

BOFIT Online

2004 ▪ No. 2

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European Union, Russia, and TACIS



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BOFIT Online  
Editor-in-Chief *Tuomas Komulainen*

ISSN 1456-811X (online)  
12.2.2004

Helsinki 2004

The opinions expressed in this paper are those of the authors and do not necessarily reflect the views of the Bank of Finland.

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Seija Lainela – Pekka Sutela\*

## European Union, Russia, and TACIS

### Abstract

The main resource base for EU's Russia-policies has been and remains the Tacis programme, which provides technical assistance to former Soviet Union republics. The birth of Tacis was a response to the tremendous political change that was taking place in the Soviet Union and its successor states in the early 1990s. At that time those developments could be seen as a possible threat to the stability and security in Europe. Hence, the grand aims of Tacis were – and still are – to (a) foster political stability and democracy, (b) to enhance economic growth in the countries close to the EU and on the Asian continent, (c) to further their relations with the EU, and (d) to tie them to the European system of values.

During the more than 10 years that the EU has been running the Tacis programme in Russia, the circumstances have changed radically. By 2004 Russia has emerged as a relatively stable society and a growing economy, especially when compared with the 1990s. It has been given a seat among the main industrial powers. The Eastern Enlargement of the EU will make the common border between the Union and Russia, earlier limited to some 1300 kilometres in Finland, much longer. Hence, there is obvious need for rethinking the role and rationale of the Tacis concept in Russia. This is especially so because the current EU country strategy vis-à-vis Russia and the general EU regulation on Tacis both extend to 2006 only. This is the appropriate time for reconsideration.

Furthermore, the effectiveness of Tacis assistance suffers from problems that warrant active measures. Not only has the world changed; there is also the need to learn from experience.

Reconsideration is also needed because of changes in the other CIS-countries. After the EU enlargement, two CIS countries – Belarus and Ukraine – will become EU neighbours. A little later Moldova will join them. It is also highly probable that they will successfully claim the status of potential accession candidates in due time. The needs for co-operation with these New Neighbours will differ from those of Russia. A third set of countries is those in the Caucasus and Central Asia. The problems there are mostly those of poverty alleviation and conflict resolution. A few of these countries however have European aspirations that have to be respected. Quite evidently, separate approaches are needed for these three groups of countries instead of a common Tacis.

This article reviews the Tacis programme in Russia, both in the framework of EU's external assistance in general and in the framework of the EU–Russia relationship. It aims to assess the effectiveness of the programme from the donor's and the recipient's point of view and provides notions on the future of Tacis in Russia.

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## 1 Tacis in principle

The European Union has a long tradition of external assistance. The assistance started in the form of development aid to the former overseas colonies of the key member states and has since then expanded markedly. Today it covers most of the world's developing countries. In the late 1980s and early 1990s, as a result of the fall of the socialist system in Central and Eastern Europe and the Soviet Union, EU's external assistance was extended to transition economies both in Europe and outside its borders. For that, new programmes were introduced. Among them features the Phare programme, aimed at supporting the Central and Eastern European countries in their transition process. Initially the Phare programme targeted Poland and Hungary. Later it was extended to Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovakia, Slovenia and Romania, covering countries that were preparing for the EU membership.

A similar programme, Tacis, was established in 1991 originally to focus at the Soviet Union. Since the fall of the Soviet Union, Tacis (initially an abbreviation for Technical Assistance to the Commonwealth of Independent States) has embraced 13 recipient countries: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. Russia is by far the biggest receiver of Tacis assistance with its share averaging some 50 % of the total since the start of the programme. The aims and tools of both Phare and Tacis programmes are basically the same; both provide technical grant assistance for building of democracy and market economy in the target countries.

Tacis is divided into two main types of programmes. There are national programmes that target each partner country separately and multi-country programmes that deal with issues common to either several beneficiary countries or beneficiary countries and EU member countries. Multi-country programmes typically deal with questions related to environmental protection, nuclear safety and transport networks.

Preparation and implementation of Tacis assistance are strictly regulated. The assistance for each beneficiary country is guided by several official EU documents. *Country Strategy Papers*, prepared by the Commission, form strategic guidelines for Tacis assistance in each country. They are concretised by *National Indicative Programmes*, covering 2–3 years. Finally, annual or biannual *Action Programmes* define the individual projects and their financing for each year.

Tacis assistance is given in the form of specific projects. Assistance projects are chosen by the relevant bodies of the European Commission in cooperation with National Coordination Units representing authorities in the recipient countries. National Coordination Units name for each project domestic beneficiary organisations with whom the project is carried out. The Commission contracts out projects in tenders to specialist organisations in EU member states.

## 2 Tacis in practice

Tacis has evolved into a small-scale industry, covering most fields of life. The following examples on Tacis projects that were going on in 2002 in the 13 recipient countries serve to illustrate the scope and variety of EU assistance: *Nuclear safety* is the biggest sector of Tacis assistance. Projects going on in 2002 included, among others, training of nuclear inspectors and operators, and the provision of permanent EU operators in 14 nuclear sites in the CIS. In the sphere of *institution building*, assistance to the public sector reform covered projects on e.g. advising authorities in Russia on state budget reform and preparation of regulations for preventing conflicts of interest in the civil service. Private sector development projects focused, among others, on audit reform as well as sanitary and phytosanitary measures in view of the preparation for the WTO membership. In *justice and home affairs*, projects were carried out e.g. on combating illegal migration from the neighbouring countries of the enlarged EU and trafficking in women in Moldova and Belarus. Projects focussing on *agriculture* provided expertise on e.g. restructuring privatised collective farms, and promoting rural credit cooperatives in Russia. *Transport and infrastructure* projects included completion of the construction of 10 border posts in Russia, Moldova and Ukraine. In *health care*, projects were going on e.g. concerning the prevention of drug abuse and improvement of the public health care system in Russia.<sup>1</sup>

