

## THE ISTANBUL CENTRE - 1994 - 1997

### Past Activities

The Centre was established in January, 1994 with the support of the Governments of Turkey and Germany, the OECD as well as other bilateral and multilateral donors. It serves two main purposes, namely: (1) to transfer economic policy expertise from OECD Member Countries to the transition economies of the former Soviet Union and other BSEC countries, and (2) to facilitate consultations on economic policies among these countries as well as between them and western organisations.

Initially the Centre focused on providing a forum for discussions with high-level officials and politicians from Central Asian and Caucasian NIS, Moldova and Mongolia. In 1995 and 1996 representatives of other transition economies, in particular Black Sea Co-operation countries (Albania, Bulgaria, Romania, Russia and the Ukraine), took part in some of the Centre's activities. Due to the interest on the part of participating countries, the number of both activities and participants has increased steadily. In 1994, 10 seminars and workshops were attended by 275 participants, in 1995 16 activities involved 310 participants, for 1996 22 activities brought together 510 participants and in 1997 22 activities are expected to attract in excess of 500 participants.

From the outset, the Centre benefited from the Government expertise accumulated within the OECD, involving various committees and services of the OECD (e.g., the Committee on International Investments and Multilateral Enterprises, the Trade Directorate, the Territorial Development Service, the Financial Action Task Force and the International Energy Agency). To an increasing extent, the Centre attracted the co-operation of other international organisations, including the World Bank, EBRD, Multilateral Investment Guarantee Agency (MIGA), Economic Development Institute (EDI), UNIDO, UNDP, International Chamber of Commerce (ICC), BIAC, the Black Sea Economic Co-operation (BSEC), the Economic Commission on Europe (ECE) and the "Berne Union" of export credit and investment insurance agencies.

The Centre's activities during its first four years covered a broad spectrum of economic policy domains, such as:

- various aspects of privatisation (privatisation techniques, development of business plans, enterprise reorganisation);
- protection and promotion of foreign investments, including activities on investments in the mining sector and tourism sectors;
- trade financing;
- antimonopoly and competition policies (law, enforcement and institution building);

- financial sector development, including development of capital markets and supervisory systems;
- promotion of small and medium-sized enterprises;
- role and functions of Chambers of Commerce;
- accounting and auditing;
- public procurement;
- foreign investment and company legislation;
- measures against economic crime, especially money laundering.

#### Change of direction: from seminars to networking

At the outset, the Centre focused on seminars aiming at transferring OECD expertise to participating transition economies. However, activities increasingly take the form of policy consultations where participants exchange information on pertinent developments and experiences in their countries, develop common assessments and conclusions and explore approaches towards regional co-operation. Three activities in particular set this direction:

- in 1994, 1995 and 1996 regional meetings of the OECD Advisory Group on Privatisation were held at the Istanbul Centre for privatisation officials from Central Asian, Transcaucasian Republics and Mongolia;
- in 1995/1996 general principles of company law were drafted. In addition an Expert Group from nine NIS, with advice from OECD experts, developed "Basic Elements for Foreign Investment Legislation" together with extensive "Explanatory Notes". During this exercise, consensus was reached on investment protection standards commensurate with the standards prevailing among OECD countries
- in 1997, a Network of Foreign Investment Agencies from NIS and Black Sea transition economies was launched. Within this framework participating agencies systematically exchange experience and views on technical, strategic and policy matters of common concern. Two rounds of consultations in 1996 were followed by expert group meetings in 1997 on information technologies and investment promotion strategies. A report on information technologies is presently being prepared for consideration by the Chief Executives of these agencies. The Chief Executives will meet annually to review the work of expert groups, determine the priorities for their future work and consult on policy questions. The first such meeting has been scheduled for February 1998.

The change of the Centre's focus from traditional seminars to networking private sector development institutions in the region was confirmed by the findings of an evaluation mission in 1997 to Kazakhstan and Kyrgyzstan. It identified the systematic interaction of participants from the beneficiary countries as the most useful aspect of the Centre's activities.

In order to reinforce this approach, the "Private Sector Development Journal" was launched in 1997. The Journal is a quarterly publication of the Centre in both English and Russian designed to disseminate the results of Centre activities to all participating institutions. Five issues of the Journal have appeared thus far.

Also in 1997, the Centre has been connected by electronic mail and an Internet facility has been installed.

### Outlook for 1998 and beyond

In future, the entire programme of the Centre is envisaged to focus on forum-based activities where representatives from various private sector development institutions of beneficiary countries pursue systematic consultations on policy, strategic and technical questions of common interest. Typically there will be a combination of expert groups and technical workshops and annual meetings of senior policy-makers. During the expert groups technical papers and reports will be prepared on the basis of a comparative review of participating agencies' administrative practices and experiences as well as 'best practices' developed elsewhere. These will be discussed at the Chief Executive meetings with a view to arriving at common assessments and conclusions.

The 1998 Programme will concentrate on eight broad topics:

1. Entrepreneurship and Enterprise development with a focus on small and medium-sized enterprises (SMEs): there will be two preparatory workshops followed by a forum of Chief Executives of enterprise development agencies with a view to creating a network of these agencies;
2. Foreign investments: in this context, the network of foreign investment agencies will be further developed with an initial focus on promotional strategies and the use of information technology and the first annual meeting of Chief Executives. In addition, work will be resumed on foreign investment legislation in the light of the outcome of the negotiations of a Multinational Agreement on Investment ("MAI") scheduled to be completed within the OECD by April 1997. Activities will also be continued on foreign investment related taxation and statistics problems as well as foreign investment aspects of particular sectors (mining, oil and gas, tourism). Work in this area will be related to the "Investment Policy Forum" that the OECD will create in 1998 as a conceptual framework for all its outreach activities on foreign investment issues;

3. Financial sector development where the preparation of a conceptual paper on the main elements of the legal framework for capital market development is envisaged;
4. Export promotion techniques, including possibilities of co-operation of Chambers of Commerce;
5. Competition Policy;
6. Project financing;
7. Strengthening the rule of law: for that purpose, a colloquium is planned of constitutional courts of NIS and Black Sea countries to set the stage for a long-term co-operation of these Courts; as well as
8. Measures against economic crime with a focus on money laundering and bribery.

During 1998, possibilities will be explored of involving private sector representatives in the activities of the Centre, both from beneficiary countries and from OECD Member Countries. For that purpose, a Business Advisory Committee to the Centre will be convened, comprising representatives of trade and industry organisations.

