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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Paris 1994

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FOREWORD

This report provides an overview of the programme of activities carried out by the Centre for Co-operation with the Economies in Transition (CCET or the Centre) in 1993. The main aim of the CCET programme is to assist the countries in transition from central planning to a market-based system to reform and transform their economies. To this end, a number of instruments are used, notably policy advice, technical assistance and training related to policy implementation and the building of market-oriented institutions.

The programme draws on the experience and expertise of the OECD Secretariat and Committees across a broad spectrum of economic and social policy issues, and involves Member country experts and consultants where appropriate. Co-ordination with other international organisations, the European Commission and bilateral donor agencies has been sought to the extent that it enhances the effectiveness of the activities.

In 1993, the CCET programme included country-specific activities which were focused on the Partners in Transition (PIT) countries (the Czech Republic, Hungary, Poland and the Slovak Republic) and the New Independent States (NIS) of the former Soviet Union. Other Central and Eastern European economies, as well as the aforementioned countries, were also able to benefit from activities in the Centre's General Work Programme.

Four themes were at the core of the programme:

- restructuring the enterprise sector;
- building the legal and institutional framework for a market economy;
- developing reliable and relevant statistics for a market economy; and
- addressing key structural adjustment issues.

The OECD Council commissioned an independent evaluation of the CCET programme since its inception in 1990. The evaluation report commended the timeliness and relevance of the programme's technical assistance and training activities. Recognition was also given to the policy advice provided by the OECD, which was seen as being an important factor in enabling the OECD to play a unique and positive role in policy dialogue and reform.

Salvatore Zecchini
OECD Assistant Secretary-General
Director of the CCET

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I. INTRODUCTION

This report contains five main sections. Chapter II looks at the Centre for Co-operation with the Economies in Transition (CCET or the Centre), which stands at the heart of the OECD's programme of assistance to transition economies. The Centre is responsible for designing and managing the work of the OECD on these economies in co-ordination with the substantive Directorates. In terms of geographic coverage, the OECD's programmes have three distinct elements: first, the General Work Programme (GWP), which addresses issues that are relevant to all reforming economies, Central and Eastern European countries (CEECs) and New Independent States (NIS) alike; secondly, the Partners in Transition (PIT) Programme, which is exclusive to the Czech Republic, Hungary, Poland and the Slovak Republic and is oriented towards preparing each of these countries for OECD membership; and, thirdly, the programme for the NIS.

The Centre's other principal responsibilities involve its representing the Organisation in international fora such as the World Bank-organised Consultative Groups, at which bilateral and multilateral donors meet with recipient NIS to review economic reforms and co-ordinate assistance, and managing the Register, the database of western technical assistance to the NIS, Mongolia and the CEECs, that is presented in Chapter VI.

Chapter III (The Integrated Programme: Presentation and Implementation of Activities) presents the range of activities carried out across the OECD's substantive Directorates. The activities cover four themes (restructuring the enterprise sector; building the legal and institutional framework for a market economy; developing reliable and relevant statistics for a market economy, and; addressing key structural adjustment issues), which cut across the Directorates' fields of

expertise. Within the themes, work is carried out in areas as diverse as foreign direct investment, defence industry conversion, tax reform, agriculture statistics, education reform and nuclear safety and regulation.

In implementing their individual programme components, Directorates draw on the particular strengths of the OECD, not least its extensive network of experts, which has been built up as a result of the long-standing interaction between the Secretariat and various inter-governmental committees. These experts are well positioned to provide objective advice in those policy areas, in which the transition economies are seeking assistance.

Chapter IV (Training Programmes) outlines the range of training activities being undertaken by the OECD to build up a cadre of qualified officials able to support and sustain the transition to a market economy. Tax training is conducted in multilateral tax centres located in Ankara, Budapest, Copenhagen and Vienna. In addition, the OECD's Directorate for Fiscal, Financial and Enterprise Affairs, with the support of Member countries, created a tax training centre in Moscow in 1993. The OECD is also a partner in the Joint Vienna Institute, at which it provides training in several areas, including labour market and social policies and competition policy.

The Programme of Support for Improvement in Governance and Management (SIGMA), which is a joint initiative of the OECD/CCET and EC/PHARE financed mainly by EC/PHARE, directed at reforming the public management structures and systems of Central and Eastern Europe is presented in Chapter V. As indicated above, Chapter VI looks at the Register, a unique database of technical assistance to the transition economies, which is an important tool in the co-ordination of international assistance efforts.

II. THE CENTRE FOR CO-OPERATION WITH THE ECONOMIES IN TRANSITION

The Centre is responsible for the formulation of an integrated programme of work revolving around priority themes. These are established on the basis of requests and requirements of the recipient countries, guidance from Member countries, consideration of the specific competences of the OECD, the capacity of Directorates to supply expertise, and the assistance already provided from bilateral and multilateral sources.

Having established the programme of activities, the Centre guides and monitors its implementation. The Centre thus plays a co-ordinating role, both within the organisation and outside it, with Member countries, the economies in transition and other international organisations. In addition, it manages specific training programmes within the OECD for officials from the PIT countries, the publications programme for the economies in transition, and the CCET Register, which is a database of technical and humanitarian assistance.

Strategy, direction and co-ordination

In 1993, Centre staff conducted a number of missions to CEECs and NIS to monitor economic developments and to identify needs and priorities for assistance to these countries. These missions provided an opportunity to review key areas of the reform process and to discuss requests for future co-operation. The establishment of efficient mechanisms for internal co-ordination of assistance in the recipient countries was encouraged. The Assistant Secretary General also visited several transition countries for contacts at high level.

The Centre, with the help of Directorates, organised two High Level meetings in Paris with NIS representatives. In

May senior officials from OECD Member countries, Belarus, Kazakhstan, Russia and Ukraine, discussed issues related to the creation of a competitive enterprise sector, trade, foreign investment and labour markets. Emphasis was placed on developing the private sector, notably through privatisation, and encouraging foreign participation, including foreign investments, joint ventures and technical and financial assistance. Private sector development was also the focus of a meeting, held in November, with senior officials from the Central Asian and Transcaucasian NIS and Mongolia.

Co-operation with other international organisations

The Centre produces analytical reports on technical assistance and training programmes in the NIS for meetings convened by the World Bank under the Consultative Group (CG) process. The reports draw on the information contained in the CCET Register on technical and humanitarian assistance. Centre staff work closely with NIS authorities to ensure that needs for technical assistance, which are critical to the success of the reform process, are identified and presented at the CG meetings. These are compared, project-by-project, with both regional and country-specific technical assistance programmes, fielded or planned by bilateral and multilateral donors, to identify gaps and to avoid wasteful duplication of assistance.

During the year, CG reports were prepared for Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Russia and Uzbekistan. In addition, using similar methodology, analytical reports were prepared on technical assistance for financial sector reform in the NIS; on all technical assistance to

the NIS; on priority technical assistance directed to PIT countries and four NIS republics. An overview of technical assistance was also provided for a working group meeting of the West-East Conference of Ministers of Economics, Trade and Industry held in Frankfurt in September.

Since the agreement signed with the European Commission in October, the Centre's Register has become the central data base of information on Central and Eastern Europe and supports the EC/G-24 Co-ordination Unit's work on coordination of assistance to this region.

The Centre also participated in a number of meetings organised by other international organisations on issues of economic reform, including the Economic Forum of the Conference on Security and Co-operation in Europe (CSCE), the annual meeting of the European Bank for Reconstruction and Development (EBRD) and G-24 meetings organised by the EC Commission. In February, it hosted a co-ordination meeting of multilateral institutions on financial sector and taxation reforms in the NIS and, in November, an Inter-agency Meeting with Bank on International Settlements (BIS), EC Commission, EBRD, European Investment Bank (EIB), International Monetary Fund (IMF) and World Bank.

PIT liaison groups

The Centre is responsible for conducting annual mid-term reviews on the implementation of the PIT programmes and for organising the yearly Liaison Group meetings that are held in Paris to bring together senior officials from the PIT countries with the permanent representatives of OECD Member countries. Liaison Group meetings were held in October with Hungary and in December with Poland. It was decided to extend the PIT programmes into 1994 and agreement was reached on the orientations for the 1994 activities. At a meeting held in October, the

Centre established its first formal contact with the new Czech Republic. The subjects covered in the discussions were the current economic situation, the overall relationship with OECD, an assessment of the 1993 programme, the 1994 draft programme and priorities for future activities. The PIT Memorandum of Understanding with the Czech Republic was signed at the meeting.

Productivity study

The Study Group, formed to study the feasibility of an initiative aimed at enhancing enterprise productivity in countries in transition, met for the first time in mid-February in Paris and undertook missions to Warsaw, Prague and Moscow in March and April. Based on these missions, a progress report was prepared and an additional study mission was undertaken to Kazakhstan in July. The Study Group transmitted its final report to the Centre in October. It found that there was an as yet unfilled need for activities to enhance productivity at the enterprise level in the reforming economies.

Assessment of the CCET Programme

In March, the Council requested an assessment of the CCET programme since its inception in 1990. The assessment, largely prepared by independent experts, was submitted in September and subsequently discussed by the Council Group on Non-Member Economies.

In relation to the programme's timeliness and relevance, the Organisation is seen to have been able, within a very short period of time and with relatively limited resources, to develop a sound strategy and to set up the institutions for an effective assistance programme, which is highly valued in recipient countries.

Monitoring of activities

The Group of the Council on Non-Member Economies (GCNME) created a subsidiary body, the CCET Working Party. Its main objectives are to guide the preparation and implementation of the CCET programme, thus enabling the GCNME to concentrate on major policy issues, and to involve decision-makers in capitals more directly in the programme. The Working Party, which is serviced by the Centre, met in July and November and considered, *inter alia*, ways to improve the constrained resource situation of the CCET programme.

Early in the year, the Centre introduced an internal Activity Implementation Monitoring System (AIM), which has proved to be a valuable management tool for both the Centre and the Directorates. Information is gathered in fact sheets, which include quantitative and qualitative information on project implementation. The AIM system has provided the basic information for reports to the CCET Working Party, briefings for senior management, documentation for the PIT mid-term reviews and Liaison Committee meetings, expenditure monitoring and forecasting, and inputs to the present report.

III. THE INTEGRATED PROGRAMME

This chapter examines in turn the four themes central to the CCET's programme of activities, namely:

- restructuring the enterprise sector;
- building the legal and institutional framework for a market economy;
- developing reliable and relevant statistics for a market economy; and
- addressing key structural adjustment issues.

A. RESTRUCTURING THE ENTERPRISE SECTOR

1. Privatisation and private sector development

Privatisation is a key element in the transition to a market economy. The OECD Advisory Group on Privatisation (AGP) is the focal point of the range of activities undertaken in the field of privatisation. It provides senior officials from privatisation authorities in the reforming countries with the opportunity to learn from each other's experience and to exchange views with OECD experts and private sector representatives. Participants from the European Commission, international organisations and from the Central and Eastern European Privatisation Network (CEEPN) have also been actively involved in the AGP.

The AGP serves also as a framework for organising specialised or regional workshops and specific advisory activities. The training programme that has been launched under AGP auspices is expected to strengthen

the analytical capabilities and negotiation skills of privatisation officials, in particular in dealing with foreign investors.