However, the large number and variety of projects should not lead astray. Tacis is not a huge programme in monetary terms. On the contrary, the share of Tacis in EU's external assistance is quite small. In 2002, EU's external assistance amounted to €7.9 billion in payments and €10.2 billion in commitments. The Tacis programme accounted for €395 million or 5 % of the total EU external assistance payments and €444 million or 4 % of commitments.<sup>2</sup>

Table 1 provides information on annual financial commitments through Tacis national programmes and multi-country programmes. Multi-country programme funds (rows 16–18) are not broken down by beneficiary country in the table. National programmes account for more than a half of the total cumulative Tacis assistance, although the share declined from more than 70 % in 1991 to slightly below 60 % in 2002.

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<sup>1</sup> Commission of the European Communities (2003a): Annual Report 2003 from the Commission to the Council and the European Parliament on the EC Development Policy and the Implementation of the External Assistance in 2002, 3 September.

<sup>2</sup> Commission of the European Communities (2003a).

Table 1. Tacis funds committed in 1991–2002, breakdown by beneficiary country and multi-country programme, € million

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Total
1 Armenia	2.3	9.6	17.0	0.0	6.0	14.0	0.0	10.0	0.0	10.0	0.0	10.0	78.9
2 Azerbaijan	0.4	12.5	8.0	8.0	6.0	16.0	0.0	26.8	9.5	24.0	0.0	14.0	125.2
3 Baltic states <sup>1</sup>	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0
4 Belarus	8.9	14.6	9.0	7.0	12.0	0.0	5.0	0.0	0.0	5.0	0.0	0.0	61.6
5 Georgia	5.0	9.0	6.0	8.0	6.0	16.0	0.0	16.0	0.0	11.0	4.0	14.0	95.0
6 Kazakhstan	7.7	20.6	14.0	14.0	15.0	0.0	24.0	0.0	23.9	0.0	15.0	0.0	134.2
7 Kyrgyzstan	0.7	9.2	10.0	0.0	8.0	0.0	13.0	0.0	12.0	0.0	10.0	0.0	62.9
8 Moldova	1.1	9.0	0.0	10.0	9.0	0.0	18.0	0.0	19.5	0.0	21.0	0.0	87.6
9 Mongolia	0.0	0.0	0.0	8.0	0.0	9.5	0.0	11.0	0.0	6.0	0.0	6.0	40.5
10 Russia	212.0	111.0	160.8	150.0	161.2	133.0	132.9	139.7	101.0	92.0	90.0	90.0	1573.5
11 Tajikistan	0.0	0.0	0.0	4.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0
12 Turkmenistan	0.9	8.8	0.0	8.0	4.0	0.0	11.5	0.0	8.5	0.0	0.0	0.0	41.7
13 Ukraine	28.7	48.3	43.3	50.5	72.5	76.0	59.0	44.0	46.0	73.0	108.0	87.0	736.2
14 Uzbekistan	1.7	18.8	0.0	15.0	10.0	28.0	0.0	29.0	0.0	15.0	0.0	0.0	117.5
15 Central Asia <sup>2</sup>													50.0
16 Regional Programmes <sup>3</sup>	106.0	88.6	172.0	131.5	124.5	152.0	135.0	155.8	129.4	122.2	118.0	128.5	1563.7
17 Donor Co-ordination <sup>4</sup>	0.0	34.9	21.0	24.7	40.0	43.0	37.0	43.0	44.4	48.0	40.4	35.0	411.4
18 Programme Implementation Support and others <sup>5</sup>	6.2	24.0	11.1	31.0	33.0	48.5	46.4	31.9	33.5	47.2	21.8	22.0	356.6
19 Total	396.5	418.9	472.1	469.7	511.2	536.0	481.8	507.2	427.6	453.6	428.2	456.5	5559.3

<sup>1</sup> The Baltic states have benefited from Phare since 1992.

<sup>2</sup> Includes from 2002 Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

<sup>3</sup> Includes the Inter-state, Nuclear Safety, Cross-border Co-operation and Baltic Sea Programmes.

<sup>4</sup> Includes EBRD Bangkok Facility, Partnership and Coordination Programme, International Science and Technology Centre.

<sup>5</sup> Includes Coordination Units, information, monitoring and evaluation, and possible other costs.

Source: European Commission.

### 3 Russia matters

For the European Union Russia is – with the exception of the USA – the most important single outside country. This is not because of Russia's economic size. With about 145 million inhabitants but a GDP – as statistically measured and at market exchange rates – of a small European nation, Russia accounts for some 3–4 per cent of EU foreign trade. This share is similar to that of Norway. Neither has Russia a major hard security role to play in Europe. The times when Soviet land armies were tasked to reach the British Channel in a couple of weeks – if the political will for that were to arise – are historically close but politically ages past. But with its strategic nuclear capability Russia still remains one of the two nations that could kill most if not all of us.