**Workshops and seminars held during 1994 - 1997 are listed as follows:**

年度合中記

**1994**

1. Introduction to Privatization Techniques
2. International Accounting Principles , Part 1
3. Investment Promotion, Part 1
4. The Tax System and Foreign Direct Investment
5. Privatization: Evaluation of Business Plans
6. Introductions to Competition Policy - Law , Enforcement and Institutional Aspects
7. Legal and Institutional Framework for Investment
8. Organizing Tender - Offers
9. Managing State Property
10. Financial Management in a Market Economy

**1995**

1. Enterprise Restructuring in the Privatization Process
2. Model Foreign Investment Law Drafting
3. International Accounting Principles, Part 1 and Part 2
4. Fostering Small and Medium - sized Enterprise Development
5. Financial Sector Reform in the Central Asian NIS and Mongolia
6. Investment Companies Regulation
7. Organizing Trade sales & Tender Offers
8. Model Foreign Investment Law
9. Doing Business with Partners in the Mining Sector
10. Role and Function of Chambers of Industry and Commerce
11. Introduction to the Law and Economics of Competition Policy
12. Investment Promotion, Part 2
13. Financial Intermediaries in Rural Areas
14. Evaluating Business Plans for Privatization Purposes
15. Organizing Trade Sales and Tender Offers
16. Doing Business with Foreign Partners in the Mining sector

1996

1. Organizing trade sales & Tender Offers
2. Principles for Foreign Investment Legislation in NIS Countries
3. Creation of Investment Promotion Network for Eurasia
4. Workshop on Insurance Policy Issues in Central Asia, NIS, Azerbaidjan and Mongolia
5. Workshop on Company Law
6. Fostering Small and Medium - sized Enterprise Development
7. Role and Function of Chambers of Industry & Commerce
8. Workshop on Action against Money Laundering
9. Economic Analysis of Mergers and Acquisitions
10. Regulatory Framework for Appraisal Professionals in the Transition Economies ( in co - operation with the World Bank )
11. Conceptual Frameworks of Accounting and the Development of Accounting Standards
12. Investment Promotion
13. Creation of IPA
14. Cooperation Among Foreign Investment Promotion Agencies
15. Advisory Group on Privatization
16. Doing Business with Foreign Partners in Mining Sector
17. Competition Policy Enforcement
18. Interregional Trade & Investment
19. Company Law - Drafting Group
20. Investment Fund Management in Privatization
21. Financial Instruments for Local Development
22. Investment in Oil & Gas Industries
23. Management Committee Meeting / Meeting of the Advisory Board
24. Company Law Reform
25. Technical Meeting on Collecting and Reporting FDI Statistics in the NIS

1997 (年度途中まで)

1. Securities Markets Development Process
2. Organizing Trade Sales & Tender Offers

CENTRE FOR PRIVATE SECTOR DEVELOPMENT

Seminars and Faculty - 1997

SEMINAR

- 1. Securities Market Development Programme  
18 - 21 February

FACULTY

- Mr. Frederic Wehrli, OECD
- Mr. Noritaka Akamatsu, World Bank, USA
- Mr. Eric Coody, Tacirler Securities, Turkey
- Mr. Ali Ihsan Karacan, Turkish Capital Markets Board, Turkey
- Mr. Gary Kleinman, Kleinman International, USA
- Ms. Elisabeth Morrissey, Kleinman International, USA
- Mr. Aril Seren, Istanbul Stock Exchange, Turkey
- Mr. Marko Simoneti, Slovenia
- Mr. Demir Yener, EDI, World Bank, USA

- 2. Organising Trade Sales and Tender Offers  
25 - 28 February

- Mr. Abdul Bayhan, OECD
- Mr. Jerzy Sirzelecki, Copernicus Capital, Poland
- Dr. Herbert B. Schmidt, Estonian Privatisation Agency

- 3. Information Systems & Technology for Foreign Investment Agencies  
4 - 7 March

- Mrs. Jean Gomm, OECD
- Mrs. Reinhold Balcke, EBRD, United Kingdom
- Mr. Gerald Clarke, International Development Agency, Ireland
- Mr. Phil Karp, MIGA, USA
- Mr. Bruno Lavin, UNCTAD, Switzerland
- Ms. Vlasta Macku, UNCTAD, Switzerland
- Mr. Declan Murphy, International Development Agency, Ireland
- Dr. Jürgen Voss, Federal Ministry of Economics, Germany

4. Conceptual Framework of Accounting for the NIS  
18 - 28 March

Mr. Richard Frederick, OECD  
Ms. Tatiana Krylova, KMPG Moscow, Russian Federation  
Mr. David Damant, Cowell & Partners, United Kingdom  
Dr. Heinz Kleeckemper, Ernst & Young, Germany  
Mr. Mohamed Moustafa, USA  
Mr. Geoffrey Townsend, KMPG Moscow, Russian Federation  
Prof. Peter Walton, University of Geneva, Switzerland

5. Detecting, Investigating and Prosecuting Cartels  
1 - 4 April

Mr. Gary Hewitt, OECD  
Mr. Terry Winslow, OECD  
Mrs. Dorothy Hansberry, Beata Gessel & Partners, Poland  
Mr. Marek Tadeusiak, Competition Development Centre, Poland  
Mr. Klaus Wendelmuth, Bundeskartellamt, Germany

6. Promotion of Tourism Related Investment  
April 29 - May 2

Mr. Sean Browne, WTO Consultant, Ireland  
Ms. Carolyn Cain, IFC, World Bank, USA  
Ms. Marylou Foley, Tour Designs Inc, USA  
Mr. Alan Godsave, WTTC, Hungary  
Ms. Karin Millett, MIGA, USA  
Ms. Marie Nigon, Consultant, France  
Mr. Adrian Pryce, RCI Europe Ltd, England  
Ms. Vivienne Thomas, RCI Europe Ltd, England  
Mr. Trevor Ward, BDO Hospitality Consulting, England



7. Entrepreneurship and SME\ Enterprise Development  
6 - 9 May

Mr. Abdul Bayhan, OECD  
Mr. Michael Engelschalk, OECD  
Mr. Martin Forst, OECD  
Mr. Yves Charette, Federal Office of Regional Development, Canada  
Mr. Eric Coody, Tacirler Securities, Turkey  
Mr. Andrzej Dziurdzik, Polish Foundation for SME's, Poland  
Mr. Andreas Menke, Institute of Middle Class, Germany  
Mr. Kevin Murphy, JE Austin Associates Inc, USA

8. Investment Fund Operations, Regulation & Management  
20 - 23 May

Ms. Karla Brom, OECD  
Mr. Noritaka Akamatsu, World Bank, USA  
Ms. Mariann Kurtz, Price Waterhouse, USA  
Mr. Ferhat Ozcam, Turkish Capital Markets Board  
Mr. Demir Yener, World Bank, USA

9. Financial Systems Reform Part I  
27 - 29 May

Mr. Abdul Bayhan, OECD  
Mr. Kiyotaka Sasaki, OECD  
Mr. Harmut Fischer, University of San Francisco  
Mr. Hongjoo Hahm, EDI, World Bank, USA  
Ms. Maria Hurajova, Bratislava Stock Exchange, Slovakia  
Mr. Ali Insan Karacan, Turkish Capital Markets Board, Turkey  
Mr. Luca Papi, World Bank, USA  
Mr. Dmitry Vasilyev, Federal Commission of Capital Markets, Moscow  
Mr. Demir Yener, EDI, World Bank, USA

10. Market Value Appraisal of Fixed and Movable Assets  
3 - 6 June

Mr. Abdul Bayhan, OECD  
Mr. Hans Geretshauser, HFG Consulting, Germany  
Mr. W. Schaaf, Consultant, Germany  
Dr. Herbert B. Schmidt, Estonian Privatisation Agency, Estonia  
Mr. Ivo Silaste, Estonian Privatisation Agency, Estonia

11. Promoting Investment in Mining :Preparatory Workshop  
24 - 25 June

Mr. Abdul Bayhan, OECD  
Ms. Suzanne Gabour, EBRD  
Mr. Leo Maraboli, Sr. Mining Engineer, World Bank, USA  
Ms. Karin Millett, MIGA, USA  
Ms. Marie Nigon, Consultant, France