The Advisory Group on Privatisation (AGP)

The AGP meeting held in Budapest from 31 March to 2 April focused on the use of management and employee buy-outs (MBO/EBOs) as a technique for large scale privatisation. Privatisation officials attended from 9 CEECs and 2 NIS, as well as experts from OECD Member countries, the World Bank, EBRD, the EC Commission and the CEEPEN. Case studies were presented in the Czech Republic, on the new Länder in Germany, Hungary, Poland, Romania and Russia.

The need for a multitrack approach to privatisation was highlighted in order to avoid the potential political and economic risks of an overreliance on MBO/EBOs. It was concluded that MBO/EBOs are the appropriate privatisation method for small or medium sized enterprises, whose capital intensity is low and, or in which human resources constitute a major competitive advantage.

The topic of the second meeting, which took place in Prague from 30 September to 1 October, was "Enterprise Restructuring in the Context of Privatisation". Privatisation officials attended from nine CEECs and two NIS, as well as experts from OECD Member countries, the World Bank, EBRD, United Nations Industrial Development Organisation (UNIDO) and the private sector. Five case studies based on experiences in the Czech Republic, Hungary, Poland, Romania and the Slovak Republic formed the basis of discussions.

One important conclusion reached at this meeting is that restructuring should not slow down the privatisation process and should be limited to the preparation of enterprises for sale. Rapid privatisation of enterprises was identified as the best way to initiate effective long-term restructuring, with strategic industries and providers of public goods providing exceptions to this principle.

Publications

The AGP results are reflected in a biannual publication "Trends and Policies in Privatisation", which provides an overview of recent privatisation trends and policies and presents an analysis of the issues discussed at each meeting. The first issue of this periodical was published at the beginning of 1993 and featured a study on the role of financial intermediaries in privatisation. The second issue, covering the institutional aspects of privatisation, was published in July.

Regional workshops and country specific activities

During April and May, a resident advisor in Albania advised the fledgling Privatisation Agency in Tirana on the setting-up, role and functions of a privatisation authority, its relations to other Governmental institutions and the elaboration of privatisation programmes. This was followed in September by an experts' mission, with World Bank participation, to Tirana, during which the main features of the Albanian privatisation programme were discussed with senior government officials. The recommendations of the experts were submitted to the Albanian Council of Ministers and the President.

A workshop was held in Kiev in December to discuss the role of investment funds in the Ukrainian mass privatisation process. This meeting involved experts from Russia and those CEECs that have already used investment funds as intermediaries in privatisation.

Training

Under the auspices of the AGP, three training modules on privatisation were prepared:

- "Negotiation Techniques" designed for officials from privatisation agencies. The first course, organised in co-operation with the University of Twente/Netherlands, was organised in June in Riga for Latvian officials.
- "Drafting Privatisation Contracts", a joint project with the CEEPN, was taught in Ljubliana (Slovenia) in November to CEEC officials from nine countries.
- "Evaluation of Business Plans" was first delivered at the Joint Vienna Institute to CEEC officials from eight countries in May and was repeated for Slovak officials in November.

Private Sector Development

Following a fact-finding mission to the Central Asian Republics, a meeting was held in Istanbul in July to explore the possibility of establishing a centre that would organise courses and workshops on private sector development for officials from the Central Asian, Transcaucasian Republics and Mongolia. In the latter part of the year, the Turkish government offered a voluntary contribution to enable a training programme to start in 1994. The courses and workshops will give guidance on improving the business environment in these countries in transition, focusing on such issues as legal and institutional reform and the strengthening of the emerging private sector. Subjects such as privatisation, foreign investment, competition, accounting and legal reforms will be taught.

2. Promoting foreign direct investment

Foreign direct investment serves as a catalyst for the development of the private sector. It is an important source of capital and know-how, and, in addition, stimulates employment creation, as well as being important for restructuring and privatisation of state-owned enterprises.

OECD Member countries are able to share their experience in the liberalisation of foreign direct investment with the economies in transition. The benefit of this experience is exemplified by OECD instruments, including the Code on Liberalisation of Capital Movements and the Declaration and Decisions on International Investment and Multinational Enterprises, which contain commitments to promote a liberal non-discriminatory environment for foreign direct investment (FDI).

The focal point for investment policy dialogue with the economies in transition is the Advisory Group on Investment (AGI), which was launched in September 1992 and meets twice a year. It brings together high level officials from CEECs, NIS and OECD Member countries, the European Commission, international organisations (EBRD, UNECE, UNIDO and the World Bank) and representatives of the private sector.

The Advisory Group on Investment (AGI)

In January, the first regular meeting was held in Paris. The meeting was attended by most CEECs as well as Belarus, Russia, and Ukraine, and resulted in a set of conclusions highlighting the role and the responsibilities of the partners in the investment process (home countries, host countries and investors). Work on an overview of the investment regimes of fourteen CEECs and NIS was undertaken subsequently.

The AGI met for the second time in Warsaw in July and discussed a study on investment patterns of companies from a

selected number of OECD Member countries that have already invested in, or that have demonstrated a serious interest in investing in the CEEC/NIS region. Five case studies were also presented. The investment climate in CEECs and the NIS was evaluated and the major barriers to investment, both real and perceived, were identified.

Concrete steps were recommended to improve the investment climate. These steps include upgrading the business infrastructure through the establishment of "one-stop" foreign investment agencies, improving intra-regional co-operation in trade and investment through transborder agreements, and ensuring stability and consistency in the design and implementation of liberal legal and regulatory conditions for FDI.

Data on foreign direct investment

Under AGI auspices, a technical meeting was held in June in Paris to provide assistance for improving statistical reporting of FDI data in transition economies. This meeting was open to CEECs and NIS and involved experts from the OECD Group of Financial Statisticians. It was based on case studies about FDI data collection procedures in Hungary, Poland and Romania. For the NIS, which were participating for the first time, the meeting provided valuable insights into how the CEECs collect and report data.

Regional workshops and investment policy reviews of individual countries

Investment policy reviews are organised on a country or regional basis. Country specific investment policy reviews of Romania and Bulgaria were held in March. In the same month, Hungary requested to adhere to the OECD Declaration on International Investment and Multinational Enterprises. As a result, an OECD mission prepared a report on Hungary's foreign investment regime and on its position with respect to the National Treatment Instrument. The report was sent for

consideration by the Committee on International Investment and Multinational Enterprises (CIME), which issued a favourable recommendation to the OECD Council.

A meeting was held in October in Kiev to review the investment policies of Belarus, Moldova and Ukraine. The discussions at the meeting arrived at a number of findings, applicable to all NIS and CEECs, relating to FDI. Such investment was recognised not only as an important source of capital, but also as a source of managerial experience, technology, market access and market business culture. To attract FDI, a transparent, consistent and stable legal framework must exist. The importance of foreign investment agencies, which should be autonomous, was also stressed. Both the Belarussian and Ukrainian Governments subsequently started to develop plans for the creation of such agencies.

Investment guides

To promote foreign direct investment in emerging market economies, it is important to improve investors' information on general economic and political conditions, the legal and institutional framework and investment opportunities. The OECD has thus provided support to several NIS countries in the preparation of investment guides. "Investment Guide for Ukraine" was prepared by a Group of Ukrainian and OECD experts. This Guide was presented to the World Economic Forum in Kiev in June and subsequently published in English, French and German. Work was started on the preparation of an investment guide for Belarus that will include a chapter on technology assessment.

3. Labour markets and social policy measures

The development of labour markets and of a social safety net is crucial to the success of economic reforms in the CEECs and NIS. Co-operation in this area has an

important role to play in building and maintaining the social consensus for reform and in developing key portions of the legal and institutional framework. The objective of the programme is to share the experience of OECD Member countries in developing efficient labour markets and social protection systems in a market economy.

Country reviews in the area of labour markets and social policy are one of the key elements of the programme. Priorities for country reviews are established in agreement with labour and social policy ministries of the countries involved. Advisory missions on labour market and social policy measures are a second key element. This activity responds to requests for assistance on programme design and implementation.

Country reviews

The report of the Polish review, conducted in 1992, was discussed at a special meeting of the Education, Employment, Labour and Social Affairs (EELSA) Committee held in Warsaw in March. The report was published under the title "The Labour Market in Poland". Assistance, in co-operation with the Austrian Ministry of Labour, was provided to Poland in implementing the recommendations of this report. One aim is to strengthen the capacity of Polish officials to monitor and analyse labour markets.

The review of Hungary was begun. Labour markets and social developments with particular emphasis on measures relating to disadvantaged groups (i.e. long-term unemployed persons, the elderly and families with many children) will be analysed in this study.

A seminar, "Labour/Management Relations and Human Resources Practices in Foreign and Multinational Enterprises", was organised in June in Budapest with the participation of Western experts and representatives from the Hungarian private and public sectors. The topics covered include

practices relating to workers representation and participation, methods of remuneration, skill formation and selection of personnel.

Advisory missions on labour market and social policy measures

During the mission to present the report on the review of Polish labour policies in March, OECD experts made an assessment of the needs for assistance in the area of social policy expenditures and forecasting. A summary statement on the results of the mission was sent to the Polish Labour Ministry, which invited the OECD to organise a seminar on social sector budgeting issues. This seminar, held in Warsaw in November, was designed to forge better understanding between the different parties involved in these budgeting questions.

A mission went to Kazakhstan in March to advise the Ministry of Labour on employment service issues and to conduct a workshop for employment service managers. A report with findings and recommendations was prepared for the Ministry of Labour. The recommendations were taken into account in subsequent revisions to labour market policy, while the training materials from the workshop were used subsequently in training sessions for employment service staff throughout the country.

A mission to Estonia, Latvia and Lithuania at the end of July identified possibilities for future co-operation between the CCET and the three Baltic Republics in the field of training and labour market statistics.

In October, a joint International Labour Office (ILO)/OECD mission went to Kyrgyzstan to review labour market programmes in two regions (Narin Oblast and Issyk-Kyl Oblast). It conducted training for employment service staff and developed a project proposal for future United Nations Development Programme (UNDP) funding for the development of employment services in the two regions.

A seminar, "Budgeting of labour market programmes", was held in Moscow in November. The seminar, which was focused on Russia, included participants from OECD Member country Ministries and high-level officials from the Russian Federal Employment Service. Some of the budgeting options identified by the Russian rapporteur were subsequently incorporated into the Russian budgetary process.

Red army officers conversion

A report, "Russian Army Conversion Programme", on the possible professional conversion of Red Army Officers was published. Efforts were focused on setting up a demonstration project to instruct trainers and officers in a range of public and private sector activities (e.g. collection of taxes, accounting, business management, labour offices, human resources development and waste management). Advisory missions were conducted to Moscow and Siberia. The possibility of co-operation with other multilateral organisations, including NATO, on this activity was explored.

4. Local employment initiatives

This programme contributes to the creation of a new business infrastructure in the economies in transition. It is of special importance to the promotion of entrepreneurship and enterprise culture. The programme addresses important obstacles to the development of small and medium-sized enterprises in the CEECs and NIS, in particular the lack of funds and management skills. It reaches the local rather than the central government level and promotes initiatives of local non-governmental organisations.

Local business associations

This activity began with the preparation of a series of reports on how local business associations promote entrepreneurship in the Czech Republic, Hungary, Poland, the

Slovak Republic and Russia. These reports include in-depth case studies of four business associations in each country. Each case study describes the services the association offers to entrepreneurs (counselling, training, financing, networking, lobbying). The reports also include evaluations of the structures and activities of the business associations, and highlight those elements which appear particularly promising.