More importantly, Russia is either the source or a bridge of a large number of potentially extremely serious soft security threats ranging from trafficking in drugs and people to environmental concerns. Obviously, Europe is vitally interested in containing and more preferably alleviating such threats. Politically, Russia remains important not only because of history, but also because of geography. A land-bridge between EU and China, ranging from the Atlantic to the Pacific, from the Arctic to Central Asia, Russia is inevitably part of the most pressing political and security challenges of the Northern Hemisphere. It may not be the key part of any of these canvases, but it surely connects with them.

Russia is also increasingly seen as an economic opportunity. Currently, it is only important as a source of energy and raw materials. This might change in the coming decades. It is possible that the economic size of the country doubles in ten years or even faster in constant euro terms as the economy grows and the currently undervalued rouble appreciates. Though the turbulent years of the 1990s, culminating in the crisis of 1998, have abolished much of the groundless optimism visible immediately after the collapse of the Soviet system, Russia may well have embarked upon sustainable growth. Growth prospects are murky, as the structure of the economy disturbingly reminds one of the large resource-based dual economies of the Third World, and the allocation, co-ordinating and decision-making mechanisms of the Russian System<sup>3</sup> seem rather less than optimal for efficiency and equity.<sup>4</sup> But still, Russia is, together with countries like China and India, a notable exception to the otherwise very sombre picture given by the world economy in 2004.

But perhaps most importantly, Russia was the scene of probably the largest social experiment ever made. From 1917 to 1991, the Soviet Union as an enlarged Russia evidenced the rise and fall of a conscious attempt to model a major society according to a strain in 19<sup>th</sup> century European social thought. Self-evidently, after Russia has adopted the goals of democracy, market economy, open society and integration, the European Union has an interest in not only establishing relations with the newly re-born Russia but also in assisting in transition towards the goals set.

The relations between the European Union and Russia have been regulated by the Partnership and Co-operation Agreement, which was signed in 1994 but only came into force in 1997. It is a wide-ranging document, which sets two main goals. The first one is free trade, later agreed to be dependent on Russian membership in the World Trade Organisation. The second goal is unilateral approximation by Russia of EU norms.

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<sup>3</sup> Shevtsova, Lilia (2003): *Putin's Russia*. Carnegie Endowment, Washington DC.

<sup>4</sup> BOFIT (2003): *Russia: Growth Prospects and Policy Debates*. BOFIT Online 3.



Little has in fact taken place in this respect. Both goals have been confirmed in recent plans for a Common European Economic Space.

## 4 Tacis in Russia

The belief that the international community both should and could assist in Russia's transition was almost unanimously shared in the early 1990s. Though the full story remains to be told, much support was already given to Gorbachev's Soviet Union. Wide-ranging plans of a 'Russian Marshall Plan', such as the Grand Bargain sketched by Graham Allison and Grigory Yavlinsky<sup>5</sup>, failed to materialise. Neither was it possible to co-ordinate assistance given by various multilateral bodies and especially bilaterally. During the 1990s, in particular until the 1998 crisis, there were elements of competition between donors visible. In fact, most monetary assistance was either in the form of balance of payments support – not meant to be used – or in export credits, benefiting donor country enterprises.

Russia is the biggest single receiver of Tacis assistance as concerns both national programme assistance and multi-country assistance. In 2001 Russia's share in Tacis national and multi-country assistance taken together was 29 % of payments and 38 % of commitments.<sup>6</sup>

Throughout the 1990s financial allocations through the *Tacis national programme for Russia* averaged annually somewhat over 50 % of the total for all Tacis national programmes. Towards the end of the decade the share started to decrease and in 2001 it equalled 37 % of the total. As shown in Table 2, also nominal amounts have declined significantly since 1998, when the national programme assistance amounted to €140 million. The National Indicative Programme for Tacis in Russia for 2002–2003 allocates €90 million for 2002 and €4 million for 2003<sup>7</sup>. However, the assistance will again increase, as the national programme for the years 2004–2006 totals €392 million, which amounts to some €130 million per year.<sup>8</sup>

Table 2 gives the breakdown of Tacis assistance by broad categories of activity. There have been some changes in the structure of the assistance over the past years, perhaps reflecting changing environment in Russia. Most notably, the relative weights of activities aimed at infrastructure development and private sector assistance have declined. The share of support for institutional reforms has fluctuated quite a lot, but in the early 2000s it again gained in importance. Table 3 gives more recent information on assistance in 2002 and plans for 2003. Unfortunately, the breakdown by assistance category differs somewhat from the one presented in Table 2.

<sup>5</sup> Allison, Graham and Grigory Yavlinsky (1991): *Window of Opportunity: The Grand Bargain for Democracy in the Soviet Union*. Pantheon Books, New York.

<sup>6</sup> Commission of the European Communities (2002a): *Annual Report 2001 from the Commission to the Council and the European Parliament on the EC Development Policy and the Implementation of the External Assistance*, 12 September.

<sup>7</sup> Commission of the European Communities (2003b): *National Indicative Programme, Russian Federation, 2004–2006*, 21 May.

<sup>8</sup> Comparison over time of national programme figures may be somewhat ambiguous, as the classification of different assistance forms may differ from one year to another in the EC statistics.