12. Financing Exports of NIS and Black Sea Countries  
1 - 4 July

Mr. Steve Cutts, OECD  
Mr. Cem Basman, Deputy President, TICA, Turkey  
Mr. Ugo Bergholz, Deutsche Bank AG, Germany  
Ms. Liliane Chemavonian, COFACE, France  
Mr. Robert Crick, ECDG, England  
Mr. Wolfgang Müller, Germany  
Mr. Nures, Deputy Secretary, BSEC, Turkey  
Mr. Ivan Nyiri, Eximbank, Hungary  
Mr. Malcolm Stephens, Berne Union, England  
Ms. Dominique Tuffrau-Barriant, COFACE, France  
Dr. Jürgen Voss Federal Ministry of Economics, Germany  
Mr. Edward Watson, Watson Robinson & Associates, England  
Mr. H. Can Yesilada, Turkeximbank, Turkey

13. Regional Advisory Group on Privatisation  
15 - 18 July

Ms. Elena Miteva, OECD  
Mr. Stilson Nestor, OECD  
Mr. H. Bush, HM Treasury, England  
Mr. Geoffrey Hamilton, United Nations, Geneva, Switzerland  
Ms. A. Higashino, Japanese Delegation, France  
Mr. L. Jones, Boston University, Massachusetts, USA  
Dr. Tibor Laszlo, Privatisation & State Holding Company, Hungary  
Mr. J. Lintjer, Ministry of Finance, Netherlands  
Mr. Hideki Onishi, Official Tokushima, Tokyo  
Sir A. Ridley, Hambros Bank Ltd, England  
Mr. V. Sarnet, Estonian Privatisation Agency, Estonia  
Dr. H. B.Schmidt, Senior Privatisation Consultant, Germany

14. Insurance Regulatory and Supervisory Issues  
September 30 - October 3

Mr. André Laboul, OECD  
Mr. Hisaya Ishii, OECD  
Mr. Jean-Louis Bellando, Insurance Control Commission, France  
Mrs. Helene Conruyt, Ministry of Economic Affairs, Belgium  
Mr. Edward Forshaw, Department of Trade & Industry, England  
Mr. Yoshihiro Kawai, Ministry of Finance, Poland  
Dr. Helmut Müller, Federal Supervisory Office of Insurance, Germany  
Mr. George M. Reider, NAIC Washington Counsel, USA

15. Role & Function of Chambers of Commerce and Industry  
7 - 10 October

Mr. Werner Flandorffer, OECD Consultant  
Mr. Voldemars Gavars, Latvian Chamber of Commerce, Latvia  
Mr. Jürgen Möllering, German Chamber of Commerce, Bonn, Germany  
Mr. Stefan Schlarp, German-Turkish Chamber of Commerce, Turkey  
Mr. D.J. H. Senior, London Chamber of Commerce, England

16. Demonopolisation of Markets  
14 - 17 October

Mr. John Clark, OECD  
Mr. Eugen Jurzyca, President, Centre Economic Development Slovakia  
Mr. Scott Sacks, Attorney, US Justice Department, USA

17. Financial Strategies for Local Development  
21 - 24 October

Mr. Abdul Bayhan, OECD  
Mr. Hans Blommestein, OECD  
Mr. Martin Forst, OECD  
Mr. Yves Charette, Federal Office of Regional Development, Canada  
Mr. Eric Coody, Tacirler Securities, Turkey  
Mr. Włodzimierz Dzierzanowski, Polish Foundation for SMEs, Poland  
Ms. Sabrina Feletig, Chamber of Commerce & Industry, Ukraine  
Mr. Kevin Murphy, JE Austin Associates, USA  
Mr. Gerard van Empel, Director, RIAS Rabobank, Netherlands

18. Institutional Aspects of Competition Enforcement  
4 - 7 November

Mr. John Clark, OECD  
Pr. Alberto Heimler, Economic & Legal Research, Italy  
Mr. Frederic Jenny, Chairman, Competition Law Committee, France  
Ms. Marybeth McGee, Attorney, US Justice Department, USA

19. Expert Group on Investment Promotion  
18 - 21 November  
Dr. Jürgen Voss Federal Ministry of Economics, Germany  
Mr. Michael Foley, International Development Ireland Ltd, Ireland  
Mr. Phil Karp, MIGA, USA  
Mr. Jörg Simon, UNCTAD, Switzerland
20. Financial Systems Reform Part II  
2 - 5 December  
Mr. Masaru Homma, OECD  
Mr. Demir Yener, EDI, World Bank, USA
21. Public Procurement Policy (in co-operation with the World Bank)  
9 - 12 December  
Mr. Frederic Wehrlé, OECD  
Mr. Richard Allen, OECD  
Mr. Benoit Chevanech, OECD  
Mr. Mohammed Ashraf, World Bank, USA  
Mr. George Jadoun, ILO, Italy  
Mr. Vesile Kulacoglu, WTO, Geneva  
Mr. Alisher Sabirov, Kyrgyz National Parliament, Kyrgyzstan  
Mr. Harbaksh Sethi, World Bank, USA  
Mr. Raghavan Srinivasan, World Bank, USA
22. Foreign Direct Investment Statistics  
16 - 18 December  
Ms. Ayse Bertrand, OECD  
Mr. Nik Malyshev, OECD  
Mr. Frederic Werhle, OECD

*Center for Private Sector Development*

資料 1-3

## GENERAL INFORMATION

### ACCOMMODATION

Hotel rooms are available from Sunday before the meeting until the following Monday at 12 o'clock. Please inform us if flights from your country to Istanbul on Sunday or Monday do not exist. A reservation will be made for you on the return of the attached reply card.

We do not have the facility to collect you from Istanbul airport. A taxi to the Hotel will cost approximately US\$ 15.

We will provide you with DM 50 to cover your transportation costs from the airport to the hotel.

The address of your hotel is as follows:

Hotel Pera Palas  
Mesrutiyet Cad. No. 98  
Tepebasi  
Istanbul  
Tel: 90 212 251 4560/Fax: 90 212 251 4088

Your OECD/TICA contact at the Hotel is Ms. Sofia Akhmetova.

Accommodation and three meals a day will be provided to you by the Turkish International Co-operation Agency (TICA). All additional expenses at the hotel must be paid for. All rooms at the hotel are equipped with a telephone. You must pay for any outside calls (including international calls) you make.

### TRAINING CENTRE

Transportation from the Hotel to the Centre is provided. The bus leaves at 8.30 a.m. You should meet in the lobby of the Hotel no later than 8.25 a.m.

The address of the Training Centre is:

Maliye Bakanligi  
Marmara Bölgesi Bilgi Islem Merkezi  
4-kat Vatan Cad. Orduevi yani  
Aksaray  
Istanbul  
Tel: 90 212 631 0117/Fax: 90 212 631 9332

Your OECD/TICA contacts at the Training Centre are Mrs. Vuslat Oluz and Ms. Sofia Akhmetova.

### ADDITIONAL INFORMATION

Preliminary information on the content of lectures can be found in the attached Agenda. Simultaneous translation from English into Russian and vice-versa is provided.

**PARTNERSHIP BETWEEN TURKISH INTERNATIONAL  
COOPERATION AGENCY AND THE ECONOMIC DEVELOPMENT  
INSTITUTE OF THE WORLD BANK**

The purpose of the TICA-EDI Agreement is to facilitate cooperation between Turkey and EDI in extending training to transition and developing countries for their development .

The program covers an initial period of two years, starting in 1998 and aims at providing a total about 5 training courses per year.

