CENTRE FOR CO-OPERATION WITH THE ECONOMIES IN TRANSITION

COMPARATIVE ASSESSMENT OF KEY TECHNICAL ASSISTANCE
TO THE PARTNERS IN TRANSITION
AND FOUR NEW INDEPENDENT STATES OF THE FORMER SOVIET UNION

11 November 1993

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
PARIS 1994

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FOREWORD

It has become increasingly apparent that the lack of technical and institutional capacity to implement systemic economic reforms is a critical impediment to success in achieving the transformation from central planning to market economies. This report assesses the provision of technical assistance in areas key to systemic transformation in eight countries, four in Central Europe (the Partners in Transition countries) and four from the New Independent States of the former Soviet Union (Belarus, Kazakhstan, Russia and Ukraine). The objective is to analyse possible gaps or potential duplication in donor assistance programmes; and to assess the nature of technical assistance being provided to countries at different stages of the transition. This report’s conclusions tend to support the theory that the targeting of technical assistance in the form of policy and institutional advice to government officials will have much higher pay-off in countries in the primary stages of the transition -- and conversely, that large amounts of assistance to promote expansion of the private sector, if not preceded by sufficient progress in policy, legislative, regulatory and institutional reform, could produce relatively modest pay-off.

The report is based on information contained in the OECD Register and Clearinghouse of Technical Assistance, an on-going activity of the Centre for Co-operation with the Economies in Transition. The Centre also regularly produces assessments of technical assistance to Consultative Groups convened by the World Bank for individual republics of the former Soviet Union.

This report is published on the responsibility of the Secretary-General of the OECD.

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This report assesses the provision of technical assistance to eight post-communist countries, four in Central Europe, and four in the former Soviet Union: Belarus, the Czech Republic, Hungary, Kazakhstan, Poland, the Russian Federation, Slovakia and Ukraine. The objectives are, first to identify any gaps or duplication in donor assistance programmes, based on information contained in the OECD Register of Technical Assistance; and second, to assess the nature of the technical assistance being provided to the Central European Partners in Transition (PIT) countries, as compared with the four New Independent States (NIS) of the former Soviet Union. The report focuses on technical assistance to reform in nine priority areas: Competition and anti-monopoly; privatisation and restructuring; private sector and small- and medium-scale enterprise (SME) development; defence conversion; market access; export promotion; promotion of foreign investment; industrial technology; and development of market infrastructure. The first section surveys the technical assistance requests of the eight reforming countries. Then, the current technical assistance programmes of donor institutions are reviewed. This is followed by an assessment of technical assistance requests and assistance provided in each priority area. The final section suggests conclusions with potential implications for future co-operation. Detailed information on each reforming country is contained in eight country-specific annexes.

Requests

The OECD Register is not entrusted with the task of compiling information on technical assistance requests from the PIT countries. Accordingly, information on their technical assistance needs and priorities was gathered especially for this report. Requests from the four PIT countries are defined as unfulfilled or unfunded technical assistance needs in the nine priority areas. Thus, these requests represent "gaps" in technical assistance, as perceived by authorities responsible for foreign assistance co-ordination.

1. The Czech Republic, Hungary, Poland and Slovakia have all signed Partner in Transition (PIT) agreements with the OECD.

2. The report is based primarily on information contained in the OECD Register, a computerised information system containing detailed donor reports on foreign assistance programmes in Central and Eastern Europe and the New Independent States of the former Soviet Union. In addition, the Register contains technical assistance requests forwarded by the NIS, in conjunction with the OECD’s mandate to provide information to Consultative Groups organised by the World Bank. Information on the unmet assistance requirements of the four Central European (PIT) countries was gathered by the OECD specifically for the purposes of this report.
The Register does, however, contain detailed information on the universe of technical assistance requests forwarded to the OECD by the governments of each New Independent State (NIS) of the former Soviet Union, including the four republics examined in this report. For the four NIS, analysis of "gaps" in technical assistance consists of comparison of these requests with current donor activities.