Table 2. Tacis funds allocated through the Russian national programme in 1991–2001<sup>1</sup>, € million

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Total
Support for institutional, legal and administrative reform	47	9	18	19	46	24	16	30	15	28	28	280
Support to the private sector and assistance for economic development	27	31	50	43	41	31	29	31	18	14	19	334
Support in addressing the social consequences of transition	0	16	19	0	7	10	11	3	7	6	16	95
Development of infrastructure networks (including energy, transport and telecommunications)	74	35	39	38	35	23	24	20	14	0	3	305
Promotion of environmental protection and management of natural resources	13	0	0	0	0	6	5	10	8	4	0	46
Development of the rural economy	51	20	12	16	17	10	13	9	5	0	0	153
Policy advice, Small Project Programmes (SPPs), Bistro and reserves	0	0	13	19	4	21	27	24	20	35	20	183
Tempus	0	0	0	15	11	8	8	13	11	11	10	87
<b>Total for Russian Federation Action Programme</b>	<b>212</b>	<b>111</b>	<b>151</b>	<b>150</b>	<b>161</b>	<b>133</b>	<b>133</b>	<b>140</b>	<b>98</b>	<b>98</b>	<b>96</b>	<b>1483</b>

<sup>1</sup> Including the Baltic Line in 1999–2001.

Source: Commission of the European Communities (2001): Country Strategy Paper 2002–2006, National Indicative Programme 2002–2003, Russian Federation, 27 December.

Table 3. Tacis funds allocated through the Russian national programme in 2002 and 2003<sup>1</sup>, € million

	2002	2003 plan
Support for institutional, legal and administrative reform	17	24
Support to the private sector and assistance for economic development	14	15.5
Support in addressing the social consequences of transition	32.5	24
Policy Advice Programme	3	2
Institution Building Partnership Programme	9	11.5
Managers' Training Programme	3	4
Higher Education Programme	10	11
Bistro	0	2
Reserve	1.5	0
<b>Total for Russian Federation Action Programme</b>	<b>90</b>	<b>94</b>

<sup>1</sup> Including Small Project Programmes.

Source: Commission of the European Communities (2003b).

Accurate figures for the share of Russia in the *Tacis multi-country programmes* are difficult to calculate. For statistical purposes, the Commission uses an estimate according to which 50 % of all Tacis multi-country assistance goes to Russia. Based on this estimate, Table 4 presents a breakdown by category of Tacis multi-country funds committed to Russia, as well as grand totals for Russia for national and multi-country programmes.

Table 4. Tacis funds allocated to Russia through other than the national programme<sup>1</sup> and total Tacis allocations to Russia in 1991–2001, € million

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Total
Regional and other programmes <sup>2</sup>	25	12	35	29	27	31	27	27	21	17	23	274
Nuclear safety	27	30	44	33	30	40	34	17	12	33	19	319
Donor coordination <sup>3</sup>	0	28	10	10	20	25	27	28	28	32	30	238
Programme implementation support <sup>4</sup>	3	12	6	11	12	19	18	16	17	18	18	150
<b>Total for other programmes</b>	<b>55</b>	<b>82</b>	<b>95</b>	<b>83</b>	<b>89</b>	<b>115</b>	<b>106</b>	<b>88</b>	<b>78</b>	<b>100</b>	<b>90</b>	<b>981</b>
<b>Total allocated to Russia (tables 2+3)<sup>5</sup></b>	<b>267</b>	<b>193</b>	<b>246</b>	<b>233</b>	<b>250</b>	<b>248</b>	<b>239</b>	<b>228</b>	<b>176</b>	<b>198</b>	<b>186</b>	<b>2464</b>

<sup>1</sup> Estimate based on the hypothesis that 50% of funds in multi-country programmes allocated to the CIS concern Russia.

<sup>2</sup> Including the Russian share of the Regional, Cross-border Cooperation (from 1996 onwards) and Democracy (until 1998) Programmes.

<sup>3</sup> Including the International Science & Technology Centre and 50 % of EBRD Bangkok Facility.

<sup>4</sup> Including Coordinating Units, Information, Monitoring and Evaluation, STAP facility, ATA (Assistance Technique et Administrative).

<sup>5</sup> The totals vary according to Commission source. For instance, the Commission's External Assistance Report 2001 mentions a total for Russian in 2001 of €153 million. Differences are most probably due to different data classifications (Commission of the European Communities (2002a)).

Source: European Commission (2001).

In spite of the rather significant sums of money allocated to Russia, the picture is quite different in per capita terms. Though the large size of Russia means that there will be a large number of projects, and therefore a somewhat even annual flow of resources, in many years several small, in particular crises-ridden countries, will receive relatively larger inflows.

In monetary terms, Bangladesh is currently basically in the same league as a recipient of assistance as Russia. On humanitarian terms, this is easy to understand. But thinking of Tacis as the main financial base of EU policy towards Russia, this raises questions. Rarely has the reaching of such grandiose goals as those of EU–Russia co-operation been set contingent on such meagre monies.

## 5 Tacis dilemmas

In the early 1990s, when Tacis was created, it was an innovation representing in many respects a totally new concept among the EU's external assistance programmes. The operating environment in transition economies was for the European Commission at least as novel as it was to other donors. Furthermore, how was one to implement in practice the all-encompassing goals of Tacis – furthering the development of a democratic society and market economy? Therefore, it should not come as a surprise that Tacis faced major difficulties and its projects sometimes failed. The difficulties were partly due to problems in beneficiary countries. They were lacking well-functioning public administrations and key personnel was scarce and tied up with several responsibilities. Still it can be – admittedly with the benefit of hindsight – argued that Tacis could have fared better with a

somewhat different concept and management of the assistance. There is little reason to really believe that Tacis had always everything in the best possible way.

During the 1990s, increasing criticism was aired concerning the Tacis programme both inside and outside the EU. At least to a certain degree, the problems were common to Tacis assistance in all beneficiary countries.

