COMMISSION OF THE EUROPEAN COMMUNITIES

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95/0366 (CNS)

Proposal for a

COUNCIL REGULATION (EURATOM, EC)

amending Regulation (EURATOM, EEC) N° 2053/93 of 19 July 1993 concerning the provision of technical assistance to economic reform and recovery in the Independent States of the former Soviet Union and Mongolia

(presented by the Commission)

EXPLANATORY MEMORANDUM

Regulation (EURATOM, EC) N° 2053/93 of 19 July 1993 provides technical assistance to economic reform and recovery in the independent States of the former Soviet Union and Mongolia. This Regulation will expire on 31 December 1995. Although the transition process in the NIS and Mongolia is now underway, the latter still need further assistance. The Commission therefore, in February 1995, adopted a proposal for a new Regulation, which will provide the legal basis for the provision of assistance in the years to come. The Commission proposal was submitted to the Council on 18 April. The latter consulted the European Parliament on 20 June.

The E.P. delivered its opinion on 16 November and adopted thirty-seven amendments, out of which twenty-nine are acceptable to the Commission.

In spite of efforts made, the Council has so far failed to reach unanimity on the new Regulation, the most contentious issue being the opportunity to incorporate the implementation modalities of the Tacis programme into the Regulation and its Annexes.

Given this situation, it is necessary to fully ensure the continuation of Community assistance to the NIS which would constitute a positive political signal to our partner States. Therefore, the Commission proposes an extension of the duration of the present Regulation until 31 December 1996. This extension will be repealed the moment the new Regulation enters into force.

Proposal for a

COUNCIL REGULATION (EURATOM, EC)

amending Regulation (EURATOM, EEC) N° 2053/93 of 19 July 1993
concerning the provision of technical assistance to economic reform and recovery in the Independent States of the former Soviet Union and Mongolia

THE COUNCIL OF THE EUROPEAN UNION

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 203 thereof,

~~Having regard to the proposal from the Commission,~~

Having regard to the opinion of the European Parliament,

Whereas pursuant to the European Council in Dublin and in Rome in 1990 the European Community introduced a technical assistance programme in favour of economic reform and recovery in the former Union of Soviet Socialist Republics,

Whereas Council Regulation (EURATOM, EC) N° 2053/93 of 19 July 1993 concerning the provision of technical assistance to economic reform and recovery in the New Independent States of the Former Soviet Union and Mongolia[1] laid down the conditions for the provision of this technical assistance and foresaw such an operation from 1 January 1993 to 31 December 1995,

Whereas the Council has not been able to decide on the adoption of a new Regulation for 1996 onwards, and it is necessary to ensure the continuity of Community assistance to guarantee the sustainability of economic reforms,

Whereas it is therefore necessary to extend the duration of Council Regulation (EURATOM, EC) N° 2053/93 of 19 July 1993 until its replacement by a new Regulation, and not later than 31 December 1996,

Whereas the continued provision of assistance will contribute to the attainment of the Community's objectives, notably in the context of the Partnership and Co-operation Agreements,

Whereas the Treaties have not provided, for the adoption of this Regulation, powers other than those of Article 235 of the EEC Treaty and Article 203 of the EAEC Treaty,

HAS ADOPTED THIS REGULATION:

Article 1

In Article 1, paragraph 1 of Council Regulation (EURATOM, EC) N° 2053/93 of 19 July 1993, the date 31 December 1995 is replaced by 31 December 1996.

[1] OJ L 187/1 of 29.7.1993

Article 2

The Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities.

The Regulation shall be binding in its entirety and directly applicable in all Member States.

FINANCIAL STATEMENT

1 TITLE OF OPERATION

Technical assistance to economic reform and recovery in the Independent States of the former Soviet Union and Mongolia (Tacis programme).

2 BUDGET HEADING INVOLVED

B7-620: Technical co-operation with the Independent States of the former Soviet Union

3 LEGAL BASIS

- Article 235 of the Treaty of Rome
- Article 203 of the Euratom Treaty
- Council Regulation (Euratom, EEC) No 2053/93 of 19/7/93 (OJ N° L 187/1 of 29/7/93) on the provision of technical assistance to economic reform and recovery in the independent states of the former Soviet Union and Mongolia (replaces Council Regulation (Euratom, EEC) No 2157/91 of 15/7/91);
- Partnership and Co-operation Agreements signed with Russia (24/06/94), Ukraine (14/06/94), Moldova (28/11/94) Kazakhstan (23/01/95); Kyrgyzstan (09/02/95), and Belarus (06/03/95).