Authorities in the PIT countries put forward 71 requests for additional assistance in the nine priority areas covered by this report. Cost data on these requests were not provided so it is not possible to estimate the additional resources that would be required to meet these needs. Nonetheless, certain trends were evident. In some sectors, the PIT countries were already well-advanced in the process of economic transition, and in these sectors, the technical assistance and training needs of governmental institutions had already begun to diminish as authorities settled down to implementation and enforcement of the new market policies. Competition/anti-monopoly was a frequently-cited example. In other sectors, such as enterprise privatisation/restructuring and development of market infrastructure institutions, technical assistance and training in the PIT countries had already proven fruitful in developing new institutions and supporting legal infrastructure; in these sectors authorities tended to stress the importance of financing over technical assistance at this stage of the transition process. Large unmet needs appear to remain nonetheless in areas related to microeconomic reform and training at the enterprise level.

Reporting on the technical assistance requirements of the four NIS is considerable, there being 212 requests for assistance contained within the nine priority areas. Cost estimates have not always been attached, but where such information has been provided it is estimated that the unmet needs are substantial. Requests from the four NIS tend to be centred on the need for assistance in policy formulation and implementation in the areas of privatisation/restructuring; private sector and SME development; and promotion of foreign investment. In terms of identifiable trends, it appears that the four NIS continue to exhibit considerable unmet needs for technical assistance related to the early stages of economic transformation; that is, in building the institutional, legal and regulatory infrastructure underpinning a modern market economy.

Assistance provided

Information in the Register indicates that differences in the amounts of technical assistance being received by these reforming countries are in some cases striking (see Summary Table). In the eight priority categories, assistance to the PIT countries predominates, at 51% of the total provided. Russia and Ukraine follow, with 47% of the total. Belarus and Kazakhstan receive only about 2% of the total assistance between them.

3. Belarus, Kazakhstan, and Ukraine have inserted detailed information into the Register identifying their technical assistance needs and priorities. For the most part, these republics also have provided estimates of the financial costs of meeting their requests. Authorities in the Federation of Russia have not used the Register to the same extent to signal technical assistance needs and priorities.
In all, the eight reforming countries are receiving US$ 662 million in current projects. Approximately seventy-three percent of this is going to two sectors: privatisation/restructuring and private sector/SME development. Although in part this may simply reflect the coverage of those priorities under consideration in this report (which do not include, for example, macroeconomic stabilisation or financial sector reform), it may also be a function of the type of assistance required in such areas as competition policy, promotion of foreign investment or development of market infrastructure institutions. In these latter cases, the assistance tends to be oriented heavily toward reform of the techniques of governance related to the market economy, and thus tends to be concentrated in advice and training of a relatively small cadre of government officials. By way of contrast, technical assistance and training in the areas of privatisation/restructuring and private sector/SME development is targeted increasingly toward reform of techniques of production at the enterprise level. It should not be surprising, then, that promotion of microeconomic reform in, for example, Russia's large-scale enterprise sector, which lists 28,000 or more firms, should require more resources than such activities as advice and training of anti-monopoly officials.

It is noteworthy that in the priority areas of technical assistance and training under consideration in this report, bilateral assistance predominates. One of the reasons for this seems to be that in the majority of cases, bilateral assistance is offered on a grant basis, whereas multilateral assistance is mainly offered on a loan basis. With the vast majority of official financing coming in the form of loans from multilateral organisations, however, there would seem to be a strong case for close co-ordination of the advice given by bilateral institutions with the loan conditions set by international financial institutions. This, in turn, implies the need for close attention to complete and timely reporting of bilateral technical assistance activities planned or underway. It must be underscored that, in some cases, reporting to the Register by the agencies in OECD countries responsible for the provision of bilateral assistance appears quite out-of-date.

Assessment

This section assesses technical assistance needs and current programmes in the nine priority areas, based on information in the OECD Register as well as information received from ministry officials responsible for assistance co-ordination in the eight reforming countries.