In the case of Russia, certain problems may have been exacerbated due to the mere scale of the country and its development needs as well as its position as an important world power. International assistance efforts for Russia and those by the USA in particular have been subject to several admittedly imperfect and sometimes very partisan appraisals.<sup>9</sup> We know of some such appraisals of Tacis, and they will be discussed below.<sup>10</sup> There is, in addition, much criticism of Tacis circulating among the observers and practitioners in the field. It has to be addressed. Surely, it would be in the best interest of the Commission and the EU as a whole to organise a full independent review.

## 5.1 EU targets vs. beneficiary's targets

The critics in the field<sup>11</sup> have felt that the results of Tacis projects – although difficult to measure – did not always correspond to the resources spent. One of the main problems with Tacis was the all-encompassing nature of the grand goals, which did not back a clear prioritisation of projects and allowed the inclusion in the national programme of most varied projects. Due to that, projects did not always form coherent entities and missed linkages to the general policy aims or to each other.

Partly because of the vaguely stated aims of Tacis, the choice of the projects depended too much on the priorities of the beneficiary country; a fact that for its part contributed to the wide variety of projects carried out. What is easier for an in-coming government minister than to forestall any criticisms by noting that a European level analysis of any problems that may exist will be forthcoming? The participation of the recipient in choosing priorities is usually – and probably correctly – advocated on grounds of creating commitment, 'ownership of programmes'. But in cases where a programme is called into being as a pre-emptive defensive mechanism, commitment does not follow.

## 5.2 Commitment

The issue of commitment concerns recipients' motivation and involvement. As Tacis projects are financed with grant money, it is difficult to establish conditionality to make sure that the beneficiary country and organisation fulfil their obligations under the project. The full participation of the beneficiary is crucial for the success of a project. As matters

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<sup>9</sup> Wedel, Janine R. (1998): *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe 1989–1998*. St. Martin's Press, New York; Cox et al (2000): *Russia's Road to Corruption: How the Clinton Administration Exported Government Instead of Free Enterprise and Failed the Russian People* (<http://www.house.gov/republican-policy/russia/fullrussia/fullrussia.html>, accessed 27.9.2000); United States General Accounting Office (2000): *Report to the Chairman and to the Ranking Minority Member, Committee on Banking and Financial Services, House of Representatives. Foreign Assistance: International Efforts to Aid Russia's Transition Have Had Mixed Results*. GAO-01-8, November.

<sup>10</sup> Probably, there are other reviews, which we do not know.

<sup>11</sup> Enumerating such criticisms, well-known to most who have talked to participants of the assistance industry, does not mean that the authors of this paper always agree with them. In fact, our calls for an independent review raise from our inability to judge how often these criticisms have been justified.

have been, it has been more important to be able to attract money. What has been accomplished with it remains a minor issue.

The task of establishing conditionality on the programme execution has proven difficult, concerning both the national Tacis programmes and the concrete assistance projects. On the programme level, only political or human right issues have in a few cases caused a reduction in the scope or a cancellation of a national programme. This happened once in the case of Russia; in 2000 the Russian national programme was initially reduced due to suspected human rights problems in Chechnya.

Also at the level of concrete projects the conditionality has proved difficult to attain, although today all Tacis projects include a clause setting certain concrete requirements to the beneficiary party. There are three main ways in which Tacis tries to ensure recipient commitment to concrete projects. The recipient has always the possibility of commenting upon the terms of reference of projects. It is easy to influence the project contents by postponing the acceptance of the terms of reference. Often the recipient also participates in assessing the offers of project managers. Finally, there is a stick. At least in the case of major projects it is possible to freeze money flows even after the project has been commenced. This is not really the case for small projects of less than 200,000 euros, when 80 % of finance is paid at the beginning.

It seems that expectations concerning Tacis on the Russian side have never been too high. As Tacis has provided practically free expertise, Russia has not refused it. However, had it involved significant financial input from the Russian side, the use of Tacis assistance would probably have been more limited and the areas of assistance more carefully chosen. Indeed, some of the projects might not have been realised at all.

### 5.3 Long-term effects

Criticism has often been targeted at the lack of long-term effects of Tacis projects in beneficiary countries. According to the critics, projects were often too small, scattered on too many different areas and their time spans were too short to allow the emergence of sustainable results. The influence of a project did not always go beyond those individuals directly involved in the project. Hence, the impact of a project could end when the project ended.

Although small-scale projects have received criticism, on the other hand there is the view that many of the best-performing projects have been among the small ones. They do not stretch the absorption capacity of the recipient excessively, there is less bureaucracy involved, and managing small projects is easier. Clearly, there must be a trade-off between fixed costs (weighing down the efficiency of small projects) and flexibility. There is hardly a generalised solution to this dilemma.

On the donor side, the use of outside consultants for running projects may have deprived the assistance of some of its longer-term effects. Tacis has been with some justification criticised of being a system of recycling European taxpayers' money to European consultants. Criticism has been voiced also concerning inadequate quality of consultants.

However, on the mundane but always important level of human contacts, the thousands of European consultants Tacis has brought to Russia and the rest of the CIS have surely learned much that is useful. As the Russian transition has proceeded, Tacis projects have increasingly needed detailed technical knowledge and understanding of local circumstances, which, fortunately, consultants have accumulated over the years. However,

taking much use of them has opened the door for accusations of insider privileges. These are dilemmas that any donor has also to meet. Over the years, also the role of consultants from recipient countries seems to have grown larger.