These reports were discussed at a seminar which the Initiative on Local Employment (ILE) Programme organised in partnership with a local business association in Bratislava in October. The objective of the seminar was to identify how and to what extent local private business associations can promote entrepreneurship in economies undergoing the transition from a command economy to a market-based economy. The seminar also considered ways of structuring the relationships between these associations. In the context of the Slovak Republic, the international dimension of the seminar provided support for the role of business associations in the economy.

Job creation and social benefits

Employment in the private sector in Central and Eastern Europe is growing rapidly, yet many employers are finding the high cost of employee social benefits prohibitive. The ILE Programme, Project Liberty (Harvard University) and the EBRD convened a seminar in London in June to examine the costs related to employer provision of social benefits. The seminar considered the effect these costs have had on the growing private sector, particularly with regard to SMEs, in the economies in transition. Speakers presented a number of OECD models to demonstrate different methods of providing a comprehensive social safety net.

In close co-operation with the Czech and Hungarian governments, the ILE Programme organised workshops in Prague and Budapest to discuss alternative ways to manage

and deliver social services through the private sector. Officials from national and local governments and representatives from the private sector participated in the workshops. These workshops were based to a large extent on a series of papers prepared by the Secretariat which describe practical ways of contracting out social services based on models in use in OECD countries.

Financing new enterprises

Ensuring adequate financing for new and small enterprises is a key issue in the CEECs. Establishing micro-enterprise loan funds is one means of filling this gap in the credit market. While international organisations and bilateral donors are often willing to provide financing, local knowledge on how to set up and manage such funds is very limited. The ILE Programme therefore began producing, in co-operation with the Chicago-based Shore Bank, a comprehensive handbook covering micro-enterprise loan funds and related topics. The handbook will adapt experience obtained in OECD Member countries to the specific conditions of the CEECs.

The ILE Programme prepared an overview of bilateral programmes to support the financing of small and medium-sized enterprises. This was published in "Innovation and Employment" in October. The Secretariat held a workshop with donor representatives in Washington to discuss North American and Japanese programmes. In addition, the Secretariat organised a study visit for senior Estonian policy makers and civil servants in order to determine what aspects of the Irish experience, particularly in the field of financing mechanisms, could be applied to Estonia. The ILE Programme also provided assistance to the Estonian government in shaping a strategy for local and regional development.

Local/Regional projects

With the support of Austria, local and regional projects promoting entrepreneurship have been developed in the Slovak Republic and in Hungary. In this context, job-creating environmental projects and a tourism initiative are under consideration for a specific region of the Slovak Republic and a two-year training programme for local development agencies is being conducted in the western part of Hungary. A workshop on social programmes of enterprises was held in Budapest in October to train government officials from the national and local levels to design the delivery of social services through the private sector.

A conference on entrepreneurial development and structural change, co-sponsored by the Hungarian Parliament, was held in Budapest in November. Several case studies on local developments in Hungary were discussed at the conference.

In the NIS, the OECD supports the development of local entrepreneurship pilot projects, which could be integrated into an overall action plan for defence conversion. In order to assess how enterprise creation can be promoted in Russia, a small workshop was organised in March in Paris. In addition, a study was begun on support measures for young entrepreneurs in Russia.

5. Defence industry conversion

The objective of this activity is to facilitate the conversion of parts of the former Soviet defence industries to civilian purposes. A three-pronged approach has been adopted:

- assessing the role of defence enterprises in pilot regions, then helping local authorities formulate conversion strategies and promoting the conversion process by focusing on policy issues like regional labour markets and social policies;

- retraining engineers and key staff from the military complex to facilitate movement to employment in civilian enterprises; and
- assisting in the preparation of project proposals for funding by the EBRD or those Member country governments prepared to provide loans for the restructuring of defence industries.

Defence conversion is one of the most difficult tasks to be accomplished in the process of economic transition. It raises complex issues of a political, economic and social nature, and is further complicated by the uncertainty of power and burden sharing between central, regional and local authorities.

Policy design

In co-operation with the United Kingdom and the Russian Government, the CCET organised a Symposium called "Investing in Conversion: Opportunities, Constraints and Policy Requirements". This event, held in Birmingham in May, brought together about 200 business executives, officials from Russia and OECD Member countries, international organisations and academic institutions. Its objectives were to present opportunities for foreign involvement in the conversion process, to identify constraints for conversion and policy options to overcome these constraints.

Regional pilot projects

The Centre's action plan for this activity calls for several pilot studies, each of six to eight months duration, in regions where military industries are concentrated. Work on pilot studies was started in the Tver, Krasnoyarsk and Zukhovskiy regions. The object of these studies is to produce policy recommendations, taking account of all

relevant conditions, to facilitate the conversion process in the given region.

As part of the pilot studies, a Secretariat mission was conducted in June to Krasnoyarsk to:

- set up an in-country team of economists to perform a three to four-month regional study;
- establish contacts with local authorities to assess the training needs of the defence industries;
- co-ordinate with local institutes the organisation of a conference on education in the region of Siberia;
- establish contacts with local institutions responsible for labour markets and the promotion of entrepreneurship and SMEs;
- explore the contribution of the telecommunications sector of the region to defence conversion efforts.

The recommendations formulated after this mission were submitted to the central, regional and local authorities.

Feasibility study of defence conversion projects

Following a three-day seminar organised on defence conversion with focus on the aerospace sector held at Zukhovskiy in November 1992, a Western firm made a proposal to locate a civil aviation training centre in the Zukhovskiy region. Zukhovskiy is a centre of aerospace R&D and the site of the world's largest aerospace testing facilities. A meeting was held in Zukhovskiy at the beginning of June to discuss a feasibility study to investigate the proposal with the Russian counterparts. The OECD served as a catalyst in the project by bringing the players together

and providing advice on the terms of the study, while the financing and implementation will be carried out by the EBRD and the interested Western firms.

B. BUILDING THE LEGAL AND INSTITUTIONAL FRAMEWORK FOR A MARKET ECONOMY

1. Tax reform

The transition to a market economy requires fundamental changes in tax policy and legislation. The CCET programme covers tax reform, public sector statistics and training, activities that are complementary, integrated and mutually reinforcing, as exemplified by developments in the area of corporate income tax. The incompatibility of corporate income taxes in most CEECs and NIS impeded the negotiation of international tax treaties and created significant obstacles to foreign direct investment. The CCET therefore began to give assistance in the drafting of corporate tax laws. The experience gained was then used to develop training courses which led to further requests for assistance in the improvement of tax laws.

Steering group on taxation and tax training

In order to build a network for exchange of information on taxation trends and to monitor progress in tax reform policies, the mandate of the existing Steering Group on Tax Training was broadened in January to include consideration of tax reform issues in economies in transition. A number of seminars and workshops on specific tax reform issues were organised. Preparatory work was begun on two plenary meetings, to be held in January and July 1994, on the topics of taxation of foreign direct investment and value added tax. This work included visits to eight countries (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Russia and the Slovak Republic) for consultations with the public and private sectors.

International taxation and tax treaties

The programme of assistance to economies in transition in developing an extensive network of tax treaties with OECD Member countries bore fruit when 18 tax treaties were signed between the Nordic and the Baltic countries in January 1993 (negotiations of these treaties were completed within half a year). It has also facilitated the negotiations between several OECD Member countries and the NIS. More generally, the programme has improved understanding by officials from the CEEC/NIS of the concepts of the OECD Model Tax Convention. It has encouraged these countries to use the OECD Model for their treaties. In September, an experts meeting was held between the CEEC/NIS and the Working Party on International Taxation of the Fiscal Affairs Committee. The meeting was prepared by eight days of discussions in Paris between the OECD Secretariat and NIS tax officials on the country tax treaty models developed by the NIS and Mongolia (which form the basis of tax treaty negotiations). Ten NIS and Mongolia participated in these meetings.

During the year, advisory missions were conducted to Albania, Belarus, the Czech Republic, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, the Slovak Republic, Slovenia, Turkmenistan and Uzbekistan to provide advice on international tax treaty negotiations. Meetings were held in Istanbul with Azerbaijan and Georgia and in Vilnius with Estonia, Latvia and Lithuania for the same purpose. In addition, a Russian language version of the OECD Model Tax Treaty and Commentaries was produced for publication by the OECD.

Other activities included a meeting for CEECs, held in Paris in conjunction with the Working Party on Tax Avoidance and Evasion of the Committee on Fiscal Affairs, on exchange of tax information between tax administrations.

Drafting and implementing tax legislation

The OECD, in close co-operation with the International Monetary Fund and the United States, has developed an extensive programme to advise the CEECs/NIS on their tax legislation. In addition to a three-day meeting which was held in Paris in February to discuss the general principles applicable to the drafting and interpretation of tax legislation, there have been meetings, in-country missions and work in headquarters to draft legislation or amendments to existing laws, to comment on country drafts, to draft implementing regulations and instructions and to advise on the interpretation of laws.

With regard to income tax questions, activities included meetings, missions and advice to Albania, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia and Romania. Similar activities were undertaken with Albania, Bulgaria, Estonia, Latvia, Lithuania, Romania, the Slovak Republic and Slovenia in relation to VAT questions, which have proved difficult for a number of CEECs and NIS.

Tax audit and tax collection

The aim of this activity is to advise the CEECs and NIS on improving the efficiency of their tax administrations and introducing effective control mechanisms to counteract tax evasion. This includes the administration of VAT and income taxes and the operation of tax audits. Advisory missions were sent to the Czech Republic, Hungary, Mongolia, Russia, the Slovak Republic and Slovenia. However, given the length of time required by many countries to pass the necessary legislation to set up new taxes, much of the effort was directed towards the development of substantive legislation and the accompanying administrative rules rather than audit and collection activities themselves.

Training

In addition to the activities of the Multilateral Tax Training Centres referred to below, the CCET began to offer in-country courses, taking advantage of the experience gained by the activities of the Centres.

In co-operation with EC-TACIS and Denmark and with voluntary contributions from Canada, Norway and the United States, the CCET participated in training activities organised by the State Tax Service of Russia providing six weeks of courses during the second half of 1993. A one week course on value added tax was also provided in Albania.

Property tax

Property tax had been relatively neglected in advice to CEECs/NIS prior to 1993. The CCET developed a team of experts to work in this area on policy, law and administration of property taxes and the related issues of assigning taxes among different levels of government. This group was active in 1993. Missions with follow-up reports were undertaken to Albania, Bulgaria, the Czech Republic and the Slovak Republic. In addition, a workshop on property taxation for the three Baltic Republics was held in Tallinn in September.

Fiscal federalism

An important part of tax reform is the distribution of tax revenues and expenditures between central, regional and local governments. In April 1993, a seminar, organised jointly with the World Bank, examined issues of fiscal federalism and intergovernmental relations in Russia. It brought together representatives of the Russian Federation (central Government, Parliament, regional and local governments) and constitutional and taxation experts from OECD Member countries.

2. Legal and enterprise reform

The programme has the following objectives:

- to address institutional aspects of enterprise reform;
- to provide policy advice on the drafting and implementation of legislation related to corporate organisation and reorganisation; and
- to provide training for judges and legislators on how to include market economy concepts in legal analysis.

Workshops and conferences

In March, a workshop on bankruptcy and corporate reorganisation was held in Paris. It brought together experts from OECD Member countries and high level officials, judges and legal experts from the Czech Republic, Hungary, Poland, the Slovak Republic and Russia. The workshop addressed the legal and technical issues arising in bankruptcy proceedings and examined specific problems of implementation of the new bankruptcy laws that have been adopted in the CEECs and NIS. The proceedings of the workshop will be published.