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4. "Current projects" are understood to be projects which have budgetary approval from the donor and projects under implementation in the 1992/93 period. The cost, or amount approved, is in most cases the 1992 cost, but may also be the aggregate allocation for a multi-year project. The cost figures in the Register do not necessarily distinguish between types of assistance. The Register has recently been updated with information from the G-24 database on Central and Eastern European Countries. There may still, however, be information gaps in the database due to incomplete reporting.
Competition/anti-monopoly. Technical assistance and institution-building programmes in the PIT countries are already mature in this sphere, and indeed the critical early stages are virtually completed. Authorities stressed that additional foreign co-operation would be useful in the context of exchanges of information with other countries concerning enforcement and regulatory procedures. In the four NIS, reform in this sector is still in its infancy, with a number of republics not yet having enacted legislation. Despite the importance of competition and anti-monopoly reforms in former centrally planned economies, only three donors are active in this area in the four NIS. For Kazakhstan and Belarus, the NIS which have provided detailed information, unfulfilled technical assistance requests amount to approximately US$ 2.4 million, including legislative reviews, advice on enforcement policies and staff training.5

Privatisation/restructuring. In the PIT countries, privatisation programmes are already well-advanced, underpinned by appropriate legislation and implementing institutions which have been functioning for some time. Those difficulties that have arisen have been related to implementation, especially of enterprise restructuring, both pre- and post-privatisation. Authorities, nonetheless, identified several unfulfilled needs, notably those related to training of enterprise personnel. Significant differences exist in the privatisation programmes of the four NIS. Russia’s programme is the most advanced, and priorities for assistance are already concentrated in the area of post-privatisation restructuring support. The privatisation programmes in the other NIS are less advanced and assistance is requested covering a broad range of activities. While considerable technical assistance is being provided to the NIS in the area of privatisation, Belarus and Kazakhstan have unfulfilled requests totalling nearly US$ 30 million.

Private sector/SME development. This was listed as a high-priority area by all the PIT countries and several of the NIS. The primary requirement in the PIT countries, however, was often envisaged as the financing of development banks which had already been established to make "soft" loans to SMEs. The need for venture capital was also stressed. Requests for non-financial assistance from the PIT countries included management training and sector reviews. In the four NIS, Kazakhstan has outlined its needs for an extensive programme in the area of SME development, with an estimated cost of US$ 19.8 million. Of this, only an estimated US$ 1.4 million in assistance is currently being provided.

Defence conversion. Assistance in the conversion of defence industries figured prominently in requests from the four NIS, and in particular, for Russia and Ukraine, the countries in which defence industries accounted for a significant portion of industrial output. While many donors have recognised the importance of defence conversion in the NIS, additional technical assistance is required. Ukraine, for instance, lacks approximately US$ 500,000 to meet its requirements in this area. On the other hand, defence conversion was not considered to be a priority area for technical assistance and training by the PIT countries, whose authorities tend not to distinguish this area from general needs in industrial privatisation/restructuring.

5. Unfulfilled technical assistance requests include requests for which assistance appears not to be provided, or for which financing may be required to "top up" activities where assistance appears insufficient.
**Market access/export promotion.** The possibility of better access to the markets of OECD Member countries is of prime importance to these reforming countries. Improved access to OECD markets, by which is meant mostly reduced non-tariff barriers, generally lies outside their control, being the subject of political negotiation. One exception involves overcoming various non-tariff barriers unrelated to outright trade restrictions, such as standards of product quality or safety. Most of the reforming countries expressed a need for enhanced assistance in this area.

**Foreign investment promotion.** The PIT countries have had uneven success in creating an economic and business climate conducive to foreign investment, and this has been rewarded with uneven foreign direct investment (FDI) inflows. The Czech Republic has attracted the most foreign investment per capita in the region while Hungary is the largest recipient of FDI. In Hungary, some 15 percent of all domestic enterprises have entered into some kind of joint-venture arrangement with foreign firms. Authorities in every PIT country stressed the need for further foreign investment, as opposed to more technical assistance, in this area. Still, requests for training and development of investment promotion strategies were forwarded by the Czech Republic and Poland, respectively; the Slovak Republic also listed several unfulfilled needs in this area. By way of contrast, foreign investment in the four NIS has not materialised to the extent these counties had hoped, and they still require considerable work on policy and legislation to create an environment conducive to FDI. It is also important that reforming countries be aware of the need to create proper conditions for enterprises to conduct business if they wish to attract large FDI inflows. For instance, while Ukraine’s unmet needs amount to almost US$ 1 billion, they almost exclusively involve requests aimed at finding joint venture partners for purposes of investment, something which may be well beyond the capacity of official technical assistance agencies to deliver.