## 5.4 Administrative difficulties

Yet another serious drawback has been seen in the fact that being one of the EU-administered tools, Tacis suffers from the heavy bureaucracy, excessive administration and centralised decision-making that are common to the whole EU. The Commission's job rotation system further implies that a major project of some lifetime may have several task managers.

Criticism has been targeted in particular at the slow decision-making processes related to Tacis projects, concerning for instance the lengthy preparation of programmes and projects and agreeing on them with beneficiaries. Annual programmes may be concluded even after the year in question has finished. For instance, by early 2003 the Russian Action Programme for 2002 had not been signed yet. Only after its signing could the preparation for concrete projects, including tenders, start. As a result, the 14 projects incorporated in the 2002 Russian annual programme will possibly be launched only in 2004. Similarly, the final part of the 2003 Russian Action Programme was adopted only in November 2003. These kinds of delays tend to undermine the value of assistance, as the projects may have lost some of their importance in the meantime.

Further, the long delays in payments from the Commission to ongoing projects are a problem that significantly hampers the everyday running of projects. In some cases, the contractor has needed a deep pocket to be able to pay salaries while moneys that should have been paid by the Commission simply did not appear when they should have done it.

One of the aims of Tacis is to introduce western-type management and organisational culture in the recipient countries. Although it is not stressed very often, the most obvious way for doing that would be the use of the Tacis programme itself as an example of well-managed and transparent administration. The Tacis programme is one of the most visible undertakings of the EU in the recipient countries and contacts in the framework of Tacis form a large part of the national authorities' contacts with the EU. To some extent, Tacis creates the image of the EU in Russia in business and academic circles and among the general public, too. Therefore, the possible negative effects of Tacis go far beyond the everyday administrative problems discussed above.

According to anecdotal evidence, Tacis enjoys mixed reputation in Russia. The image of Tacis – and together with it, the image of the whole EU – has suffered from the fact that Tacis is seen as an administratively utterly complicated and non-transparent mechanism, whose aims are therefore often misinterpreted. The way Tacis functions has not served to make clear its goals, which have sometimes remained unknown even to those Russians – or maybe in particular to those – involved in the projects.

## 5.5 Efficiency and objectiveness

In today's Russia, dealings with national authorities are very delicate in particular if untied assistance and money are involved. Anecdotal evidence shows that in spite of the Commission's strict control over financial flows of projects, it is very difficult to make sure that the money is spent on exactly what it was meant for by the Commission.

Furthermore, due to the nature of the projects, outside specialists contracted to make regular project evaluations are not always capable of following the real operation of the project and ascertain the quality of its results. All these issues, in addition to undermining the economic effectiveness of Tacis, are conducive to negative interpretations in Russia concerning the objectivity of Tacis authorities towards different domestic counterparts. Charges of favouritism are all too frequent.

This does not mean that much Tacis money disappears into numbered accounts in small islands. Most monies actually return to EU capitals, paid to European contractors. But some programme monies can be used to maintain clients deemed worth supporting. Take, for instance, a fully hypothetical example. The beneficiary deemed worthy might, for instance, be a think-tank connected with some of the leading pro-European politicians of a recipient country. In such cases, there has to be the famed two-handed assessment. On one hand, such cases would be open to charges of favouritism. On the other hand, they quite often might indeed have the best expertise available.

Indeed, the selection of assistance projects, expert organisations to carry them out and domestic beneficiaries is bound to raise suspicion, although the current ways of organising the processes seem natural, perhaps even the only possible. From a political economy point of view, however, this arrangement lays two major mines. First, how and on what grounds is the national co-ordinator to decide, who should become a domestic beneficiary organisation? Second, what are the criteria to be used in tenders for project contractors? The former question may especially in circumstances like those in Russia become entangled with a number of issues of domestic policy and bureaucratic politics. The latter issue is regulated by formally accepted guidelines, but it would be surprising if their practical implementation were always impeccable.<sup>12</sup>

There exists a certain conflict between the two tasks of Tacis management: On the one hand, as Tacis uses public money from the EU, self-evidently, it must ensure a strict control over the use of financial resources. On the other hand, the administration of the projects and their financial flows should not be too time consuming and allow flexible running of the projects. Today, however, the situation seems to be such that the management of Tacis is slow and bureaucratic, but despite that, it is probably not always capable of securing the proper use of allocated money. When Max Weber, the great German founder of modern sociology, sung the eulogies of bureaucracy, he had in mind a well organised, predictable and objective machinery fit for raising to the tasks of complex issues. In practice more often, real-life bureaucracies are under-manned, under-paid, badly organised and ruled more by informal conventions than formal, objective rules. – Well, perhaps not under-paid, not in all cases at least. But still, any assessment of EU external assistance should be made in comparative framework. How does Tacis fare in a comparison with – say – the British Know-how Fund, USAid and the World Bank? For the time being, the data at our disposal does not permit a comprehensive evaluation.

## 5.6 Russia growing out of Tacis

The general concept of Tacis does not fit into the current format of EU–Russia relations. As Russia already for more than a decade has been transitioning away from the planned economy and gained international political strength, the initial idea of the EU's technical

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<sup>12</sup> For the guidelines see [http://europa.eu.int/comm/europeaid/tender/gestion/index\\_en.htm](http://europa.eu.int/comm/europeaid/tender/gestion/index_en.htm). Naturally, the frequent complaints among the practitioners may well be, usually at least, instances of sour grapes.

assistance to Russia has gradually lost its rationale. The big difference between Russia and other receivers of EU external assistance – including other transition economies – is the position of Russia in the global political and economic setting. In Russia, relationship with the EU is today seen as a strategic partnership from which both parties seek to benefit, rather than assistance from a more developed partner to a less developed one.