Whereas funds from the Capital Markets Board (CMB) will finance activities related to capital markets and financial sector in general, funding by TICA would be used towards activities related to project finance, project management and analysis and general infrastructure policy.

The following countries will be eligible for technical assistance under the terms of the agreement: Bulgaria, FYR Macedonia, Romania, Bosnia-Herzegovina, Moldova, Albania, Croatia, Ukraine, Belarus, Estonia, Latvia, Lithuania, Uzbekistan, Kazakistan, Turkmenistan, Tajikistan, the Kyrgyz Republic, Azerbaijan, Armenia, Georgia, Mongolia. Yet, the list of the countries may be reviewed by the partners.

Training will be provided by the World Bank and other experts, as may be agreed upon by EDI and TICA. A special attempt will be displayed to use Turkish experts in the courses by EDI.

Cost of each program will encompass; participants travel, per diems, accommodation and medical insurance expenses; expert fees, travel , accommodation and per diem expenses, as well as the preparation and modification of training materials as may be needed. The cost of each program may include an administrative fee for the partner training institute to cover the cost of administering the training course. TICA and EDI will agree on the total cost of each program prior to its commencement.

**EDI will send the program and financial reports to TICA twice per year. All logistical arrangements as to the processing of applications, issuance of invitations, tickets, per diems, accommodation, transport, medical insurance, opening ceremonies and closing ceremonies, will be the responsibility of EDI. In the preparation and dissemination of invitations and training materials, reference will be made to the financial and logistical contribution of TICA as well as CMB.**

**A first course titled "Building Knowledge and Infrastructure Finance" within the framework of the agreement was held between 15 and 19 December 1997, in Istanbul.**

# Private Sector Development

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**Centre for Private  
Sector Development**  
Istanbul

**OECD/CCET**

Organisation for Economic  
Co-operation and Development  
Centre for Co-operation with  
the Economies in Transition

**TICA**

Turkish International  
Co-operation Agency

**BMZ/GTZ**

German Ministry for  
Economic Co-operation  
German Technical  
Co-operation Agency



## THE OECD / CCET ROLE IN TRANSITION ECONOMIES

Economic reform in the countries in transition requires fundamental changes in the legal, financial and institutional framework for privatisation and private sector development. Some Central and Eastern European countries have already achieved solid progress in this direction. Others, such as the Central Asian and Transcaucasian Republics, Moldova, and Mongolia, are stepping up their efforts. These countries may largely benefit not only from the advice and know-how of OECD countries, but also from the experience of more advanced transition countries.

The Organisation for Economic Co-operation and Development (OECD) is a forum in which 29 free-market economies engage in dialogue across a wide range of economic and social policies. The OECD has been actively assisting transition economies in building market institutions since March 1990, when it established the Centre for Co-operation with the Economies in Transition (CCET). In 1991, Hungary, Poland, and what later became the Czech Republic and Slovak Republic, began to participate in a "Partners in Transition" Programme of intensified co-operation which has been helping those countries meet the conditions of OECD membership. (The Czech Republic joined the Organisation in December 1995, followed by Hungary and Poland this year. The Slovak Republic continues to participate in the "Partners" programme and to pursue the accession process.)

Also in 1991 the CCET Programme was extended to the "New Independent States" of the former Soviet Union, as well as to Mongolia. In June 1994 the OECD and the Federation of Russia signed a Declaration on Co-operation, providing a framework for co-operation and

marking the firm intention of both parties to improve conditions for deepening their already active co-operation and policy dialogue. OECD Members agreed in that same year to launch country-specific programmes of co-operation with Bulgaria, Romania and Slovenia.

Drawing on the experience and expertise of OECD Member countries, the OECD/CCET programme aims to analyse and improve the effectiveness of the policies of the 23 transition economies with which it currently co-operates.

In 1993, the OECD/CCET sponsored the creation of the Centre for Private Sector Development, in Istanbul, Turkey with the financial support of the Turkish and German governments. The Istanbul Centre, which began operations in January 1994, has two primary functions: to advise and assist the countries in the design and implementation of market economy reforms and to promote communications and co-operation among them and with the OECD Member countries. The Istanbul Centre is open to all transition economies; its main beneficiaries are the Central Asian and Transcaucasian Republics, Moldova and Mongolia.

Donors, either through financial support or through provision of technical assistance, now include The Turkish International Co-operation Agency (TICA), the German Federal Ministry for Co-operation (BMZ), the German Technical Co-operation Agency (GTZ), the Japanese Government, the Multilateral Investment Guarantee Agency, the World Bank, United Nations Industrial Development Organisation (UNIDO), United Nations Development Programme (UNDP), Eurasia Foundation, and the International Chamber of Commerce.

The OECD is the successor organisation to the Organisation for European Economic Co-operation, which was established in 1948 to administer the distribution of funds for European Reconstruction under the United States Marshall Plan. The OECD Convention was signed in Paris on 14th December 1960 and came into force on 30th September 1961. The original signatories are Austria, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The following countries became Members subsequently through accession: Japan (1964), Finland (1969), Australia (1971), New Zealand (1973), Mexico (1994), the Czech Republic (1995), Hungary (1996), Poland (1996) and Korea (1996). The European Commission takes part in the work of the OECD.

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# AN INITIATIVE TO ESTABLISH A FORUM FOR BUSINESS DEVELOPMENT CENTRES IN THE NEWLY INDEPENDENT STATES (NIS)

The OECD has launched a new initiative to facilitate the work of agencies of NIS countries dealing with the development of small and medium size enterprises.

The Newly Independent States (NIS) of the former Soviet Union are undertaking the difficult task of transition to market economies. One of the challenges of this process is creating an enabling environment conducive to the creation of new enterprises by fostering the private sector, the lowering of barriers to entry, the mobilisation of new investment and the release of entrepreneurial energies and talents of local people for economic growth, employment creation and exports.

OECD countries are seeking to assist in this process through various bilateral and multilateral initiatives of assistance within the framework of private sector development to new, small and medium enterprises (SME). However, there has been only limited coordination of such efforts in the past. Also, there is almost no current communication among business development centres, the small and medium enterprise development agencies in the NIS. Providing a forum for networking among these centres could provide an efficient mechanism for assisting these efforts in the NIS while simultaneously allowing these centres to assist each other through interchange of ideas and promotion of regional investment and trade.

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## Background on this Initiative

The Business Development Centres in the countries with economies in transition were established with the financial support of the European Union (TACIS Programme), EBRD and other bilateral institutions such as the German Agency for Technical Co-operation and Development and the British Know-how Fund to promote private sector development in the NIS and Mongolia, as well as Bulgaria, Romania and Albania.

During the workshops at the OECD Istanbul Centre on Private Sector Development (PSD) on "Entrepreneurship and SME Policy" and "Financial Instruments for Local Development" senior officials from the NIS who are responsible for SME promotion presented their objectives, programs and problems. It was one of the first occasions that they had to meet with similar officials from other NIS countries for the purpose of exchanging views, sharing policies and learning not only from one another but also from examples of best practices from OECD countries and from around the world. These officials suggested an initiative that would help institutionalise the benefits of this process. This initiative responds to that request.