**Development of market infrastructure.** The creation of institutions for export credit and development banking is a key element in the development of a market infrastructure. All four PIT countries have institutional structures for extending official export credits and/or credit guarantees, and authorities contend that the main need now is for financing for the capital base of those institutions. Similarly, all four PIT countries have established or reformed various forms of development banking institutions, and are looking for financing for their operations. In the four NIS, very little has been accomplished in this priority area, although it might be anticipated that progress will have to be preceded by other measures such as introduction of domestic currencies and macroeconomic stabilisation.

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6. As specified, this category includes technical assistance in the creation of export credit and development banking institutions, as well as assistance related to establishment and regulation of securities and capital markets and investment funds. General financial sector assistance, and in particular central or commercial banking, was excluded from the category.
Conclusions

Although by any measure the identification of gaps or duplication in technical assistance and training programmes is a difficult task, nonetheless several trends begin to emerge from examination of the information available on assistance needs and programmes, in the eight reforming countries under consideration in this report. First, in several sectors, the Central European, (PIT) countries already appear to be well-advanced in the process of economic transition, and in these sectors, the needs for assistance in policy design and institution building have already begun to diminish as authorities settle down to implementation and enforcement of the new market policies. Authorities in the PIT countries tend to stress the importance of financing and technical assistance to enterprises over technical assistance and training of government officials at this stage of their transition. By way of contrast, in the four New Independent States (NIS) of the former Soviet Union, it appears that considerable unmet needs for technical assistance remain relating to the early stages of economic transformation; that is, in policy formulation and building the institutional, legal and regulatory infrastructure necessary for the workings of the modern market economy. Thus, far more than is the case in the four NIS, the PIT countries appear to have evolved to a stage in the economic transformation where the need for technical assistance in the techniques of governance are being superceded by the need for technical assistance for the emerging private sector.

As highlighted in the Summary Table to this report, the assistance provided by the donor community tends to be concentrated quite heavily in the four PIT countries (especially in per capita terms) and Russia, the reforming countries where economic transformation programmes have been most accelerated. Belarus, Kazakhstan and Ukraine receive only around 12% of total assistance reported by donors in the nine priority areas; and even these proportions may be over-estimated, because the majority of projects listed in these latter cases are multi-country, rather than country-specific, and so it is impossible to determine the true extent to which each country has benefited from them. It is also true that donor assistance is heavily concentrated in privatisation/restructuring and private sector/SME development. This might reflect the lower resource requirement for assistance in such areas as competition policy, promotion of foreign investment and development of market infrastructure, all of which tends to be weighted heavily toward advice and training of a relatively small cadre of government officials. The task of providing technical assistance for supporting the development of the private sector through, for example, accounting reform or training at the enterprise level, is very large indeed in comparison.
One possible conclusion from these observations is that small amounts of resources, targeted to improving the techniques of governance through policy and institutional advice and training of public officials, could have quite high pay-off in terms of accelerating the transition in the NIS --- and relatively less pay-off in the PIT countries. Conversely, large amounts of technical assistance to promote the expansion of the private sector in the NIS, if not preceded as in the PIT countries by sufficient progress in policy, legislative, regulatory and institutional reform, could produce very modest pay-off.

Finally, in terms of co-ordination of this array of assistance, there would seem to be a strong case for close co-ordination of the policy advice and training given by bilateral donors with the loan conditions set by international financial institutions. This, in turn, implies the need for close attention to full and timely reporting of bilateral assistance activities planned or underway. Reporting to the Register by the agencies of OECD countries responsible for the provision of bilateral assistance needs further improvement, to be up-to-date. Likewise, if the information that these reforming countries provide to the Register is to be of greater operational use to donors in ensuring optimal allocation of assistance resources, it will have to be refined and given sharper focus. To make the best use of donor assistance, it is essential that recipient governments elaborate further their strategies for the use of foreign assistance to promote the transition to market economies; articulate clearly their needs and priorities; identify concrete and detailed project proposals for donor financing; and co-ordinate effectively the various ministries and agencies involved in this process.
Overview of Technical Assistance in Nine Key Areas