The Secretariat co-operates with other international organisations and the EC Commission in legal reform activities. It participated in conferences organised by the EBRD, the Council of Europe and the EC Task Force for Legal Reform in the NIS. In August, the OECD co-sponsored a conference on civil and commercial law in Central and Eastern Europe that was held at Leyden University (Netherlands).

Training

A training programme was developed for the benefit of commercial judges in Russia, of which the first course will be delivered in 1994 to judges from the Supreme Arbitrazh Court. The programme is designed to be interactive and covers contracts, corporate and bankruptcy law. Starting from practical cases, it will demonstrate how market economy concepts are integrated into the interpretation of law.

3. Competition policy

Demonopolisation and the creation of competitive markets are essential elements of structural reform in the CEECs and NIS. The objective of the programme is to assist reforming countries in the development and implementation of competition laws and policies. Most of the CEECs have now adopted comprehensive competition legislation although some of the early laws may need to be revised in the near future. OECD assistance is therefore focused on enforcement training, assistance in preparing commentaries and guidelines and help in improving existing laws.

Drafting competition laws and guidelines

Assistance in drafting or amending competition law began with Poland and subsequently proceeded to Russia, Lithuania, Estonia, Romania and Kazakhstan. The aim of this activity is to ensure:

- a proper separation of competition law from price controls;
- an appropriate definition of markets and market dominance;
- a distinction between horizontal and vertical restraints;

- the creation of a competition authority that is independent from other governmental departments.

This work drew on the expertise of officials from competition agencies from OECD Member countries.

Work on the drafting of enforcement guidelines related to the Russian competition law and the regulation of public monopolies was undertaken in 1993.

In February, a seminar was held in Kiev on the legal and institutional infrastructure for competition policy in Ukraine. The purpose was to advise the Ukrainian Government on the establishment and the enforcement powers of the Anti-Monopoly Committee. Experts from the United States, the United Kingdom, Germany, Poland and the EC Commission participated in the meeting. The advice was incorporated in a document which was transmitted to the Ukrainian Government. A follow-up meeting took place in September to advise the Ukrainian Anti-Monopoly Committee on specific aspects of competition law enforcement.

Introduction to the economics of competition policy

In co-operation with the anti-monopoly offices of the transition countries, a series of lectures and seminars on economic concepts relevant to competition policy was organised. The seminars covered topics such as economic efficiency, monopoly, market definitions, market dominance, horizontal and vertical constraints, merger review and international anti-trust co-operation. Seminars were held in the Czech Republic and Slovak Republic in April and May. A glossary of industrial organisation, economics, competition law and policy terms was published and made available to interested persons in CEECs and NIS.

4. Accounting reform

Fundamental reforms of the corporate accounting system are necessary for enterprise restructuring, privatisation and private sector development. Accounting practices which are compatible with international rules and standards help increase management efficiency and provide financial information to investors and other market participants.

The key elements of the programme are the two Advisory Groups sponsored by the OECD: the Joint Working Group on Accounting Reforms in the Baltic Republics and the NIS Co-ordinating Council on Accounting Methodology.

Joint working group on accounting reforms in the Baltic Republics

As a result of a conference organised by the CCET in 1992, the three Baltic Republics decided to create a joint Working Group to serve as a forum for exchanges of views and experience on accounting reform. The Group held its second meeting in Tallinn at the beginning of September, at which time it decided to strengthen co-operation among the Republics by setting up national contact points and creating working groups on standards and training activities. The CCET has sponsored in-depth studies on the accounting systems in Estonia, Latvia and Lithuania. These studies review current legislation, discuss the problems of accounting reform and provide suggestions for implementation. A reference document "Accounting Reform in Estonia, Latvia and Lithuania" was published in September.

The activity is conducted in close co-operation with EC/PHARE and the European Federation of Accountants, which are members of the Joint Working Group.

Accounting reform in the NIS

The CCET was the driving force in setting up, in 1992, a Co-ordinating Council on

Accounting Methodology in the NIS. The following republics participate in this activity, together with the CIS Association of Accountants and Auditors: Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Turkmenistan, Ukraine and Uzbekistan. The Council meets twice a year with OECD experts and representatives of the World Bank and the UN to review recent developments in accounting reform, discuss specific problems and to develop, where possible, common solutions.

The Council met in May in Tashkent under the chairmanship of Uzbekistan. Views were exchanged on the progress of accounting and auditing legislation and there were discussions on valuation issues arising in the process of privatisation. At the second meeting in November, also held in Tashkent, discussions were focused on the main elements of accounting and auditing laws, as well as the issues of accounting in highly inflationary economies. It was decided to conduct a survey on accounting training and education in the NIS. The proceedings of the Council are published in "Accounting and Auditing Reform in the New Independent States of the former Soviet Union".

Together with other international organisations, the CCET also participates in the International Advisory Board for Accounting Reform in Russia. The Board is providing comments on draft accounting and auditing laws.

Training

A training module on basic accounting principles has been developed for use at the OECD Tax Training Centres. This course was delivered on several occasions at the Vienna, Copenhagen, and Ankara tax training centres (see Training section, Chapter IV below). In January, a one-week course for academics and chief corporate accountants based in Russia was organised at the Moscow Academy of the National Economy.

5. Financial sector reform

The programme is designed to promote the development of a market-based financial sector in the CEECs and NIS. Policy advice and assistance is needed to promote efficient payments and settlements systems, government debt management techniques, as well as the infrastructure for banking, insurance, securities markets and other financial services.

Government security markets and debt management

The activity, which is open to the PITs, Romania and Bulgaria, involves annual meetings to review progress in the creation of government securities markets, to identify means for broadening and diversifying the scope of government debt instruments and to support the establishment of effective debt management mechanisms. In November, for example, an experts' meeting was held in Paris with a high-level Bulgarian delegation to discuss the progress of financial sector reform in Bulgaria, including debt management, establishment of securities markets and monetary policy instruments.

In co-operation with the IMF, a workshop was organised from 28 June to 2 July in Paris for officials from central banks and Ministries of Finance of the NIS and the Baltic Republics. The programme of the workshop included presentations by OECD officials and discussions of OECD experience with government debt instruments and technical issues concerning the establishment and management of government securities markets. It also included meetings at the French Treasury and the Banque de France, and visits to commercial banks and clearing houses.

As part of an IMF-co-ordinated technical assistance programme for the central bank of Russia, the OECD has the primary responsibility, together with the Bank of England, to provide advice on the creation of a government securities market and public debt

management. This activity resulted in a series of recommendations. They had an important impact on the organisation and procedure for the issuance of Treasury bills and helped to improve co-ordination between the Russian Central Bank and the Ministry of Finance in the debt management field.

NIS payments and settlements systems

As part of the IMF-co-ordinated project of technical assistance to the Russian central banks, a member of the OECD Secretariat participated, together with experts from central banks of OECD Member countries, in advisory missions to discuss the reform of the Russian payment system, to draft related policy advice, and to consider the feasibility of setting up an Inter-State bank for the clearing and settlement of payments between the NIS. The OECD, together with other international organisations, is a member of the Steering Committee for the Payment System Reform of Russia.

PIT financial sector reform

An insurance experts' meeting was held in Prague in early November to assist in the preparation of new Czech legislation on distribution systems in insurance, reinsurance and solvency of insurance companies. In November, a meeting of the Committee on Financial Markets Group of East-West Financial Experts was arranged with a high-level Czech delegation to discuss progress in financial sector reform in the Czech Republic, including the implications stemming from the dissolution of the former CSFR.

An overview of the Hungarian insurance system was presented at the October meeting of the OECD Insurance Committee. At the request of the Hungarian authorities, work was commissioned for a study to facilitate the transmission of information to insurance supervisors.

Publications

Three publications were completed and released in the course of 1993. The Report on "Transformation of the Banking System: Portfolio Restructuring, Privatisation and the Payment System" provides an overview of the problems encountered by policy-makers in setting up a market-based banking system. "Government Securities and Debt Management in the 1990s" is a practical source of reference for officials in charge of the creation and development of markets for public debt instruments. Finally, "Policy Issues in Insurance" provides an in-depth analysis of issues concerning the supervision of private insurance, solvency requirements, regulation of investment and insurance contract law.

6. Export credits

The programme, using the expertise of the OECD Export Credit Group, is designed to provide advice on the legal framework and the organisation of export credit agencies in the CEECs and NIS in order to help overcome the obstacles to export expansion in CEECs and NIS. To date, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic have participated in the programme, which is carried out in co-operation with other international organisations and national export credit insurance agencies.

C. DEVELOPING RELIABLE AND RELEVANT STATISTICS FOR A MARKET ECONOMY

This chapter includes activities carried out in the following areas:

- national accounts;
- statistical methods;
- labour market statistics and monitoring;
- agricultural statistics;

- public sector statistics; and
- science and technology indicators.

The development of viable data collection and statistical systems is essential for monitoring the impact of reforms on economic developments.

1. National accounts and price statistics

The OECD, IMF, UN and Eurostat have developed a programme to assist the economies in transition to acquire the capacity to produce policy-relevant statistics, with each organisation taking responsibility for specific categories of statistics. The main responsibilities of the OECD lie in the areas of national accounts, business surveys and price statistics.

The programme proceeds through a systematic development of advisory activities, including general conferences, regional workshops and country specific missions. The latter usually start with a discussion of a medium-term work programme, which is then followed up by periodical missions aimed at monitoring the progress made.

This activity has been successful in responding to an urgent need of the recipient countries. The networking created through regional workshops provides a useful complement to specific country missions and in-depth training activities, which are shared among the different organisations.

In 1993, missions to assist in national accounts estimates at current and constant prices were conducted to Bulgaria, Romania and the Slovak Republic. National accounts experts from all CEECs attended a meeting on national accounts, jointly organised with the EC Commission, in Paris in June. The main topics for discussion were the methods of measuring informal private sector activities and the implementation of the system of national accounts.

Nine CEECs are participating in the European Comparison Project (ECP). This project requires calculation of purchasing power parities (PPPs) for 1993 and is organised jointly with Eurostat and The Central Statistical Office of Austria. Workshops were held in Vienna (April) and Luxemburg (June).

A regional workshop on price statistics for participants from the three Baltic Republics and Belarus was held in Minsk from 31 March to 2 April. This meeting focused on the measurement of consumer and producer prices, the construction of price and foreign trade indices. A follow-up meeting was suggested to focus on the specific problems encountered in these areas. The papers presented at the workshop and a summary of the proceedings were made available to participants.

With the help of the CCET, Hungary has been successful in developing a national accounts system comparable in sophistication to that of some OECD Member countries. Work was continued on a detailed report on the Hungarian national accounts system. This report will be valuable to users of national accounts both in Hungary and elsewhere, and will thus serve as teaching material for other transition economies. Thanks to this work, analysts will be better placed to make estimates of Hungarian GDP growth levels working from Hungarian national accounts. Based on the Hungarian example, preparatory work was begun on a similar report for Bulgaria.

With the rapid growth in private sector activities, many CEECs are concerned that national accounts and other economic statistics are understating the levels and growth of economic activity. Together with the Canadian government, the CCET financed a research project in Hungary to explore new techniques to measure "informal" private activities. Results were discussed at an experts meeting in Paris in December. They will be shared with other CEECs.