This has been felt in Russia for some years already. An evaluation of the Tacis programme in Russia<sup>13</sup> found that the mixed results of Tacis projects are partly due to the uneasiness that the Russian side feels from being put in the same category of Tacis beneficiaries as other – and much less developed – CIS countries. The commitment of the Russian party in the Tacis programme has not unexpectedly suffered from this perceived disparity.

Clearly, Europe perceives itself today much less in the position of the teacher of the gospel in Russia than it did more than ten years ago. However, it seems that this problem is still not totally understood in the EU. The Country Strategy Paper 2002–2006 for Russia that was adopted by the EU in 2001 is based on the old principles of top-down assistance and does not take into account the changed environment. Also the latest Indicative Programme for Russia for 2004–2006, which was signed in May 2003, follows the old principles.

## 6 Tacis evaluations

In 1997, on the request of the European Parliament, the EU Commission launched an evaluation of the Tacis programme, which was done internally, by the newly created Evaluation Unit of the EC. The results of the evaluation showed that “... the Tacis programme can be credited with a moderate degree of success in terms of realised outputs and effectiveness in achieving the intended objectives and impact.”<sup>14</sup> The major shortcomings detected concerned the efficiency of the management and the limited transparency of the projects. It should be remembered that this was an internal evaluation, by a newly-established Unit that was probably not interested in burning any bridges.

Another special evaluation on Tacis programme for Russia was carried out in 1999<sup>15</sup>. Its main recommendations concerning the basic elements of Tacis emphasised the necessity of changing the programme from assistance to cooperation between the EU and Russia and linking it more closely to the EU’s strategic political and economic aims.<sup>16</sup> The evaluation also noted that the relevance of the Tacis assistance has decreased as Russia’s transition towards a market economy has advanced and its needs become different. While in the early 1990s there was an acute shortage of knowledge about the basic features of a market economy, later on solving problems specific to the Russian situation became more important.

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<sup>13</sup> Development Researchers’ Network – Linden Consulting Partnership (2000): An evaluation of the Tacis Country Programme in Russia, Final report, Volume 1 and 2, January.

<sup>14</sup> Commission of the European Communities (1997): The Tacis Programme: An interim evaluation, May, p. 14.

<sup>15</sup> Development Researchers’ Network – Linden Consulting Partnership (2000).

<sup>16</sup> Self-evidently well founded as such a recommendation might seem, one can all too easily imagine what it just might imply in practice. Picture the participants of EU – Russia Summits having available a fund for financing whatsoever projects of common interest of the moment that they might come across in their semi-annual deliberations!



The problems revealed in Tacis evaluations were many but not all that exceptional. They were to a large degree common to the whole external assistance system of the EU, suffering from excessive bureaucracy. In its 2001 annual report on the EC development policy, the Commission stated: “When the present Commission took up office in September 1999, it was confronted with an alarming situation with the implementation of aid to third countries.” Further, “... the Commission’s image and credibility were suffering a serious decline in the eyes of the beneficiary states, the Member States and its partners among the multilateral institutions”.<sup>17</sup>

## 7 Tacis reforms

Such strong dissatisfaction led the European Commission to initiate in 2000 a reform of the external assistance system, including Tacis. The reform focuses on both the overall strategic planning and concrete management of the assistance, touching upon many of the problems mentioned above.

A separate project to reform Tacis in view of the expiration of the current Tacis regulation at the end of 2006 was launched by the Commission in 2003. This time it involved a public invitation of comments on the Commission’s working paper posted at the Commission’s website.<sup>18</sup> The paper outlines the Commission services’ intended approach for a new Tacis regulation.

The working paper lists most of the criticism that has been voiced on Tacis during the past years and acknowledges the validity of the criticism. Although the working paper only provides background information for deliberation and suggestions, its key proposals concerning the new Tacis programme deserve a few comments. The main point from our point of view is that in spite of the fact that the working paper stresses the growing differentiation of the countries receiving Tacis assistance and calls for differentiation also in country approaches, Russia would still receive Tacis assistance, although “funding envelope should be drastically reduced” (no exact figures are given).

### 7.1 More policy guidelines

Several innovations were made as a result of the 2000 reform initiative of the EU external assistance system. To concretise the grand aims of Tacis and to increase the coherence of the assistance, attempts have been made to relate Tacis more closely to EU’s relevant policy objectives. For that, the Commission started in 2001 to draw up *Country Strategy Papers*, which outline the multi-annual assistance priorities for each beneficiary country. Partnership and Cooperation Agreements that the EU has signed with transition economies and that set out the political and economic relationship between the EU and each CIS country create the basis for Tacis country strategies.

For Russia, yet another strategic document whose aims Tacis is to serve, is the *Common Strategy of the European Union on Russia*, adopted by the EU in 1999. The Country Strategy Paper for Russia was adopted in December 2001 and covers the years 2002–2006. The current Indicative Programme for Russia, signed in May 2003, runs from 2004 to 2006. It is essential that Country Strategy Papers and National Indicative

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<sup>17</sup> Commission of the European Communities (2002a).