Requests

The Register contains information on 43 requests for technical assistance in the nine priority areas under consideration in this report, which are projected to cost over US$ 13 million (Table 1). The majority of these are for privatisation and restructuring, and trade issues (mainly related to the creation of a customs service). Requests for assistance in the private sector development and antimonopoly areas also figure prominently. Needs in these areas were confirmed by the Belarus State Committee on Economy and Planning, which emphasised to a visiting OECD mission, as well as at the Consultative Group Meeting held in Paris on 27 October, the priority that is attached to privatisation and legal institution-building. There were no requests for assistance in defence conversion, perhaps because Belarus’ main needs in this area are already being met. The total number of requests the Government of Belarus has put forward, although growing, remains modest and rather less ambitious in size and scope than the requests many other NIS are submitting to donors.

Assistance provided

The Register contains information on 41 current technical assistance projects, which are estimated to be costing donors about US$ 7 million (Table 2). The assistance is being provided mainly for defence conversion, private sector-SME development and privatisation-restructuring. Taken together, these three areas account for more than 80% of the total cost of the assistance.

Gaps and duplication

With about US$ 7.2 million of current technical assistance and only $ 13 million of requests, one might surmise that the most pressing of Belarus’ technical assistance needs are being met. A more detailed analysis reveals, however, that little of the assistance Belarus is receiving is targeted on its stated needs and priorities. This probably results from two factors: first, Belarus’ latest set of requests to some extent takes account of the assistance currently being provided and, therefore, the requests are aimed at obtaining assistance in new areas. Second, over half of the assistance is in the form of regional projects and these activities do not necessarily address Belarus’ specific requirements. The gaps in assistance being provided to Belarus possibly amount to US$ 11 million. This sum comprises two elements. First, the outright gap in assistance, where no donors are active, amounts to US$ 10 million (Table 3). Second, the mismatching of assistance where donors’ activities do not fully cover the Belarus requests, amounts to about US$ 1 million (Table 4). The main gaps and mismatch of assistance concern requests for help with privatisation and restructuring, and development of market infrastructure. The information donors have provided to the Register shows no clear evidence of duplication of assistance, although there is evidence of overlapping assistance, for example in the area of privatisation.
Requests

The OECD Register does not contain information on technical assistance requests from the Central and Eastern European Countries. Consequently, the requests data for this report were gathered especially for this report. Requests are defined as unmet or unfunded assistance needs, as seen by Czech authorities responsible for foreign assistance co-ordination, in the nine priority areas under consideration in this report. Czech requests in these areas include 7 bids for technical assistance and 4 for financing, some of which is public financing and the rest representing a need for private capital.

Assistance provided

The OECD has received information on 45 current technical assistance projects in the Czech Republic, valued at US$ 112.7 million, within the nine priority areas. Of these, eleven are country-specific with the remainder of a regional character. This latter category includes projects jointly offered to Slovakia. Two priorities, privatisation-restructuring and private sector-SME development, represent about 50% of the number of projects, but more than 95% of the resources allocated in the nine priority areas. Foreign investment promotion represents the next largest share (3.8%) of the technical assistance funds approved.

Gaps and duplication

There is little evidence of duplication of technical assistance to the Czech Republic in these nine areas although in those cases where the recipient has indicated that there are few or no unmet technical assistance needs, the programming of additional projects could become duplicative. The gaps are in fact constituted by the requests which have been put forward by Czech authorities for projects to cover unmet or unfunded technical assistance needs.