2. Methods for data collection processing and publication

This programme is designed to assist CEECs and NIS to improve collection of monthly and quarterly statistics, to launch business tendency surveys and to develop short-term economic indicators relevant for policy making in market economies. The programme has achieved good results in a number of CEECs, and is being extended to countries with less advanced statistical systems. Eurostat is closely involved in the programme. In co-operation with the statistical offices of CEECs, data bases have been developed which are an essential tool for short-term economic monitoring and periodical country reviews.

Electronic data bases of monthly and quarterly statistics have been developed for each of the CEECs and NIS. To the extent possible, they cover national accounts and labour statistics as well as short-term statistics on prices, trade, industrial output, money supply, etc. These data bases are necessary for country economic reviews and short-term monitoring of economic developments. The data are stored on computer files and made available within and outside the OECD via online access and diskettes as well as the quarterly publication "Short-Term Economic Indicators". Missions were organised to participating countries to investigate data sources and to advise on seasonal adjustment, index calculation and other methodological issues.

Several countries are now conducting business tendency surveys and results are becoming available for the Bulgaria, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic. Workshops were organised to help create a network of statisticians who can learn from each other.

3. Improving the statistical system of the NIS

The programme is aimed at helping NIS statistical offices to develop national capabilities to produce national accounts and related economic statistics required for policy-making in both the government and private sectors.

This is a resource intensive activity which is essential to develop the basis for economic monitoring and policy reform in the NIS. These countries have a relatively good absorptive capacity for statistical assistance, thanks to local personnel with sufficient skills to learn new methods. On the other hand, there is a large deficiency in computer equipment and software assistance for start-up facilities is required in this area.

The collection of short-term economic statistics is managed in co-operation with the Statistical Committee of the CIS. The OECD now receives a standard set of economic indicators on a regular basis from all NIS except Georgia. These data are published in the OECD quarterly bulletin "Short-Term Economic Indicators" referred to in the previous section.

As regards national accounts, work programmes have been agreed with all the NIS except Turkmenistan. These programmes aim at assisting countries to estimate the main national accounts aggregates at current and constant prices on a regular basis. Significant progress has been achieved on estimates at current prices. Progress has however been slower with constant price estimates, partly because existing price indices systematically understate inflation and partly because of the very high inflation rates now being experienced. Two workshops for all the NIS were organised in April and November in Minsk. These dealt with the problems of adapting the system of national accounts (SNA) to the special conditions of the NIS. In addition, all the NIS were invited to the Joint OECD-UN Economic Commission for Europe

(ECE) Meeting of National Accounts Experts held at the OECD in June.

Concerning the European Comparison Project mentioned above, Belarus, Russia and Ukraine participated in the 1993 comparison involving the CEECs and Austria. The Central Asian and Transcaucasian republics undertook preparatory work on the calculation of PPPs for 1994. The State Institute of Statistics of Turkey provided conference facilities in Ankara. Training missions were made to Armenia, Azerbaijan, Kazakhstan, Tadjikistan and Uzbekistan, and workshops were held in Ankara in May and November. Moldova is conducting a separate PPP comparison with Romania with CCET support and advice.

Business tendency surveys have proved to be an efficient and cost-effective means of monitoring the current economic situation in the CEECs, and several NIS expressed interest in participating in this activity. A workshop was held in Tashkent in November for all NIS on survey methods, questionnaire design, editing, analysis and presentation of results. The questionnaires used by these countries will contain a standard set of core questions to facilitate comparisons. This project is jointly organised with Eurostat.

4. Labour market statistics and monitoring

Reliable statistics and monitoring programmes are indispensable for labour market and employment strategies. The programme seeks to strengthen the capacities of the transition countries in this area.

A data base on labour markets in Central and Eastern Europe is being established. It covers information on employment, unemployment, wages and social policy expenditures in Bulgaria, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic since 1990. A workshop, "Unemployment Persistence in Transition Countries", was held in September in Paris. It drew on papers on labour market policy developments in individual CEECs. The

OECD participated in a related workshop organised by the World Bank in Washington in October.

Assistance was provided to the Czech Labour Ministry in developing a labour market monitoring system. The CCET participated in a seminar organised by the Czech Labour Ministry -- in co-operation with PHARE -- on these issues in December.

As part of the project, designed in 1992, to assist the Federal Employment Service of Russia in the development and field testing of a methodology for improved collection and reporting of unemployment statistics, a workshop on administrative statistics of public employment services was organised in Moscow in May. A report with findings and recommendations was submitted to the Federal Employment Service in November, and a version of this report in Russian was made available in December; the English language version will appear in 1994. A seminar on labour market monitoring was held in Moscow in November.

A similar project was conducted for Belarus to assist the State Employment Service with staff training for improved labour market analysis and to review the existing system of employment/unemployment statistics. A workshop was held in Minsk in February dealing with the administrative statistics in the employment service. Subsequently, a report with recommendations was developed and submitted to the Belarus State Committee on Employment. The project was concluded in June.

5. Agricultural statistics

This activity seeks to extend and refine the coverage of agricultural production and trade statistics in the CEECs and NIS; to transmit knowledge on international standards and statistical measurement techniques; and to improve comparability of data and methodology. The activity originally

conceived for the PITs now focuses exclusively on the NIS.

The agricultural data base set up initially for Belarus, Kazakhstan, Russia, and Ukraine was assessed, refined and extended in 1993. An Inter-secretariat Group (comprising the UNECE, Eurostat, the Food and Agricultural Organisation (FAO) and OECD) was set up to exchange views on advisory programmes in agricultural statistics and to co-ordinate future activities in the CEECs and NIS.

6. Public sector statistics

Many countries in transition have unreliable and inappropriate statistics on government revenues. This complicates tax reforms and budgetary forecasting. The programme seeks to improve reporting of revenues in recipient countries, with a view to including the data in the joint OECD/IMF reporting system.

This programme is operated in close co-ordination with the IMF. It is hoped that the experience of countries in transition that now approach OECD standards of reporting can be put to the use of those countries that are having more difficulty in the classification of revenues. The programme also ties in with other training and in-country activities on taxation. One of the main uses of public sector statistics is in revenue forecasting and predicting the effects of changes to the tax system. Courses and workshops on tax models in the multilateral Tax Training Centres (see Chapter IV) assist countries in developing their statistical and modelling capabilities. Hence the activities in this area reinforce the activities on policy design and implementation which are organised under the Tax Programme.

Information on revenues in Bulgaria, the former CSFR, Hungary, Poland and Romania was included in "OECD Revenue Statistics" for the first time. Joint efforts by the IMF and the OECD have ensured that Hungary and, to some extent, Poland have

reliable statistics. Transitional problems with the dissolution of the CSFR have led to a deterioration in statistics in the Czech Republic and the Slovak Republic, but this is not expected to persist. The CCET is concentrating efforts on Bulgaria and Romania, where classification and recording problems persist, so that their statistics can be published regularly in "OECD Revenue Statistics". Initial contacts with the Baltic Republics have been established with a view to including statistics from these countries in the near future.

7. Science, technology and industry indicators

The objective of this activity is to inform the CEECs and NIS of OECD standards applied in the field of Research & Development/Science & Technology statistics and indicators and to meet their requests for advice and assistance in adopting and implementing these standards in their national statistical systems.

The programme has already achieved encouraging results. National expertise is built up in several CEECs and in Russia, which has expressed interest in adopting the OECD standards. In the medium term, it is intended to integrate research and development and science and technology statistics of these countries into the OECD data bases.

The activity consists of a wide spectrum of informal and formal contacts such as participation of CEEC and NIS experts in ad hoc workshops and international conferences. The PIT countries and Russia send observers to the meetings of the Committee on Science and Technology Policy (CSTP) Group of National Experts on STI Indicators (NESTI) and Hungary attends the Working Party on Industrial Statistics of the Industry Committee.

An informal meeting was held in April 1993 with the PIT countries and Russia to consider the integration of these countries into the STI data base system. A feasibility study was performed and an OECD

questionnaire sent to these countries. The implementation of science and technology statistical systems was discussed at a conference held in Paris in November. A specific advisory programme on science and technology indicators was started for Poland in the second half of 1993.

D. ADDRESSING KEY STRUCTURAL ADJUSTMENT ISSUES

1. Economic stabilisation and structural policy

This CCET programme has the following objectives:

- promote the economic policy dialogue between OECD Member countries and economies in transition;
- highlight the interaction between structural reforms and macro-economic stabilisation;
- monitor economic developments in the CEECs and NIS and improve OECD understanding of the economic problems of the region; and
- provide policy analysis to facilitate the integration of the CEECs and NIS in the world economy.

Comparative economic analysis and country reviews serve as a basis for policy dialogue and are highly appreciated by Central and Eastern European countries. These country studies are perceived as competent and objective. They present, for both OECD Member countries and CEECs, a means for deepening understanding of the problems and achievements of the reform process. Most of the work is carried out by permanent staff with the occasional support of local consultants. Work on the NIS has started slowly due to

resource constraints and the absence of local correspondents.

Cross-country analysis and monitoring of economic developments

This activity includes:

- a comparative analysis of economic developments and reforms in five CEECs;
- in-depth studies of non PIT countries;
- input for the semi-annual Economic Outlook;
- preparation of country notes; and
- high-level missions and conferences on the reform process.

In the context of this activity, the CCET completed its first economic assessment of Romania. The report, which was published in July provides an analysis of Romania's economic situation and identifies policy choices that are important for the transition to a market economy. A follow-up mission to Romania was conducted to discuss the recommendations of the Report.

Half-yearly notes on economic developments in Central and Eastern Europe were prepared for the EPC and the Economic Outlook. In addition, detailed country notes were circulated throughout the Organisation. A document "Transition Experiences Compared: Lessons from Central and Eastern Europe Reforms", was presented to the Joint East-West Centre/OECD Seminar called "From Reform to Growth: Countries in Transition compared", held in December in Honolulu.

PIT country reviews

PIT countries attach the highest priority to general economic surveys which are conducted approximately every two years in the framework of the Economic Development Review Committee (EDRC). The preparation of the second review of Hungary, which had begun in autumn 1992, was completed with an EDRC examination in June. The report was published in September and a follow-up mission was conducted. The review of the Czech and Slovak Republics covered economic developments in the former CSFR since 1992 as well as the prospects for each Republic and the economic consequences of the dissolution of the Federation. The EDRC examination took place in November.

Monitoring NIS economic policy developments

This activity is focused on Belarus, Kazakhstan, Russia and Ukraine and includes the monitoring of inter-republican trade and payments systems. Within the framework of this activity, contributions were provided for the High Level Meeting with these four NIS in May and for a Trade Committee activity on problems with intra-NIS trade. Country notes on Ukraine and Russia were prepared for circulation within the Organisation. These notes provided input for the Economic Outlook published in December.

2. Trade issues

The main objectives of the programme are to facilitate the integration of the reforming countries into the multilateral trading system and to help overcome obstacles to the expansion of trade. Expansion of CEECs and NIS trade will bring benefits to them and their trading partners, many of which are OECD Member countries. Work on the removal of trade barriers, both internal and external, can thus make a positive contribution to the process of economic reform.

Trade policy and regional co-operation

Work was focused inter alia on the assessment of trade policy regimes and on experiences with trade liberalisation. In addition, developments in inter-regional trade and regional co-operation were analysed, including a first evaluation of the Europe Agreements between the PIT countries and the EC.