It was strongly recommended by the representatives of the participating countries to set up a forum for regular

## MANAGEMENT

Chairman of the Supervisory Board of the Centre for Private Sector Development is H.E. Ambassador Mr. Necati Utkan, who is also President of the Turkish International Co-operation Agency (TICA). Chairman of the Management Board is Mr. Rainer Geiger, Deputy Director for Financial, Fiscal and Enterprise Affairs (DAFFE), OECD. General Co-ordinator of the Istanbul Centre is Mr. Abdul Bayhan, Principal Administrator in the OECD Directorate for Financial, Fiscal and Enterprise Affairs (DAFFE). Senior Resident Advisor of the Centre is Mr. Bedrettin Tunabas, also Advisor to the President of TICA. Director of the Trade and Investment Forum is Mr. Jürgen Voss; Technical Advisor is Mr. Michael Foley; and Senior Advisor for contacts with the private sector is Mr. Werner Flandorffer.

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The views and interpretations expressed in "Private Sector Development" do not necessarily represent the official views of OECD Member countries or the transition economies participating in the activities of the Istanbul Centre.

consultations where high-level policy-makers and development practitioners of the business development centres could exchange their experiences for a benchmarking of their performance and to create a policy dialogue among themselves as well as between themselves and the OECD member countries. There is currently very little communication between these agencies. The isolation of these development institutions is considerably lowering the effectiveness of the assistance provided.

The following is a description of an initiative which would provide for an annual meeting of this forum and mechanisms for ongoing consultation, communication and mutual assistance. It will be supported by the above two mentioned preparatory workshops and will take place at the OECD PSD Centre in Istanbul in co-operation with the EBRD, EU, UNIDO, ICC and BIAC.

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## Objectives

The objectives of the Business Development Centre Initiative would be as follows:

To strengthen the ability of NIS government officials and those managing business development centres to create an enabling environment for SME development in their respective countries;

To provide a mechanism and forum for development of benchmarks, ongoing learning, communication, business development and technical assistance among public, private, NGO and international donor stakeholders interested in promoting SME development and strengthening the institutions of support that serve them.

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## Description of the Initiative

The initiative would do the following:

Create an annual forum to bring together key leaders involved in promoting SMEs in the NIS (executives managing business development centres, key government officials, business associations, NGOs and donor agencies);

Provide the means for linking the business development centres of the NIS countries through Internet, mailing lists, directories and periodic updates;

Begin with an initial conference to create detailed plans for this activity and also to present a workshop responding to the needs of these officials for program development;

Develop a means of dissemination for lessons learned from OECD and non-OECD countries; contribute to link networks of business development centres in OECD countries like Eurada, EBN, etc. with the new network of the OECD forum;

Create a directory which will be published and reviewed each year providing information about the institutions involved promoting small and medium sized enterprises.

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## Methodology

The establishment of this network would begin with an initial workshop followed by annual meetings which would be the major forum for linking these NIS officials. These would be supplemented by the two annual workshops on Entrepreneurship and SME Policies and on Financial Instruments for Local Development currently being offered by the OECD.

The first forum of this network that would bring together leaders responsible for business development centres would cover a number of key issues that were proven to be relevant and were requested by these officials at a recent OECD workshop.

A variety of actors would be invited to this workshop. These would include government officials, business development centre executives, and donor country business development actors interested in presenting their programmes and lessons learned and business associations and related NGOs. The workshop would take place at the PSD Centre in Istanbul.

The donors would be able to find out more about the needs of NIS countries while presenting their programmes and being exposed to lessons learned by others. The government officials can explore ways to co-ordinate policy among different ministries so that the activities of business development centres may be more effective. The business development centre executives will be exposed to practical ideas, best practices, lessons learned, and benchmark standards. They will also learn about donor programmes of assistance. The business associations and related NGOs would provide a reality check to ensure that programmes are practical and may also be able to help develop mechanisms by which investment and trade linkages could be fostered including expanded sourcing of products from small and medium size companies in the NIS.

The methodology used for the meetings of these fora would be highly participative. OECD facilitators would provide some initial presentations on the above topics but the

participants themselves would discuss these issues and formulate more specific plans for the implementation of this initiative. The value of maintaining communication among these officials has already been demonstrated. This initiative will not only do that but will also create a channel of ongoing communication between these officials and the OECD in which these officials could communicate their needs to donor countries. The participants would also propose key priorities for the next gathering.

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### **Expected Results**

At the end of this annual meeting of the forum it is expected that a network of key stakeholders involved in promoting entrepreneurship and SMEs in the NIS will be operational. An interactive process will be developed to measure the level of participation and the impact. The feasibility is being explored for setting up an Internet-based and ongoing forum which could be used by NIS officials to confer on policy, by business development centre executives on operational issues and by business associations to focus on actual business leads. Given limited infrastructure, relative isolation and the high cost of communications, the Internet would be the most appropriate (where available) vehicle for ongoing interaction between workshops and other periodic activities. The Internet would also provide an efficient channel for consultation, needs assessment, technical assistance, and planning.

The technology exists at OECD for establishing Electronic Discussion Groups, based on Internet, which would link those relevant government agencies that have Internet access. With this system they could post documents which can be commented on by other agencies at their leisure, irrespective of the time zones they operate in.

There would also be a directory established of major actors with information about the major organisations involved. Such a directory would be a useful tool for donor agencies of the OECD and also for those organisations involved in the NIS.

A result of this initiative is that participants will have been exposed to a number of useful approaches and will have formulated specific plans for maintaining ongoing support and assistance to their efforts. Such support will have important and positive impacts in helping NIS countries in their ongoing efforts to create a stronger enabling environment for business creation and development. The forum will also become an important co-ordinating mechanism for strengthening SME efforts and institutions which will also have implications for improving the effectiveness and co-ordination of efforts by OECD countries to assist such efforts.

The combination of annual Forum meetings, two annual preparatory seminars, an internet site and the directory (both in printed and electronic form) will give the participating donor agencies and international organisations broad visibility to their work and will help to obtain more detailed feedback on needs and results in the recipient countries.

An OECD Fact-finding Mission to Central Asia in July confirmed the demand for such an Enterprise Development Forum. It was unanimously agreed that the institutions involved in supporting the development of enterprises are isolated both on a national, central Asian and international level. The directors and managing staff, due to their heavy daily work-loads, have difficulty in evaluating their progress and achievement. An effectively organised network of these institutions could greatly improve their effectiveness.

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# EXPORT CREDIT AND EXPORT FINANCE

By Malcolm Stephens, Secretary-General of the Berne Union

Paper presented to the Seminar  
on Financing Exports of NIS and Black Sea Countries  
Istanbul, July 1-4, 1997

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## Introduction

The provision of export credit insurance is a very effective way of stimulating exports. It is, however, a separate activity from the provision and funding of export finance, although they can be closely linked.

Each year the 41 Members of the Berne Union insure or finance over \$300 billion of exports and insure about \$5 billion of foreign investment. Of this amount of exports, 90 per cent covers goods and services sold to buyers in OECD countries. It is clear from these figures that it is quite wrong to see export credit as involved only (or even mainly) with: a) medium and long term credit for capital goods or manufactured goods or b) exports to Developing Countries or non-OECD countries. Indeed a key reason for having an Export Credit Agency (ECA) is to encourage and support exports sold on cash or short credit to OECD countries.