In the area of privatisation-restructuring, authorities tend to focus on financing needs. Technical assistance activity in this area is already significant, and the Czech Republic is clearly beyond the initial stages of policy advice, although authorities maintain that direct technical assistance to selected enterprises under the proposed "model" restructuring programme would be beneficial. SME development - especially in the regions - is a priority field where additional policy advice is also being sought, although important assistance is already being given for SME development purposes. Financing - in the form of venture capital, seed capital and credits - is listed as a priority need for SME development in the Czech Republic.
Regarding the priorities market access and export promotion, Czech authorities identify and unmet need for training of managers in the export industries. Whereas current assistance requests in the area of foreign investment promotion tend to focus on financing, Czech authorities add training of personnel to their uncovered needs. Industrial technology is another area in which donors have not met needs perceived by Czech authorities. The Czech Republic is presently searching for new methods of organisation of its applied research. Finally, while the major institutions of "market infrastructure" appear to be in place in the Czech Republic, authorities request a strengthening of the financial base of their development banks, the SME fund and the EGAP Ex-Im facility.
Requests

The OECD Register does not contain information on technical assistance requests from the Central and Eastern European countries. Consequently, the requests data for this report were gathered especially for this report. Requests are defined as unmet or unfunded assistance needs, as seen by the recipient country, in the nine priority areas under consideration in this report. Hungarian requests in these areas include 16 bids for technical assistance and 3 for financing, some of which is public financing and the rest representing a need for private capital.

Assistance provided

The OECD has received information on 78 current technical assistance projects in Hungary, valued at $62.5 million, within the nine priorities (Table 1). Of these, 21 are allocated on a regional basis. Hungary is thus the earmarked recipient in the vast majority of cases. Privatisation-restructuring and private sector-SME development represent about half the number of projects, but more than 95 percent of the resources allocated in the nine priority areas.

Gaps and duplication

Requests from authorities focus first and foremost on financing, such as venture capital and loan financing, but also on legal contractual advice in privatisation, technical advice in company restructuring and sectoral restructuring (agriculture). The main gaps are concentrated in technical assistance needs which appear in the later stages of the transition, i.e., to accelerate microeconomic reform rather than systemic reform.

Beyond this, the priorities market access and export promotion are marked by a need to harmonise customs rules with the EC, and by unmet personnel training needs in the export sector.

Present donor activity within the area of promotion of foreign investment seems adequate, since the major Hungarian concern is to assure a continuation of present programmes. Industrial technology, on the other hand, appears to be an area where technical assistance needs remain unmet, although these needs would profit from a sharper definition.

There is little evidence of duplication of technical assistance to Hungary in these nine areas.
Overview of Technical Assistance in Nine Key Areas

Requests

The Government of Kazakhstan’s underlying strategy for accelerating economic change is to develop and exploit the republic’s considerable natural resources. Authorities nevertheless recognise the importance of a sound legal and financial infrastructure to facilitate this strategy. To this end, the Government has formulated a comprehensive programme of technical assistance needs and priorities. The Register contains 50 requested projects in the priority areas, estimated to cost US$ 56.5 million (Table 1). The bulk of these (over US$ 52 million) are for assistance with privatisation - restructuring and private sector - SME development.

Assistance provided

There are 42 current projects which have been reported to the Register in the priority areas under consideration in this report, comprising an estimated cost of US$ 9 million (Table 2). Donors are active in all nine priority areas but assistance is unevenly distributed. Donors are concentrating their assistance on private sector-SME development and privatisation/restructuring. Six large projects in these two areas account for most of the total assistance being provided. The average size of these projects (US$ 1.3 million) is in sharp contrast with the average size of all other assistance activities (US$ 0.1 million). Judging from the profile of Kazakhstan’s requests, this may be a sub-optimal distribution of assistance.

Gaps and Duplication

While Kazakhstan is receiving considerable amounts of technical assistance, comparison of requests against the assistance being provided suggests that an additional US$ 49 million might be required. Of this, almost US$ 30 million would be required to fill outright gaps in privatisation and restructuring, private sector/SME development and the development of market infrastructure (Table 3). In addition, approximately US$ 19 million would be required to "top up" activities where limited but insufficient assistance is being provided. Assistance here is required in the areas mentioned above as well as in competition policy and the promotion of foreign investment (Table 4).