NIS

This activity seeks to promote a policy dialogue on trade issues specifically related to the twelve NIS. It focuses on inter-NIS trade, trade relations with CEECs, OECD countries and the rest of the world. A workshop, jointly prepared by the Economics Department and the Trade Directorate, was held in Minsk in March. It covered the following issues:

- the development of new trade regimes in the NIS, their role in transforming economies and their compatibility with GATT principles;
- trade barriers affecting the exports of the NIS on external markets and internal impediments limiting export expansion;
- economic co-operation between the NIS and other countries; and
- trade and payments arrangements among the NIS.

Participants agreed that the workshop initiated a constructive dialogue. Direct links were established between members of the Trade Committee and their NIS counterparts.

Issues addressed as a follow-up to the workshop include the use of anti-dumping action during the period of transition and the functioning of trade and payments mechanisms.

Policy advice on how to develop new trade regimes was also provided.

3. Environment

The objectives of this CCET programme are:

- to integrate environmental considerations into the process of economic reform;
- to develop environmental policies and provide advice for legislation and institution building; and
- to assess environmental conditions and policy performance.

Economics/energy/environment linkages

Both the proceedings and recommendations of the OECD/International Energy Agency (IEA) Conference on Energy and the Environment in the European Economies in Transition, held in Prague in June 1992, were published. One of the recommendations was that work should be undertaken to develop methodologies to evaluate the effectiveness of energy efficiency programmes. This was begun in 1993, in co-operation with the IEA, using the results of ongoing IEA work on methodologies in Member countries.

A workshop on taxation and the environment in the European Economies in Transition was held in Paris in February. The workshop examined the scope for reconciling fiscal and environmental policy objectives in the transition to a market-based economic system. Discussion was based on a report prepared by an OECD Task Force of tax and environment experts and on case studies of Estonia, Hungary, Poland, and the Russian Federation. The main conclusion was that considerable scope existed to use environmental taxes as incentives to reduce

pollution and as a source of revenue to reduce other, more distortionary taxes, such as those on capital and labour. The UNECE, World Bank, EC Commission, IMF and United Nations Environmental Programme (UNEP) participated in this workshop.

A workshop on economic restructuring and the environment was held in Budapest in March in co-operation with the UNECE. It provided an opportunity to discuss and to explain analytical models used to examine the economy - environment linkages in the transition process. These models are intended to assist policy makers target resources on those environmental problems which are likely to be of greatest importance in the transition period.

A conference on agriculture and the environment in the transition to a market economy was held in Vilnius in September. It was organised in co-operation with the Lithuanian Ministry of Environmental Protection. The governments of the Netherlands and Sweden provided financial support. Participants discussed OECD experiences in approaches to integrating agricultural and environmental policies, reviewed opportunities for strengthening such policy integration in CEECs/NIS, and identified priority issues requiring attention in the short- to medium-term.

The "Environment for Europe" Ministerial Conference, held in April in Lucerne, Switzerland, called for the establishment of an international task force to facilitate the implementation of the environmental action programme for Central and Eastern Europe (EAP), which is a framework strategy adopted at the Conference. The Ministers requested that the OECD act as secretariat for the task force, which brings together OECD Member governments, governments of economies in transition and the private sector. The Task Force's main objective is to facilitate the implementation of the policy and recommendations of the EAP. It will work closely with the Project Preparation Committee, also set up at Lucerne,

which concentrates on the environmental investment component of the EAP. The first meeting of the Task Force was held in September, at which a five-point work plan was approved. The results will be fed into the next "Environment for Europe" Conference, to be held in Bulgaria in 1995.

Environmental issues in the NIS

Initial work was begun to fulfil plans to carry out assessments of environmental problems and policies in Belarus, Kazakhstan, Russia and Ukraine. Two seminars were held in the autumn: the first, in September, reviewed environmental information systems in Belarus, and the second, held in Kiev in October, looked at the use of environmental auditing in the Ukrainian chemical industry with a view to improving safety, environmental performance and economic efficiency. Auditing, because it is low cost, can play an important role in Ukraine and the other NIS in their fledgling environmental programmes. The audit of a Ukrainian chemical plant was presented as a case study. Funding was subsequently provided for Ukrainian participation in the December meeting of European Chemical Manufacturers (CFIC) held in Paris.

In co-operation with the World Bank, a conference, held in Minsk in September, was organised on the Belarus Environmental Strategy Study, which had been prepared by the World Bank with contributions by the OECD Environment Directorate. The OECD also participated in the November conference, organised by the World Bank and Ukrainian Ministry of Environmental Protection, on the Ukrainian Environmental Strategy Study. It also participated in the Inter-State Ecological Session of CIS Environment Ministers held in Minsk in December.

Opportunities for supporting NIS region-wide co-operation on environmental protection projects were explored in co-operation with Belarussian authorities.

4. Agriculture

This CCET programme is designed to:

- assist in the introduction of market-oriented policies for the agro-food sector;
- encourage private initiative in agricultural production and promote education and training for a more market based agro-food sector;
- transmit experience from OECD Member countries relevant for the restructuring and privatisation of large scale state and collective farms as well as the upstream and downstream sectors; and
- monitor agricultural policies and markets in CEECs and NIS.

Cross-country policy reviews

The Group of Experts on East/West Economic Relations in Agriculture conducts regular surveys of agricultural policies, markets and trade in the CEECs and NIS. Developments in the agro-food sector are reviewed and their impact on agricultural production and agricultural commodity trade, food consumption and supply is analysed. Particular importance is attached to issues arising from restructuring and privatisation in agriculture. Representatives from CEECs and the NIS participate actively in the discussions of the experts group and prepare written contributions on national developments.

These meetings provide an opportunity for an exchange of experience in agricultural policy formulation and implementation between eastern and western experts and for identification of priority areas for western assistance. The report, "Agricultural Policies, Markets and Trade in the Central and Eastern European Countries,

the New Independent States and China: Monitoring and Outlook 1993", was published in June; it provides a comprehensive overview of developments in the agro-food sectors of these countries. This publication will appear annually.

The Experts Group met in February and October in Paris. In addition to country-specific agricultural policy developments, the February meeting concentrated on developments in markets and trade, while the October meeting focused on developments in three specific agricultural policy areas: finance and credit; privatisation and demonopolisation; and restructuring. The October meeting included the participation, for the first time, of Albania, the three Baltic countries, Kazakhstan, and Mongolia, bringing the total number of transition countries represented to 14.

The Agro-Food Sector in Albania

The first draft of the "Survey of the Agro-Food Sector in Albania" was completed in June. The report points to a number of potential areas for restructuring and re-organisation of the Albanian agro-food sector in order to make it more market oriented. Special attention is given to the upstream and downstream sectors of production and to the role of agricultural education, research and advisory services. The draft survey was updated and discussed at a roundtable meeting with Albanian policymakers in October.

PIT activities

A review of Hungarian agricultural policies, following the model of the national policies and agriculture trade series of studies carried out for OECD Member countries, was completed. A first draft of the report was discussed at a roundtable in Budapest in May. Based on the findings of the report, which show that Hungarian support and subsidies for agriculture are low, an examination of

Hungarian agricultural policies was undertaken in July by a Joint Working Group session of the Committee of Agriculture and the Trade Committee at which Hungary was represented at a high level. Certain weaknesses in Hungarian agricultural markets, which could lead to increases in subsidies, were addressed during this examination. A Hungarian version of the report was produced and released at a press conference in Budapest in December; the English version will be published in 1994.

A comprehensive review of agricultural policies in Poland, which was initiated at the end of 1992, continued throughout 1993. It is also planned to initiate a comprehensive review of agricultural policies in the Czech Republic. This work will benefit from the experience gained with the Hungarian and Polish reviews. The activity was started with an expert mission in 1993.

In October, a seminar on agricultural co-operatives and emerging farm structures was held in Budapest. Participants came from eight CEECs and two NIS, OECD Member countries, the European Commission and international organisations and bodies (including the Agriculture Co-operative and Development International, Co-op Network for International Development in Eastern and Central Europe, EBRD, European Confederation of Agriculture, ILO and the World Bank). The importance and usefulness of production co-operatives in the transition process were highlighted in the conclusions of the seminar, as was the need for government to set a flexible but clear framework for agricultural production structures. The desirability of government adopting a hands-off approach, once the framework had been established, was also emphasised.

NIS activities

Analysis started in June on the new relationships in the agro-food sector of the NIS. This study is expected to provide guidance to NIS policy makers in taking the necessary measures to promote co-operation in

the agro-food sector and to facilitate trade in commodities needed for agricultural production, food processing and supplies. The study will require intensive field research to understand the problems arising under new economic and political conditions. Work on this project started in June.

A seminar was organised in Minsk in May to review the agricultural policies of Belarus. It included participants from other NIS, experts from Poland, Hungary and OECD Member countries. The main topics were structural adjustment and privatisation, market orientation and price policies, and finance, credit and investment in agriculture.

A workshop was organised in July in Moscow on the development of a new dairy policy for Russia. The main orientations for this sector, the role of market information and of new viable co-operatives were discussed. Economic and technical problems and possible policy responses of the dairy food chain from producer to consumer in the Moscow oblast were also examined.

The agricultural education and training system of Russia was reviewed and proposals developed for its adjustment to serve a market and private based agro-food sector. The activity was carried out in close co-operation with the World Bank.

5. Education reform

Education reform is an important component of the transformation of command economies into market systems and pluralistic democracies. As pointed out at the 1992 Conference on Education and the Economy, educational deficiencies and skill shortages can create serious problems in the transition process. The objectives of the programme are to engage a policy dialogue on education reforms that are conducive to a market economy and to transmit OECD experience to CEECs and NIS.

The programme's coverage has been extended beyond the initial focus on 6 CEECs and Russia.

Conferences and seminars

As agreed at the 1992 Conference on Education and the Economy, efforts were directed towards organising a series of country seminars on educational infrastructure in order to formulate policy recommendations and identify priorities for assistance programmes.

A first seminar was held in March in Bratislava by the Czech Republic and the Slovak Republic on the monitoring and evaluation of the education system. This was followed by a seminar in Warsaw on education reform related to the needs of the labour market. These activities were monitored by the OECD Education Committee and the Centre for Educational Research and Innovation (CERI) Governing Board. The World Bank, EBRD and ILO contributed to the seminars through written reports and presentations.

Country reviews

As a result of advice provided in 1992 on education legislation, Hungary requested a review of the education system. A background report was prepared and a first pre-review on higher education was held in March in Budapest. This was followed in May by another pre-review on school policy. The final report was discussed in November in Paris.

Work on the review of Poland was begun in the autumn.

6. Nuclear safety and regulation

The CCET programme of co-operation between the Nuclear Energy Agency (NEA) and CEECs/NIS is focused on nuclear safety, reflecting the interest of the international community in the development of

energy policies, including nuclear energy, which meet the highest possible safety and environmental standards. CEECs and NIS are aware of the safety shortcomings of their nuclear power plants. They are looking for regulatory, technical and scientific assistance from OECD Member countries to improve the situation.

The programme is therefore aimed at:

- helping CEECs and NIS to achieve, in the longer term, safety levels of their nuclear programmes comparable to those in OECD Member countries;
- restoring or enhancing the R&D capabilities of these countries in the area of nuclear safety; and
- building efficient nuclear regulatory systems.

It concentrates on advisory activities that depend on the expertise of the NEA Secretariat and Member countries in the areas of nuclear safety and nuclear law.