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## Bad Reasons for Having an Export Credit Agency

As the rest of this paper shows, there are many good reasons for establishing an Export Credit Agency. However, there are also a number of bad reasons. For example:

- a) It is not helpful to either exporters/banks or the exporting countries themselves to stimulate, encourage or support exports to countries or buyers who will not pay for them.
- b) It is expensive and wasteful to use medium and long term export credit as a way of subsidising interest rates paid by overseas buyers. The beneficiary of the subsidy is of course the overseas buyer. OECD countries have learned the hard way how expensive and distorting and wasteful of public expenditure these blanket subsidies can be. This is why they are being phased out. They are, of course, much easier to introduce than to withdraw.
- c) It is not necessary to establish an ECA in order to provide bank finance to exporters in the manufacturing or pre-shipment stage; especially if such finance is provided at subsidised rates of interest. In any case,

the provision of this kind of "overdraft" finance is a normal commercial bank function and it gets banks into bad habits if the Government involves itself in these day-to-day commercial decisions, as well as being very expensive for Governments who normally end up with all the bad debts.

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## The Good Reasons

### *Political Risks and Commercial Risks*

There are many risks involved in exporting, but the two categories usually covered by export credit are political risks and commercial risks.

- a) *Political Risks:* The main kinds of risks are those relating to the actions of Governments of buying countries in preventing payments being made for imports – for example, problems with transferring foreign currency, the imposition of import controls, war/civil war, defaults by Government or Public Sector buyers or guarantors.
- b) *Commercial Risks:* The main risks are the insolvency of the buyer, default or repudiation or refusal to accept goods or services.

It is a very common – and very expensive – mistake to believe that it is only political risks which give rise to problems and losses and thus that exports to OECD countries are "safe". Most of the Members of the Berne Union pay substantial commercial risk claims every year – and especially during recessions in the United States and European Union countries. This simply reflects the large number of private companies who every year become insolvent or default on payments.

### *Protection Against Risks*

The traditional and still the major reason for having an Export Credit Agency is first to provide exporters with the confidence to export (that is, confidence that they will be paid) and second to protect them against losses. For new or smaller companies, one bad debt can be significant enough to cause them to become insolvent.

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## More than insurance

But an Export Credit Agency offers more to exporters and banks than insurance only:

*Access to Bank Finance:* Export Credit Insurance provides a very useful security for exporters to use with their banks to obtain bank/overdraft finance. In addition, to provide even greater security to a bank, the insurance cover can be given direct to the financing bank by the Export Credit Agency. This is a very important point in most countries but especially in countries where the banking system is undergoing significant change or where new banks may be unfamiliar with the mechanisms and techniques of foreign trade financing.

*Information:* Information on overseas buyers and countries is expensive to obtain and keep up to date. It is not, therefore, cost effective for all exporters (or banks) to try to do this for themselves. Worse still, is for them to sell (or finance) "blind" with no information. An Export Credit Agency thus offers the possibility of a single/central body collecting and maintaining information (and exchanging it with similar bodies overseas) and thus obtaining economies of scale to the potential benefit of all those in the country involved with foreign trade.

*Expertise:* Like information, expertise in technical aspects of foreign trade and trade financing is scarce and expensive. An Export Credit Agency provides a focal point within which to concentrate these scarce resources (and a cost effective way of obtaining and developing them).

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## The Importance of Marketing

The need for export credit insurance and the many varied benefits it can bring are not always obvious to companies, banks and administrators, especially where an economy has been operated on a "State Trading" basis – that is, where the Government effectively made all the key decisions and took all the risks.

Thus there is a vital need: *a)* for an Export Credit Agency to develop its products with particular reference to the situation in its own country (and not simply transfer products and facilities offered by Export Credit Agencies in other countries); *b)* to give great attention to and emphasis on active and professional marketing to both companies and banks. In other words, it is no use simply waiting for customers to come to see the Export Credit Agency. The ECA must get out into the business and banking community and vigorously market its products and services.

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## Political Risks

It is very unusual for political risks on buyers and countries outside the OECD to be underwritten either on its own account by a company or Export Credit Agency or for the Private Reinsurance market to be willing to reinsure such risks.

It remains impossible to reinsure medium and long term political risks (including risks on Government or Public Sector Buyers) in the Private Reinsurance Market.

Thus, for all these Members of the Berne Union who provide Medium and Long Term insurance cover, this business is either reinsured by the Government or written on a "National Interest" basis on the account of the Government.

### *Decisions on Political Risks*

Decisions on political risks (especially on Medium and Long Term cover) are thus usually taken by the Government. It would be a normal arrangement in most countries for political risks on buying countries or on individual cases to be considered by a Government Committee of some sort. Such a Committee would either take the decision or make Recommendations to the Ministry or Ministers who will take the decision(s).

In many countries, the Chairman of such a Committee will often come from the Ministry of Finance or Treasury.

Amongst the Government Ministries or Departments or Institutions which would usually be represented at a very senior level on such a Committee would be the following:

- Ministry of Finance or Treasury
- Ministry of Trade or Foreign Trade
- Ministry of Foreign Affairs
- Ministry of Foreign Economic Relations
- Ministry of Industry or Commerce
- Ministry of Agriculture
- Central Bank

The decisions taken by such a Committee would either set the limit on business which can be insured on a particular market (for example, exposure on say, New Zealand can be underwritten for up to \$25 Million on short credit terms and up to \$50 Million on medium and long credit terms) or to approve an individual case (for example, exposure of \$15 Million can be underwritten on a project to supply engines to the Electricity Board in Turkey). Often such Committees will also approve the premium rates which are to be charged for such business.

It is often helpful for the Secretariat of the Committee to be provided by the Export Credit Agency and for

recommendations on countries or cases to be made to the Committee by the Export Credit Agency

#### *Accounting*

It can be helpful when underwriting such business for two things to happen: a) First, from the premium paid by the exporter for the cover, a fee for the administration of the cover should be deducted and retained by the Export Credit Agency to meet its costs. b) Second, for the balance of the premium on such cases to be retained in a special foreign currency account and not paid into general Government revenues. This special account can then be used to finance or pay any claims on such business which may be submitted in due course by exporters. Thus only if there is not sufficient funds in the account to pay claims would the Government be asked for funds.

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### **Export Finance**

The points above relate to export credit *insurance*. However, in many countries there can be problems in funding or financing export credit. They can arise in two main ways.

*Pre-shipment Finance:* In some countries, it can be difficult for the commercial banks to provide finance to exporters to enable them to carry out export contracts. In OECD countries, such finance normally comes from an exporter's working capital or from his overdraft from a commercial bank. However, in other countries, the commercial banks either may not be liquid enough to provide working capital on the necessary scale or they may be cautious about lending on the scale required or may require special security from exporters for such lending.

In such cases, the exporter can sometimes be helped to obtain the necessary working capital for pre-shipment finance if either the insurance from the Export Credit Agency is assigned to the bank or if the Export Credit Agency can give some kind of insurance direct to the banks.

ECA's need to be cautious about underwriting the exporter (as opposed to the overseas buyer) as there can be problems in sharing security etc. with the banks. However, in some countries, special schemes exist under which the Export Credit Agency gives cover to the banks who provide working capital or pre-shipment finance to the exporters (for example, in Indonesia and Mexico).

*Medium and Long Term Finance:* It will sometimes be the case that the commercial banks are unable or unwilling to fund medium or long term credit. For example, if an exporter sells on 5 year credit to a buyer overseas, he (the exporter) will normally expect to be paid by his bank

by delivery and then the bank waits to be repaid by the overseas buyer/borrower over the 5 years. Repayments of principal and payments of interest will normally be made at six monthly intervals during the credit period. The repayment risks (both political and commercial) will normally be covered by the insurance from the Export Credit Agency but this still leaves the financing bank with the funding problem. In many countries, this is a problem which the commercial banks cannot solve – that is, they are unable or unwilling to raise either from domestic or international sources the 5 year deposits to "match fund" the credit extended to the overseas borrower/buyer.