Information in the Register does not indicate evidence of duplication of technical assistance to Kazakhstan in the priority areas. While a number of donors are active in the area of privatisation, additional assistance is still required. Nevertheless, more active co-ordination might become necessary if additional donors’ programmes become operative in this area.
OECD Register does not contain information on technical assistance requests from the Central and Eastern European Countries. Consequently, the requests data for this report were gathered especially for this report. In this case, requests are defined as unmet or unfunded assistance needs, as seen by recipient country authorities responsible for foreign assistance co-ordination, in the nine priority areas under consideration in this report. Polish requests in these areas include 7 bids for technical assistance and 4 for training.

Assistance provided

The OECD has received information on 79 current technical assistance projects in Poland, valued at US$ 95.9 million, within the nine priority areas. Of these, four-fifths are country-specific, and the remainder allocated on a regional basis. Two priorities, privatisation- restructuring and private sector-SME development, represent about 59 percent of the number of projects and the same proportion of the resources allocated in the nine priority areas. Market access and export promotion represent the next largest share (23 percent) of technical assistance resources allocated, largely due to an EC project for trade promotion.

Gaps and duplication

Privatisation-restructuring requests focus on advice on company restructuring as well as on training of management in state-owned industry. Authorities have put forward a list of candidate enterprises which might be included under the proposed "model" restructuring programme. Donor activity within this priority area is already significant, but given the dimension of the needs there seems to be little risk of duplication if assistance were to be intensified according to the indicated requests.

Legal advice as well as training dominate unmet needs within the private sector - SME development priority area, despite considerable donor activity in this field. The priorities market access and export promotion are, in the Polish case, marked by an unmet need for training of civil servants who deal with the EC, although there is a considerable amount of EC funding available in this area.

Polish authorities ask for an assessment of possible strategies for FDI promotion. Industrial technology seems an area with high donor activity compared with the other CEECs, but where needs remain unmet. The country is seeking new mechanisms for technology transfer and support for technology centres. Lastly, Polish authorities submit a request for the establishment of a clearing house for inter-regional trade under the priority of "market infrastructure" development.

There is little evidence of duplication of technical assistance to Poland in these nine areas.
Overview of Technical Assistance in Nine Key Areas

Requests

Russian authorities provided information on their technical assistance needs and priorities both directly to the OECD and at a Consultative Group meeting held in Paris on 8-9 June 1993. These requests, however, are rather limited in number and generic in nature. The authorities submitted only 31 requests, which include neither detailed information on desired technical assistance projects nor the likely cost of the assistance. The requests are wide-ranging and cover all of the priority areas, and primarily concern the need for advice on policy design and implementation, especially regarding the creation of a new legal and institutional infrastructure (Table 1).

Assistance provided

The Register contains information on 165 current technical assistance activities in the nine priority areas under consideration in this report. Of these, more than three-quarters are specifically designed for Russia, the others being regional projects in which Russia is invited to participate (Table 2). The total estimated cost of this assistance is more than US$ 246 million. Donors are active in all of the priority sectors, but assistance is concentrated in privatisation-restructuring and private sector-SME development, which accounts for more than two-thirds of total resources allocated. This is encouraging given that the Government considers the privatisation programme as fundamental to the process of structural reform in Russia.

Gaps and duplication

The starting point for any assessment of the provision of technical assistance should involve a comparison between donor’s assistance efforts and the recipient’s needs and priorities. Such a comparison, if carefully done, yields valuable information: gaps in the assistance effort, duplication of assistance, and mismatching of assistance to the needs can all be identified. Unfortunately, it is not possible to prepare such an assessment for Russia because its technical assistance needs and priorities are not stated with sufficient clarity.
Overview of Technical Assistance
in Nine Key Areas

Requests

The OECD Register does not contain information on technical assistance requests from the Central and Eastern European countries. Consequently, the requests data were gathered especially for this report. Requests are defined as unmet or unfunded assistance needs, as seen by recipient country authorities responsible for foreign assistance co-ordination, in the nine priority areas under consideration in this report. Slovak authorities state that unmet needs in these areas include 14 bids for technical assistance and 4 for financing, although financial assistance is not the focus of this report.