The NEA maintains close contacts with the International Atomic Energy Agency (IAEA), the EC Commission and the G-24 nuclear assistance programme. The IAEA and the EC Commission participate in all its activities at a management level. A high level co-ordination meeting is held on a yearly basis between IAEA and NEA. The NEA is regularly represented in the Steering Committee in charge of the G-24 co-ordination in Brussels.

Participation of CEECs and NIS experts in NEA meetings

The meeting of the Group of Governmental Experts on Third Party Liability in the field of nuclear energy, which took place in June, was attended by observers from Bulgaria, the Czech Republic, Hungary, Poland, Romania, Russia and Ukraine.

Training and advice in the development of nuclear law

The NEA Secretariat continued to provide advice to several CEECs and NIS in the preparation of framework legislation as well as specific regulations. Discussions were held with experts from Ukraine and Russia on their draft legislation. Advisory missions on nuclear law were conducted to the Czech Republic and the Slovak Republic. The NEA was also approached by the Atomic Energy Agency of Kazakhstan to initiate co-operation in relation to its national legislation.

In September, the NEA, in co-operation with IAEA and the European Commission, organised a training seminar on nuclear law which was hosted by the International Institute of Energy Law of the University of Leyden. Discussions at the seminar covered principles and procedures for the development of nuclear legislation, safety standards for the operation of nuclear installations, international guidelines for radioactive waste management and transport of nuclear substances, third party liability for nuclear accidents and nuclear risk insurance.

Safety research

The NEA contributed to bilateral and multilateral efforts to help the CEECs and NIS develop their safety research programmes and enhance their safety technology capacities. The thermal-hydraulic behaviour of VVER coolant systems and the Soviet-designed bubbler condenser containment are two areas that were identified for assistance, not least because research and development facilities exist in Russia and Ukraine with the necessary hardware and expertise to be able to undertake viable work in both these areas. The integrity of the pressure boundary of VVER reactor coolant systems is a further area earmarked for NEA assistance.

Isolation of radioactive substances of the Chernobyl reactor

Consultations were initiated with Ukraine with a view to developing international advice on the long-term radiological safety of the radioactive substances of the destroyed Chernobyl-4 reactor. A proposal was made to the Ukrainian nuclear authorities to include all the Chernobyl reactors, once they reached the end of their operating life, in the NEA co-operative programme for the exchange of scientific and technological information concerning the decommissioning of nuclear installations.

Public information

The NEA is also engaged in the transfer of knowledge and experience to CEECs and NIS in the field of public information and understanding of nuclear energy. Documentation and proceedings of specialist meetings in this field were provided and invitations were sent to CEEC and NIS experts to attend seminars organised by the NEA on information questions. In 1993, experts from six CEECs and NIS attended an NEA seminar on information policies of nuclear regulatory organisations.

7. Science, technology and industry

The key objectives of the CCET's work in the closely related domains of science, technology and industry, including the steel sector and regional issues, are the following:

Industry related policies

- to assess the structural adjustment issues confronting the manufacturing sector;
- to assist the competent authorities in the design and implementation of industry related policies.

The Steel Industry

- to associate interested CEECs and NIS to the work of the OECD Steel Committee;
- to discuss the restructuring of the steel industry in CEECs/NIS;
- to explore possibilities for mutually beneficial international co-operation in the design and implementation of sectoral policies.

Science and Technology (S&T)

- to evaluate science and technology policies;
- to provide recommendations on how to adjust S&T systems to the requirements of a market economy.

Regional policies

- to identify regional policy issues relating to economic and institutional questions;
- to provide suggestions for the design of regional policies.

The restructuring of industrial activities is key to the reform process. Technology audits can help to reorientate the S&T system towards the requirements of a market economy and convert research capacities from military to civilian uses.

Industry related policies

The industry review of the Czech and Slovak Republics was concluded on 21 October by a meeting held in Paris which involved senior policy officials of both Republics and

OECD Member countries. Preparations were started on the industry review of Hungary.

The Steel Industry

At the end of May, the Chairman of the Committee and members of the Secretariat conducted a mission to Moscow to collect information on the situation of the steel industry of Russia and to discuss possibilities for future co-operation between Russia and the OECD in the steel sector. An expert mission was also sent to Romania in June.

In October, the Steel Committee organised a workshop in Paris, which brought together officials and private sector representatives from OECD Member countries, international organisations (UN, World Bank, EBRD) and participants from nine steel producing CEECs and NIS (Bulgaria, Czech Republic, Hungary, Kazakhstan, Poland, Romania, Russia, Slovak Republic and Ukraine). Participants exchanged views and information on steel industry developments, discussed financial and privatisation issues and explored possibilities of co-operation in industry restructuring.

Assessment of the science and technology policy of Russia

A major evaluation of the Russian science and technology policy was concluded at a review meeting in September in Moscow, which was organised under the auspices of the OECD Committee for Science and Technology Policy. The review was based on a background report prepared by Russian consultants and an evaluation report prepared by the OECD Secretariat. The latter report sets out policy recommendations on adapting the Russian S&T system to the requirements of a market economy and on reorienting it from military to civilian uses. Advice is given on the reorganisation of the institutional framework for S&T policies. The conditions for stimulating innovation and regulatory issues like patents and standards are also discussed.

Finally, the report presents suggestions for strengthening international co-operation. The background and evaluation reports will be published in 1994.

Regional policies

Work was started on the review of regional development policies in Hungary. It will provide advice on policy design and interministerial co-ordination, and also address issues of co-operation among the Visegrad countries (the Czech Republic, Hungary, Poland and the Slovak Republic) in the field of regional development. A meeting was organised in Cracow on regional industrial development of Poland. It provided advice to central and regional authorities in identifying opportunities for transborder co-operation in industrial matters with the Czech Republic and the Slovak Republic.

8. Communications and transport

An efficient telecommunications and transport infrastructure is necessary for economic development in the CEECs and NIS. Large investments and capital inflows are needed to modernise and restructure these sectors. The programme is aimed at helping Governments to develop telecommunications policies and to increase their understanding of the institutional and regulatory procedures for the development of an efficient telecommunications sector. In response to the requests of CEECs and NIS, the programme has evolved from general policy reviews to analysis and discussion of specific issues relating to investment requirements, financing instruments, tariff and regulatory policies. In the area of maritime transport the aim is to extend to CEECs and NIS the common principles on shipping policy that have been agreed among OECD Member countries.

Review of telecommunications and information systems policies

With the support of Canada, a project was started in October to help the

Communications Ministry of Hungary identify regulatory and financial conditions for the growth and restructuring of the telecommunications sector. Hungarian and OECD experts were commissioned to produce reports on the institutional and regulatory environment surrounding telecommunications in Hungary and to develop policy options for the development of investment, tariff structuring and network interconnections. A review of the communications law of Romania was started in the autumn.

A regional seminar, held in co-operation with International Telecommunications Union (ITU), on licensing principles and procedures in telecommunications was held in Kishinev (Moldova) in September. It attracted high level participation from eleven NIS countries and Romania. The seminar revealed that most NIS lack expertise in formulating licensing policies and identified necessary steps to improve the situation. The participants invited the OECD and the ITU to hold a follow-up seminar with a focus on specific topics of licensing policies such as market structure and fee determination.

A meeting was held in Paris in February to review the draft development plan for telecommunications in Kazakhstan. This meeting brought together senior officials from Kazakhstan, OECD experts and participants from the World Bank, EBRD, EC Commission, and ITU.

In October, an experts' meeting was held in Paris to provide advice on the draft communications law of Ukraine. Reports prepared for this meeting analysed the macroeconomic conditions and the policy issues related to the development of the Ukrainian telecommunications sector. Other papers examined the main institutions and legal problems of the draft law and the regulatory principles and procedures for basic and value-added services.

Tariffs and network interconnection

The project is aimed at helping officials from CEEC communication ministries to design the economic and regulatory framework for network development, tariffs and interconnection. It involves country studies and analytical reports and draws on the experience of OECD Member countries. Work on tariff issues in Russia and Romania was started in December. In this project, particular attention is being paid to investment requirements and tariff policies in a highly inflationary environment.

Common principles of shipping policy

At a meeting held by the OECD Committee on Maritime Transport in May, representatives from OECD Member countries, CEECs and NIS reached an understanding on common shipping principles and implementation procedures. The understanding was considered as a beginning of intensified co-operation between the participating countries. It was agreed to pursue consultations among OECD Member countries, CEECs and NIS and to hold another meeting within 18 months.

IV. TRAINING PROGRAMMES

This Chapter describes three types of training activity:

- The PIT Visiting Partners Programme;
- The OECD Tax Training Centres; and
- Specific training activities held at the Joint Vienna Institute.

A. THE PIT VISITING PARTNERS PROGRAMME

The purpose of this programme is to arrange short-term traineeships to expose a limited number of officials from the PIT countries to the work of the OECD. A traineeship within OECD is expected to enhance the knowledge and understanding of the methodologies and policies used in market economies and to improve understanding of the structure and the functioning of the Organisation.

B. THE OECD TAX TRAINING CENTRES

In the field of taxation, the following training needs of the economies in transition are covered by the programmes of the OECD Multilateral Tax Centres:

- training of middle to senior level policy-makers, operational staff and managers; and
- training of senior officials who will deal with international tax issues.

The training of lower level tax inspectors and administrators is carried out in-country.

Training is carried out in four regional centres in Ankara, Budapest, Copenhagen and Vienna. The programme is financed out of the CCET budget and is supplemented by voluntary contributions from Canada, Denmark, Finland, Iceland, Japan, Netherlands, Norway, Sweden, Turkey and the United States. Member countries also contribute substantial resources by providing instructors for the training programmes.

The activities of the Ankara Centre were launched in April by a high level inaugural seminar. The Centre is hosted by the Turkish Ministry of Finance in co-operation with Turkey's International Co-operation Agency. The courses deal with both domestic and international tax issues and are directed at the Central Asian and Transcaucasian NIS and Mongolia. There were 11 weeks of courses in 1993.

The Budapest Centre is hosted by the Hungarian Ministry of Finance. It provides up to 14 weeks of courses each year on mainly domestic tax policy issues. The courses are directed at Albania, Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovenia and the Slovak Republic.

The Copenhagen Centre is situated in the training school of the Danish central customs and tax administration, where up to twenty weeks of courses are provided each year. The programme covers both domestic and international tax issues and is directed at Belarus, Estonia, Latvia, Lithuania, Russia and Ukraine.

The Vienna Centre is hosted by the Austrian Ministry of Finance. Its programme provides up to 14 weeks of courses each year, serving the needs of the CEECs. Courses focus on international taxation issues and complements the training at Budapest.

At the Centres, each course is taught by a panel of three to five instructors from OECD Member countries, international organisations, universities and the private sector. The OECD Secretariat, under the general guidance of the Steering Group on Taxation and Tax Training (see Chapter III.B.1 above) is responsible for the preparation of the course material and the co-ordination of the course. In 1993 there were a total of 50 weeks of courses in the four Centres covering over 20 different subjects. Participants numbered over 900 from 24 countries.

Evaluations of the activities of the Centres prepared by the Director-General of the Canadian Tax Training Programme were positive.

A strategy of assisting participating countries in developing in-country training activities has been designed and the establishment of a tax training school by the Russian State Tax Service is a major achievement. In 1993, six weeks of courses were offered in Moscow involving 200 participants. These activities are conceived as an addition to, not a substitute for, the Multilateral Tax Centres.