In some countries, this problem has been approached by the Export Credit Agency giving guarantees direct to banks but, in other countries, this has not solved the underlying funding problems. Thus the Export Credit Agency or some other Government Institution has been involved in *funding*.

#### *Export-Import Banks (Eximbanks)*

The funding in some countries has been taken over by Eximbanks, of which there are two main kinds:

- a) *Direct lenders:* There are institutions that lend direct to overseas borrowers or buyers (for example as in the USA and Canada). The advantage of this arrangement is that it is direct and often raises and disperses funds in the lowest cost way. The main disadvantage is that it prevents the commercial banks from developing the ability to borrow and lend for medium/long term credit and can also inhibit the development by the commercial banks of other export and trade finance skills.
- b) *Refinancing:* There are institutions that raise funds but do not lend direct to borrowers to buyers but refinance or fund facilities extended by the commercial banks (as in Austria).

There is no single way of organising these institutions; thus there are various kinds of banks. For example:

- a) Institutions such as those in the United States (or Australia, Canada and Turkey) both provide long term loans direct to overseas borrowers and also provide associated and, where necessary, free standing export credit insurance.
- b) Institutions such as those in Sweden, India and Korea operate separately. The funding and finance is provided for long and medium term exports direct to overseas borrowers/buyers but the associated (or free standing) export credit insurance is provided by a separate institution. It is possible for the export credit institution to provide insurance to the export import bank.

- c) In Japan the export credit institution (EID/MITI) and the Eximbank are quite separate, and insurance is not provided by the export credit institution to the Export Import Bank. Where the Export-Import Bank lends on a medium and long term basis, then no insurance will be provided. Conversely, where export credit insurance is provided in respect of medium and long term credit transactions either to exporters or to commercial banks, then the Export-Import Bank will not be involved.
  - d) In Austria (and soon in the Czech Republic), the institution can raise funds in its name (or with a Government or Central Bank guarantee) and can then refinance medium and long term credit facilities extended by the commercial banks. Such institutions can either be part of or separate from the Export Credit Agencies. However, if they are part of the same institution then it is very important that the activities (or certainly the accounts) be kept separate.
- b)  *Holding Funds:* Since it is very unlikely that it will be possible to raise the funds exactly to match loans for medium and long term export credit on a case-by-case basis, there will be a need to "hold" funds. There will be mismatches between borrowing and lending or refinancing. Since interest will have to be paid on the borrowings, the funds must be invested so as to raise income to pay the interest until such time as the funds are used for the export credit contract. This is a "Treasury Management" function and it requires special skills if losses of various kinds are to be avoided.
  - c)  *Lending/Refinancing:* The nature of this activity will depend on whether the institution is to be a direct lender or a provider of refinancing. An important point will of course be whether such funds are to be restricted to export contracts which are insured by the Export Credit Agency.

In all of these activities the links with the Central Bank will be of crucial importance but much will also depend on the skills, experience, expertise and balance sheet strength of the commercial banks. The role of the Bank Supervisors will also be important in terms of how they treat (for balance sheet weightings and risk ratios) the export credit lendings of the commercial banks.

#### *What is the Best Kind of Organisation?*

There is no single "model" which is the best one in all circumstances in all countries. The key should be to create an institution and an arrangement which are best suited to the particular needs of the country involved. They may need to evolve as, for example, the activities and expertise of the commercial banks increase.

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#### **Main Activities**

It is helpful to distinguish between three major kinds of activity in a Financing (or Refinancing) Institution. The major ones are:

- a)  *Raising Funds:* This will probably need to be done in the international capital markets and, for many countries, the finance will need to be raised in the name of, or with the guarantee of, the Government. The "cleaner" the guarantee, the lower is likely to be the margin which has to be paid to the lenders or providers of the finance. It is important that the borrowing or capital-raising activity be very closely aligned with the other international borrowing of the Government and/or the Central Bank. Advice on timing and pricing and terms can be obtained, for example, from foreign merchant banks.

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#### **Summary and Conclusions**

The role of the Export Credit Agency is very important. This can be concentrated on insurance but it can also involve or have a very close relationship with financing and funding. There is no single or best solution of universal applicability. Systems need to be designed with particular reference to the individual circumstances of the country concerned.

What is best for an individual country at a particular time depends on a number of factors. It is a mistake to try simply to "transplant" a model from another country. Many countries have tried this and have failed or have had to make rapid changes in the model they "imported".

Thus, the essential first stages are: a) To analyse the needs of the individual country and its exporters and banks. b) To be aware both of the various arrangements which apply elsewhere and the various kinds of institutions which operate in different countries (some of which are referred to above). c) To try to develop the institution(s) for the country from the "models" which should fit its needs.



# BASIC ELEMENTS FOR FOREIGN INVESTMENT LEGISLATION IN CIS COUNTRIES

An Expert Group of foreign investment experts from governments of the Commonwealth of Independent States, with the advice of experts from OECD countries, has prepared a draft Framework of Basic Elements for Foreign Investment Legislation in CIS countries. After completion in 1998 of separate negotiations within OECD on a Multilateral Agreement on Investment the Expert Group will be reconvened to finalise the Framework in light of the conclusions on the MAI. Afterwards, the final text of the Framework will be published. The rationale for the Framework, eventually to be included as an Introduction to the final version, is reported here.

## Introduction

All the countries constituting the Commonwealth of Independent States (hereinafter referred to collectively as the "CIS Countries") have adopted laws on foreign investment. The main purpose of these laws is to establish a legal regime for the inflow and treatment of foreign investments in their territories. Although initially adopted only during the past five years, many CIS foreign investment laws have already undergone several amendments. Some CIS countries (*e.g.*, Kazakstan and Uzbekistan) have recently adopted revised "second generation" laws on foreign investment. In others, such as the Russian Federation and Ukraine, pertinent draft laws are currently pending in the respective Parliaments.

In comparison, few industrial countries (*e.g.* Canada, Japan, Australia and Spain) have adopted foreign investment legislation. In most developed countries, foreign investments are covered by the general laws along the same lines as domestic investments. This approach is also advocated as an objective for CIS countries in the long run. In a market economy, foreign and domestic investments should freely compete on a "level playing field."

In CIS countries, however, after some seven decades of isolation from the world economy, foreign investment laws can serve some useful functions. They send a message to international investors that investors are welcome and will be treated fairly. They can also serve to introduce in CIS countries internationally recognised basic elements essential to attracting foreign investments, and to foster the harmonisation of investment legislation in CIS countries. Furthermore these laws can help "bridge" the time until market-oriented legal systems are fully functional in CIS countries.

As these systems evolve, the treatment of foreign investors should become closer, if not identical, to that

of domestic investors. Thus, in CIS countries the drive to improve foreign investment laws should not distract from efforts to develop the general legal framework in conformity with internationally recognised standards. Foreign investment laws should serve to facilitate, on an accelerated basis, the absorption into the legal systems of CIS countries of these standards and basic elements which should also govern domestic investments. In that sense, the ultimate objective of foreign investment laws is their redundancy.