Assistance provided

The OECD has received information on 41 current technical assistance projects in Slovakia, valued at $64.7 million, within the nine priorities. Of these, a limited number (11) are country-specific; the remainder are of a regional character. This latter category includes projects in which the Czech Republic is the only other recipient; but also those offered to Central and Eastern European countries generally. The costing of regional projects is arrived at through the average-costing principle. Thus, a regional project with 6 recipient countries will have 1/6 of the cost allocated to each country in the region.

Two priorities, privatisation-restructuring and private sector-SME development, represent about one-half of the number of projects, but 97% of the resources allocated, in the nine priority areas. Development of market infrastructure is the next most significant category, representing about 2.6% of technical assistance resources available. The defence conversion category contains no activities in itself, but is integrated into privatisation-restructuring (according to Slovak programming decisions).

Gaps and duplication

The institutional framework for competition policy in Slovakia is well in-place. Needs for assistance in policy advice and implementation remain, however. Privatisation-restructuring requests tend to focus on financing needs although authorities have nominated candidate enterprises to participate in the West-East "model" restructuring programme. Entry of foreign capital could certainly be increased, although this may require renewed attention to economic policy. Slovakia requests both technical advice and financing of existing development banks designed to strengthen SMEs. The technical assistance provided only partly covers this area.
There is an evident gap in terms of assistance provided to improve market access by overcoming non-tariff barriers to trade, including standards and quality control measures in industry. Advice on institutional questions for export promotion is also being requested - without any corollary on the activity side. Training needs of policymakers and regulators are also unmet. Institutional innovation appears to be a prerequisite for the Slovak Republic to move forward in the area of foreign investment promotion.

Industrial technology also seems to be an area in which donors have not met needs perceived by Slovak authorities, although the focus and objective of this request could be sharpened. Authorities are presently searching for new methods of organisation of its applied research. Lastly, while the major institutions of "market infrastructure" appear to be in place in Slovakia, authorities are requesting a strategic review of market infrastructure policy.

There is little evidence of duplication of technical assistance to Slovakia in these nine areas.
Overview of Technical Assistance in Nine Key Areas

Requests

The Ukrainian Government detailed its technical assistance needs to an OECD mission to Kiev in July 1993. This information has been entered into the Register, which now contains 109 Ukrainian requests in the nine priority areas under consideration in this report, projected by Ukrainian authorities to cost US$ 1,001 million (Table 1). The overwhelming majority of these are concentrated in the promotion of foreign investment, where the authorities have put forward 64 joint venture and investment requests valued at US$ 994 million. Considerable additional work will be required in sharpening the focus of these requests to, for example, distinguish between needs for technical assistance and training, as opposed to financing. The remaining requests are spread relatively uniformly across the other priority areas. It should be noted, however, that in many sectors the requests for assistance do not have an associated cost. It is difficult, therefore, to establish Ukrainian technical assistance requirements in important sectors such as competition policy and privatisation/enterprise restructuring.

Assistance provided

The OECD has received information on 67 current technical assistance projects in Ukraine, within the nine priority areas, estimated to cost US$ 63 million (Table 2). Of this, 23 projects are country-specific and nearly all are provided on a grant basis. The sectors receiving the most assistance are: promotion of foreign investment; privatisation-restructuring, industrial technology and market access & export promotion. Taken together, assistance in these areas represents three-quarters of the resources allocated to the nine priority areas. Ukraine is, however, reportedly receiving little assistance to help develop competition and anti-monopoly policy, perhaps reflecting a lack of consensus on policies in these areas.

Gaps and duplication

The information reported to the Register shows that a number of donors are currently providing assistance to Ukraine in many of the priority areas. There seem to be some gaps in assistance in the various sectors outlined as high priority by Ukrainian authorities, particularly with regard to the promotion of foreign investment. But the Register contains limited and incomplete reports on the financial costs of Ukraine’s technical assistance needs in many of the priority areas, and so it is difficult to assess to what extent donors’ assistance is in line with government priorities (Tables 3 and 4). Ukraine’s recent reorganisation of technical assistance co-ordination and the creation of a new institution to that end, may help solve some of the difficulties encountered with the co-ordination of assistance and improve reporting to the Register. Overall, there does not seem to be any duplication of effort.