4 DESCRIPTION OF OPERATION

4.1 General objective

Backing for the process of reform, notably by financing or part-financing of assistance to achieve the transition to a market economy and to bolster the democratic process. The focus will be on human resources (training, job-finding and social security, civil society, etc.), developing and restructuring companies (SME, conversion, restructuring, etc.), energy and nuclear safety, infrastructure and production and distribution of food.

4.2 Period covered and arrangements for renewal or extension

Council Regulation (EURATOM, EEC) N° 2053/93 expires in December 1995. The Commission had submitted a new proposal to the Council on 18 April. However, the Council has so far failed to reach a consensus on the new regulation. It is imperative to avoid any disruption of Community assistance to the New Independent States (NIS) and Mongolia which would constitute a negative political signal to our partner States, as well as a serious risk for the sustainability of economic reforms in these countries. Therefore, it is now proposed to extend the duration of Council regulation N° 2053/93 until 31 December 1996, unless a new regulation enters into force before.

5 CLASSIFICATION OF EXPENDITURE

5.1 Non-compulsory expenditure

5.2 Differentiated appropriations

6 TYPE OF EXPENDITURE

The Tacis financing will usually be a 100% subsidy, but in some cases co-financing may be arranged with partners such as the EBRD or the Member States.

The projects to be financed will be selected on the basis of the recipient countries' proposals.

The programmes drawn up by the Commission departments will be forwarded to the Tacis committee (which consists of representatives of the Member States) for its opinion.

7 FINANCIAL IMPACT

7.1 Method of calculating total cost of operation

The budget authority will determine the appropriations available for each financial year.

Commitment appropriations amounting to 528 Mecu have been requested for the 1996 budget.

The attached multiannual indicative programme for financing reflects the options adopted at the Edinburgh Council and is in conformity with the Copenhagen Council declaration. Indeed, the Community shall continue to grant an important part of its funds to external actions, namely towards the newly independent states through the Tacis programme.

Even though, given the needs of the newly independent states, the financial aid which can be provided by the Tacis programme until the end of the Financial Perspectives of the Budget seems limited, the Union plans to grant, under the provision of the yearly budget procedure, for the period 1995-1999 2,725 MECU to implement chapter B7-62 "Co-operation with the newly independent States from the former Soviet Union". This represents an average nominal growth per year of about 3.5% for the same period of time.

7.2 Itemised breakdown of cost

A rough breakdown by programme group is as follows:

	in %
National programmes	60
Multi-Country programmes	30
Other programmes (Multidisciplinary, EBRD, etc.)	10

The programmes aim namely at the following sectors: human resources, enterprise development, transport and telecommunications, nuclear safety and environment, energy, food production and distribution and government institutions. The effective sharing within the frame of the programmes takes account of the priorities of each partner country.

An indicative breakdown of interventions per sector is given below: (derived from interventions under 1991-1994 budgets)

Sector	Share in %
Government Advice	5,4
Food Production & Distribution	12,3
Energy	10,6
Nuclear Safety and Environment	18,4
Transport & Telecommunication	9,0
Support to Enterprises	16,5
Human Resources	16,1
Other	11,7

8 FRAUD PREVENTION MEASURES

The administrative side of contract and financial affairs is still concentrated in the hands of the Commission. Progressively more decentralised management is a possibility but depends on the circumstances and abilities of the recipient countries. A monitoring system is in place with three teams based in Moscow, Kiev and Almaty and co-ordinated by a central Tacis M&E section from Brussels. The monitoring teams are responsible for making a detailed follow-up of the implementation of projects and activities. In the Commission headquarters, sector and programme evaluations are carried out on the basis of the information gathered by the monitors. The Commission delegations in Moscow, Kiev, Almaty and Tblissi also assist in follow-up of the project implementation. These checks are backed up by audit teams sent by the Commission departments to examine work done under contract.