<sup>18</sup> [http://europa.eu.int/comm/external\\_relations/consultations/webcov\\_tacis.htm](http://europa.eu.int/comm/external_relations/consultations/webcov_tacis.htm)

Programmes are co-ordinated with the corresponding policy documents of other donors, such as the World Bank, the EBRD and the IMF. This is also done, in practice through joint meetings, by commenting upon the country programmes of other donors, and through obligatory consultations determined in project terms of preference. It is impossible for an outsider to judge how effectively co-ordination works in practice.

## 7.2 Narrowing and widening focus

For a better focus of the programmes, the Commission decided to limit the Tacis assistance to three main sectors for each recipient country. For Russia, the three sectors spelled out in the Country Strategy are:

- Support for institutional, legal and administrative reform,
- Support to the private sector and assistance for economic development,
- Support in addressing the social consequences of transition.

It is easy to see the problem. When only a few priorities are to be enumerated, the empire strikes back by making the priorities themselves extremely wide.

The National Indicative Programme for Russia identified the following supposedly more concrete sectors for assistance in 2002–2003:

- Legal, administrative reform and legal policy,
- Judicial reform,
- Civil society, training and education,
- Deregulation and corporate governance,
- Social reform,
- Municipal services.

Another rule of bureaucracy states that after the number of priorities has been cut (and their coverage has been widened), the numbers soon start to grow. The current National Indicative Programme for Russia for 2004–2006 duly lists twice as many priorities as the Indicative Programme for 2002–2003:

- Administrative reform,
- Judicial reform,
- Fight against organised crime and terrorism,
- Migration issues,
- Support for the civil society,
- Support to the integration of Russia into the international economy,
- Reform of financial sector,
- Support to policy dialogue in specific domains,
- Support to infrastructure master planning,
- Social and health sector reform,
- Labour policy and social dialogue,
- Education,
- Municipal services.
- In addition, a special programme for Kaliningrad oblast is included.

In response to criticism concerning too small projects, it was decided in the reform to set a minimum threshold of €2 million for projects in Russia and Ukraine. For other countries, the threshold is set at €1 million.

### 7.3 Organisational changes

The external assistance reform included also organisational changes in the administration of assistance. The policy formation and strategic planning of assistance was concentrated in the two general directorates of the Commission dealing with development issues and external relations (DG Development and particularly DG External Relations). The EuropeAid Co-operation Office was created in the Commission to take care of the practical management of most of the external assistance programmes of the EU – including the Tacis programme. Also, during the past couple of years more responsibility on project management has been transferred to EC Delegations in beneficiary countries. So DG External Relations does strategic planning, EuropeAid takes care of annual programmes and the Delegations of implementation.

According to first assessments, there has been improvement in certain parts of project management, which is now done closer to the projects. But Brussels still keeps a role even in project management. Any special arrangements need permission from the Commission, and more generally dialogue between Delegations and Brussels concerning both agreements and matters of substance is encouraged. Sometimes Brussels continues to take part in the determining of project terms of reference. Hence, a large part of administration and decision-making still takes place in Brussels, far away from project realities and without utilising the expertise accumulated in local EC delegations.

## 8 Tacis in the future

On the EU side, Tacis' role is seen in bringing Russia closer to the European Union both politically and economically. This is aimed at by enhancing the transfer of the European system of values into Russia and development of a market economy. The basic agreements between the EU and Russia spell out this target, too. The Partnership and Cooperation Agreement implies that Russia will gradually make its legislation compatible with that of the EU. Much of the same idea is included in the 2001 declaration of the EC's President Romano Prodi and Russia's President Vladimir Putin on the creation of a Common European Economic Space. And additional, even more ambitious spaces have been already sketched.

Russia, for its part, has a keen interest in having closer relations with the EU in particular now that Russia's political and economic weight in the world is increasing. Also, the EU enlargement will increase its importance to Russia. Furthermore, enlargement will bring millions of speakers of Russian and the other Eastern Slavonic languages into the Union.

Given the global developments and Russia's current role in the world politics, it is clear that a traditional technical assistance programme has become outdated in the case of Russia – a fully-fledged member of the Group of Eight. Cooperation between the EU and Russia must continue, but in a different context, emphasising the partnership of equal parties. This will also serve the EU's interests best. Admittedly, what the equality of

partners means in principle as well as in each concrete case, is a moot point, given the asymmetries between Russia and the Union.

At the same time, there is a differentiation of the CIS countries going on. After the first wave of the EU enlargement, not only will the EU–Russia border grow much longer, but Belarus and Ukraine will become New Neighbours.<sup>19</sup> After the second wave, Moldova will join them. If and while Turkey is a future member of the European Union, it will be impossible to continue pretending that these countries could never become accession candidates. Therefore, the role of cross-border cooperation will increase both in Russia and into the New Neighbours. Russia may not be a future member of the Union, at least if there will one day be a common European foreign and defence policy. But this perspective has to be taken into account for the three New Neighbours.

This leaves the Caucasian and Central Asian countries. Their challenges, again, are very different from those of the rest of the former Soviet Union. Basically, they are those of poverty alleviation, conflict prevention and state and – perhaps – democracy building. The Union is unable and probably unwilling to exert major influence in the region. This is not true of the USA. Whichever way, they are a different kind of a challenge, also a different kind from Northern Africa. They also have to be handled as the specific cases that they are.

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<sup>19</sup> EU thinking on policies vis-à-vis the New Neighbours is currently evolving intensively. See two Communications from the Commission: “Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours” (COM(2002b) 104, 11 March 2003) and “Paving the way for a New Neighbourhood Instrument” (COM(2003) 393, 1 July 2003).

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