBN 92-77-86164-9

Office for Official Publications of the European Communities

L-2985 Luxembourg