9 ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 Specific and quantified objectives; target population

The aim of the programme of assistance for the countries of the former Soviet Union and for Mongolia is:

- to support the transition to a market economy in the partner States;
- to modernise the countries' economies;
- to back the process of democratisation.

Within the frame of the main objective (purpose) under point 4.1 above, the actions undertaken aim at a part or full financing of projects in the field of:

- human resources training
- restructuring of the public administration
- employment and social security services
- backing and reinforcement of civil company
- assistance to macro-economic policy
- legal assistance, namely the unification of legislative systems
- support to the development of SMEs
- military industry conversion
- support to enterprises privatisation and restructuring
- financing system modernisation
- reforms linked with the rehabilitation and modernisation of basic infrastructures, namely within the transport and telecommunications sector
- modernisation of energy-producing companies, including improvement of nuclear safety
- food manufacturing, transformation, distribution and safety.

The environmental dimension shall be integrated in the programmes' design and implementation.

The final recipient of the Tacis projects will be policy decision makers, government officials, in particular economic and legal advisers, public administration staff, professionals in all sectors concerned (agriculture, energy, nuclear safety, transport, telecommunication, financial services, SME, conversion etc.) and finally, as far as measures aiming at the creation of a pluralist and democratic society are concerned, all citizens of the beneficiary countries.

9.2 Grounds for the operation

The operation is in line with the decisions of the European Council (December 1990) of Rome.

As the economic situation of the beneficiary countries does not allow them to direct themselves towards a pluralist democracy and a market economy independent from any external assistance, and as it is in the interest of the EU to complete the above-mentioned objectives as soon as possible, the Community is dedicated to these actions, including from a financial point of view.

The aim of Community assistance is to use knowledge and know-how to produce a multiplier effect in the sectors involved and establish the framework and institutions for a market economy operating in a democratic society.

The programme offers the advantage of genuinely European sourcing, with a very wide choice of systems and economic partners.

The Community element is designed to back up the Member States' programmes of bilateral assistance.

Spin-off effects

By concentrating on key areas of economic infrastructure (energy, transport and finance), the programme is seeking to create a suitable climate for internal economic activity and investment from public and private sources.

Multiplier effects

Community financing for a project often draws in financing from other sources, either because co-financing from the Community is a condition for the involvement of other institutions or because funds from the Commission create the climate needed for other privately or publicly financed projects to succeed.

Factors of uncertainty

The main uncertainty which could influence the results of the operation is the continuity and speed of reform in the partner countries.

9.3 Monitoring and evaluation of the operation

Performance indicators

The success of the operations will be measurable by the ability of the recipient countries to take over rapidly from European experts in projects started with Community backing. Everything will be done to achieve a gradual replacement of those experts with experts from the countries themselves in the sectors involved.

The "demand-driven" nature of the operations and the recipients' undertakings that they will accept the assistance provided will ensure that they have an impact.

European experts will be recruited under service contracts containing detailed terms of reference setting out the goals and duration of the functions in question, in order to allow subsequent evaluation.

Procedure for evaluation and assessment of results

The Commission departments will draw up annual reports on the progress of the operations, difficulties encountered and proposed solutions. These will be put to the Member States, the Council of the European Union, the European Parliament and the Economic and Social Committee.

The projects will be run and evaluated regularly in accordance with the Logical Framework. The experts in charge of the projects will themselves produce half-yearly reports on their work (see also 8. above)

The Commission will give the Member States (as represented on the Tacis Committee) and the European Parliament regular updates on the programme's progress.

10 ADMINISTRATIVE EXPENSES (PART A OF THE BUDGET)

none.

Community assistance to economic reform and recovery in the Newly Independent States of the former Soviet Union and in Mongolia (Tacis programme)

Indicative multiannual programming of commitment appropriations

(million ECU, current prices)

	1993	1994	1995	1996	1997	1998	1999	total 1995-1999
Ceiling on heading 4 of the Financial Perspectives (EUR 15)	4.120	4.311	4.895	5.264	5.743	6.345	7.064	29.311
Indicative programming for Chapter B7.62 (1)	510	460	506,85	528	546	565	585	2.730,85

(1) For 1995 = 470 (Budget) + 36,85 MECU (APBRS N° 1/95)
For 1996-1999, following a growth of approximately 3.5% a year.

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DOCUMENTS

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