The training activities in the Tax Centres are complementary to and integrated with the other tax activities referred to in Chapter III.B.1 above. For example, in the area of tax treaties, which is of great interest to Member countries, courses were offered in Ankara in May and June. This was followed-up in July and August by missions that covered most of the countries involved in the Ankara Centre to help them develop their own model tax treaties which form the basis of bilateral negotiations. A meeting was then held in Paris in September, at which the countries worked together to refine their models. The models

were presented subsequently to a joint meeting with the Working Party on International Taxation of the Committee on Fiscal Affairs.

C. OECD TRAINING ACTIVITIES AT THE JOINT VIENNA INSTITUTE

The Joint Vienna Institute (JVI), sponsored by the BIS, EBRD, IMF, the OECD and the World Bank, is a co-operative venture whose purpose is to provide policy training for officials from economies in transition. The CCET co-ordinates the OECD training programme offered at the JVI and represents the OECD on the Executive Board of the JVI.

The OECD programme covered the following areas:

Labour Markets and Social Policies

This programme is designed and developed by the OECD Secretariat as a result of exploratory missions to recipient countries. As a result of such missions, the following courses were held:

- social policy design;
- enterprise surveys;
- monitoring the informal sector;
- active labour market policy; and
- labour market and social policy analysis.

A total of 91 participants from 16 countries attended these courses. The following countries benefited from these activities: Belarus, Bulgaria, Czech Republic, Estonia, Hungary, Kazakhstan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Slovak Republic, Slovenia and Ukraine.

Competition Policy

This programme teaches competition officials from CEECs and NIS how to analyse the cases that confront them daily. The following training modules have been developed for this programme:

- market definition;
- market dominance (identification and abuses);
- vertical restraints;
- horizontal restraints; and
- demonopolisation and privatisation.

For each course, participants submit case studies summarising actual cases they have considered or are currently investigating. These case studies are then discussed by a panel of experts from the OECD Secretariat and Member countries. The courses promote understanding of legal and economic analysis of competition cases. They also serve to develop networks among CEEC competition agencies for exchanges of experience on common problems. Such networks should prove to be especially valuable for co-operation among NIS competition authorities, as the economies of these countries are still closely interconnected.

Training seminars were held in May, July and November. One publication and two other reference documents resulted from this work. The publication is the "Glossary of Industrial Organisation Economics and Competition Law", which provides short explanations of commonly used competition policy terms and concepts. It was widely circulated to CEEC competition offices. The other reference material consists of short lecture notes and a set of generic comments used as a guide for improving competition laws in transition economies.

Privatisation

A training course on the evaluation of business plans in the privatisation process was held at the Joint Vienna Institute in May. This course was repeated for Slovak privatisation officials in November.

V. SUPPORT FOR IMPROVEMENT IN GOVERNANCE AND MANAGEMENT: THE SIGMA PROGRAMME

Reorientation of governance and restructuring of public institutions are important for the transition to democracy and for the development of market-oriented economic systems in Central and Eastern Europe. SIGMA is a joint initiative of OECD/CCET and EC/PHARE financed mainly by EC/PHARE. The SIGMA programme is playing a leading role in providing policy guidance in the area of public administration to CEECs.

A convention between EC/PHARE (the EC's programme of assistance to the CEECs) and OECD, establishing the Programme of Support for Improvement in Governance and Management (SIGMA) was signed in May 1992 for a duration of up to two years. SIGMA's mission is to help governments of countries in transition to develop capacities in formulating and co-ordinating policies, to manage the evolution of public institutions, to carry out resource management and financial control functions and to promote reform in administrative bodies responsible for delivering public services. The beneficiary countries are Bulgaria, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic.

The programme draws from the experience accumulated on administrative reform in OECD Member countries in the OECD's Public Management Committee and in its experience in provision of technical assistance in administrative reform to southern European Member countries. Its design and implementation were praised in the independent assessment commissioned by the OECD Council.

SIGMA activities were carried out through multi-country workshops and country

specific advisory activities. In the second semester, emphasis shifted to the latter.

With a staff of about fifteen professionals based in Paris, SIGMA designed and organised for its six countries:

- more than 150 expert missions;
- about 90 study tours for about 50 SIGMA country top officials to their counterparts in OECD Member countries;
- fifteen multi-country meetings, gathering more than 250 senior officials from SIGMA countries and more than 50 OECD experts;
- six national seminars/workshops gathering more than 150 senior officials.

The programme was structured along five main areas of work:

Strategies for the reform of public institutions

Responsibilities for reforming the public administration were assigned in all countries. SIGMA helped develop the capacities of the reform units. Priority was given to marketing reform and communication skills. SIGMA helped directly through meetings with governments, media and business. The Liaison Group explored strategic options, identified reform priorities (especially common functions of personnel, financial management), and exchanged experiences. "Public Administration Profiles" of each country were published.

Multi-country meetings were organised in SIGMA countries. They were designed to contribute to national reform objectives. They concerned mainly the marketing of administrative reforms, including the role of the media (Warsaw, March) and the management of change in organisation and attitudes (Bucharest, May). SIGMA-funded personnel were put at the disposal of the Czech Republic, Hungary, Poland and Romania to provide strategic advice to the central reform units and to facilitate the implementation of the SIGMA programme.

Management of policy making

Based on SIGMA advice and assistance, Bulgaria, Hungary, Poland and Romania made efforts to improve the structure of meetings of the Council of Ministers and ensure proper preparation of decisions. Hungary, Poland and Romania also examined the organisation and staffing at the centre of Government.

A multi-country workshop gathering top managers from central policy units in the Governments of SIGMA countries was organised to familiarise them on how policy-making systems work in OECD governments as well as to discuss how to manage improvement (Paris, February). Special attention was devoted to procedures, organisations, staff, behaviour and/or attitudes which form the background of policy making. Transforming the regulatory process is another challenge for SIGMA governments. A training workshop on strategies for improving the quality of new laws and regulations was organised for government and parliamentary representatives and held at the Joint Vienna Institute in June.

Civil service reform

SIGMA provided advice in the formulation and implementation of civil service laws. Panel reviews of draft civil service laws have been conducted in several SIGMA

countries. Based on the experience with these reviews, SIGMA has developed a checklist for drafting civil service legislation and provided it to all countries. While work in the first half of the year focused on the legal status of the civil service and the support for new legislation (multi-country workshops in Budapest and Prague, March and June), emphasis shifted towards managerial tasks like staff development, recruitment and redeployment, management skills, information systems, budgeting and remuneration systems.

Expenditure management

SIGMA provided advice to the design of budget management systems and to the development of new budget laws. Support took the form of panel reviews of draft laws, advisory missions and/or in-country workshops on specific aspects of the legislation. A multi-country seminar held in March in Paris provided an opportunity for senior officials to discuss the elements of a modernised expenditure management system. SIGMA presented the principles of public procurement as they exist in OECD countries and advised CEECs on the legal and administrative measures required to operate a market oriented system of procurement. A seminar on public procurement focused on the issues and principles requiring consideration during legislative drafting. A joint Germany/SIGMA event was held in Leipzig in December as a multi-country workshop which exposed the German experience in introducing procurement rules at the sub-national level.

Administrative control

Formal instruments exist in most countries, but need to be strengthened. Countries must find a satisfactory balance between control and effectiveness but this calls for delicate political judgement and understanding by the judiciary, parliament and the executive.

SIGMA provided advice on the strengthening of formal instruments (administrative and audit courts and administrative procedures acts). Public managers from SIGMA countries met in Bratislava in May to study the issue of ensuring the regularity of normative acts and to review reform needs and possibilities. The development of an external audit function was the subject of a regional seminar in Hungary (April).

VII. THE CCET REGISTER

The Register is a computerised data bank which provides on-line information on technical and humanitarian assistance supplied by bilateral and multilateral donors to CEECs and the NIS. Created by the Centre for Co-operation with Economies in Transition in October 1991, it constitutes a unique pool of comprehensive data on assistance activities. Its aim is to ensure that officials have access to complete and up-to-date information in order to improve co-ordination of assistance in both donor and recipient countries. The information contained in the Register is available to all donor governments, to multilateral organisations, and to the governments of the CEECs, NIS and Mongolia.

The objectives of the OECD in this activity have changed in line with the evolution in the international policy dialogue with the CEECs and NIS. Since early 1992, following a conference of donors in Washington, the Register has served as a clearinghouse for information on technical and humanitarian assistance to the NIS. During the last year emphasis has been given to increasing the transparency of information between donors and recipients and to exploiting the information in order to enhance co-ordination of assistance. In particular, technical assistance reports based on the information in the Register help identify gaps in assistance and avoid wasteful duplication of efforts.

Following a meeting in Paris held in July 1993, the EC/G-24 Co-ordination Unit and the CCET agreed to centralise the collection of all project data on Central and Eastern Europe in the Register. This has simplified reporting procedures for bilateral and multilateral donors and provides the greatest range of information in one centralised and easily accessible data base. Information from the Register is

provided to the EC/G-24 Co-ordination Unit on a monthly basis.

Expanding the Scope of the Register

By the end of 1993, the following additional facilities were available:

- an improved documentary data base which accommodates documents and statistical tables, including statistical files in Paradox, DBase and Lotus;
- an electronic message facility to allow users to communicate with each other; and
- a system permitting donors and recipients to enter and update their information on-line, including assistance requests and offers.

The Register also contains information on energy which is collected by the Energy Working Group on the NIS and updated regularly by the IEA. A parallel data base on energy projects, sponsored by the IEA and the Energy Working Group, was opened to the private sector in September 1992.

Promoting the use of the Register

Progress was made throughout 1993 in improving the use of the system by both donor and recipient countries. The Register is easily accessible using IBM Portable computer compatible equipment, a standard modem and communications software. The Register is designed for easy use. The results of any search can be downloaded to the user's PC for

printing or further examination. At the end of 1993, the Register contained information on 6 587 assistance activities of which 2 227 concerned the NIS, and there are over 700 users throughout the world.

To promote the use of the Register, the CCET undertook the following activities in 1993:

- demonstrations and explanations of the system in recipient countries. Missions were sent to Azerbaijan, Belarus, Georgia, Moldova and Russia. Armenia sent a delegation to the Register in Paris. By the end of 1993, the Register had been installed in the offices of the national co-ordinators of technical assistance in eleven out of twelve NIS republics.
- organisation of meetings with national co-ordinators and users;
- drafting explanatory material and reports on the use of the Register; and
- collaborating with providers of information in order to maximise the utilisation of the Register and to ensure the coherence of information.

Using the Register for international co-ordination of technical assistance

In the framework of the World Bank Consultative Groups for the NIS, the Centre uses the database of the Register to prepare country reports which relate the technical assistance given to the needs and priorities of the recipient countries with a view to identifying duplication, overlaps, mismatches and gaps. Such reports were prepared for Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia and Uzbekistan.

The CCET also provided a technical assistance report as an input for the West-East Conference of Ministers of Economics, Trade and Industry (meeting at Working Group level in Frankfurt held on 14 September 1993). This report presented an overview of technical assistance to the reforming economies, covering the following topics: competition, private sector development, defence conversion, market access, foreign direct investment and promotion and development of a market infrastructure. This report was condensed for discussions at the vice-ministerial meeting of the West-East Conference held in Tokyo in November.

A number of other reports were produced for planning and co-ordination purposes among donor countries, recipient countries and international organisations.