CIS countries have also concluded a considerable number of investment protection and other relevant international treaties, which form a network which is rapidly expanding. Most issues addressed in these treaties are also covered in domestic laws on foreign investment. The role of the investment laws of CIS countries' as an instrument of encouragement and promotion of foreign investment would therefore be significantly enhanced if they reflected the provisions of these treaties.

Harmonisation of foreign investment laws and investment protection treaties does not make either of the two instruments redundant. While both instruments ideally should provide similar protection standards to foreign investors, investment treaties do so under international law. The protection under domestic law (with the exception of acquired rights) can, at least in principle, at any time be abrogated through enactment of a new, contrary, law; the protection under a treaty, however, as a rule may not be altered or withdrawn through unilateral action of the Host State. As a result, investment protection treaties are superior in several respects to investment laws in building investor confidence in the stability of the protection offered. In order to overcome lingering scepticism of international investors, it is therefore advised that CIS countries continue to actively pursue the conclusion of investment protection treaties.

Against this foreground, the proposed Framework for Foreign Investment Legislation in CIS Countries (hereinafter referred to as the "Framework") sets out some basic elements for legislation on the treatment and protection of foreign investment (hereinafter referred to as the "Basic Elements") based on provisions of existing investment protection treaties and currently available multilateral instruments. Actual and draft foreign investment laws in CIS countries and in other parts of the world have also been taken into account, as has Part I of the CIS Model Civil Code of September 1994.

The OECD Member States have begun negotiations, to be concluded in 1997, on a multilateral framework for international investment with high standards for the liberalisation of investment regimes and investment protection and with effective dispute settlement procedures. The "Multilateral Agreement on Investment" ("MAI") is envisaged to set forth comprehensive rules for transborder investment flows and the protection of foreign direct investment. Many of the basic elements contained in existing international investment treaties are expected to be embodied in the MAI. Although the MAI has been initiated in the OECD, it is to be a "free-standing international treaty" and as such it will be open to accession by interested non-OECD countries, including CIS countries. With the world moving towards the recognition of common international standards on the treatment of foreign investment, it is of primary importance that the investment regimes of the CIS countries reflect the same basic elements.

The Framework is not meant to substitute for the MAI, which is expected to become the authoritative source of reference on foreign investment issues and to reflect the standards of liberalisation, protection and dispute settlement that international investors seek.

The work on this Framework had begun independently from that on MAI and has proceeded in parallel until November 1995. While some advice on the progress of MAI was received during the finalisation of this Framework, its authors had no opportunity to review the MAI negotiations in context and nothing in this Framework is meant to imply a position on provisions of MAI once finalised.

The Framework pursues five interrelated objectives, namely:

- 1) to provide a source on which CIS countries might draw in revising their laws on foreign investment;
- 2) to establish a basis for co-ordinating advice to CIS countries on foreign investment legislation;

- 3) to help improve the harmonisation of CIS countries' foreign investment legislation with pertinent international standards found in investment protection treaties and multilateral instruments on investment currently available;
- 4) to promote a common approach and terminology among CIS countries regarding foreign investment legislation; and
- 5) to foster clarity and transparency in the foreign investment legislation of CIS countries.

The proposed Framework encompasses the following two interdependent texts:

- 1) a document on "Basic Elements for Foreign Investment Legislation", the main purpose of which is to transform these basic concepts into provisions drafted in legal terms which could serve as examples for actual foreign investment legislation; and
- 2) "Explanatory Notes" on the Basic Elements.

The Framework focuses on the essential treatment and protection aspects of foreign investment laws with a view to promoting these concepts with foreign investors as well as with Host State officials in charge of implementing the law. The drafters of the project recognise that foreign investment laws traditionally also fulfil other functions and include other components, in particular the provision of investment incentives. Such topics may however raise delicate policy questions on which the Basic Elements take no position.

Furthermore, it is clearly understood that within the framework of the Basic Elements foreign investors are subject to the Host State's laws and regulations related to such matters as the protection of public policy ("ordre public"), public health and the environment.

The Framework was prepared by a group of highly qualified experts from nine CIS countries, with the advice of experts from OECD Member Countries. The CIS experts were selected by the highest Governmental and/or Parliamentary authorities in charge of foreign investment in their respective countries, but participated in the present project in their personal capacity.

The work of the Expert Group was facilitated by the OECD in the framework of its Program for Co-operation with Economies in Transition in collaboration with the Turkish International Co-operation Agency ("TICA"), the German Kreditanstalt für Wiederaufbau and the Russian Institute of State and Law as a technical assistance project to CIS countries. The OECD and the collaborating institutions did not participate as such in the work of the Expert Group.

The Expert Group took into consideration comments received through OECD channels from experts of OECD Member Governments and business associations. However, these comments have been reflected only to the extent deemed suitable by the Expert Group within the overall structure of the Framework. The Framework, including the Basic Elements, has neither official status nor does it represent positions of any Government or any of the aforementioned institutions.

The Framework reflects the cumulative experience and the agreement in principle of experts from CIS countries in the light of advice received from the participating experts from OECD countries. The Explanatory Notes were drafted to set out in further detail the views of participants and commentators. They are meant to provide guidance for the understanding and application of the Basic Elements.

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## HOME PAGE: Foreign Investment Agencies

Private Sector Development Journal No. 4 reported on an evaluation mission that assessed the effectiveness of the Centre for Private Sector Development in Istanbul, which – among other activities – supports regular contact among the Foreign Investment Agencies (FIAs) of the New Independent States, (NIS) Mongolia, and the Black Sea Economic Cooperation countries.

One of the many interesting findings of the mission was the demand for more exchange of relevant information among the participating countries. The programme can be further strengthened if there is a constant flow of information among the partners on economic changes, and it was pointed out that this newsletter could well serve as a vehicle for such an exchange.

With this in view, the PSD Journal is opening a series of "Home Pages" to report regularly on the activities of specific agencies across NIS countries, beginning with the Foreign Investment Agencies. Each FIA already has an information programme, and the Information Officers are welcome to send us items covering the FIA's activities: new promotional programmes, new investments that have been announced, changes in investment laws or regulations, for example.

Information Officers could prepare short news items addressed to other FIAs, and they could routinely send us copies of press releases that have been prepared to the national or foreign press. Texts would be welcome either in Russian or English.

This first FIA Home Page carries the Istanbul Centre's up-to-date list of FIAs, with contact points.

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Centre for Private Sector Development, Istanbul  
Schedule of Workshops

---

**September 30-October 3**

Insurance Regulatory and Supervisory Issues  
(André Laboul)

---

**October 7-10**

Role and Function of Chambers of Commerce  
and Industry (Werner Flandorffer)

---

**October 14-17**

Demonopolisation of Markets  
(John Clark/Gary Hewitt)

---

**October 21-24**

Financial Strategies for Local Development  
(Martin Forst)

---

**November 4-7**

Institutional Aspects of Competition Enforcement  
(Gary Hewitt)

---

**November 11**

Management Committee Meeting  
(Supervisory and Advisory)

---

**November 18-21**

Expert Group on Investment Promotion  
(Jurgen Voss)

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**November 25-28**

Project Financing I (Jurgen Voss)

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**December 2-5**

Financial Systems Reform Part II  
(Demir Yener)

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**December 9-12**

Public Procurement  
(Frédéric Wehrle, Benoit Chevanez)

---

**December 16-19**

Foreign Direct Investment Statistics  
(Jan Schuijjer, Ayse Bertrand)

Full 1997 Programme with review of subjects on agenda available on Internet:  
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# Eurasian TICA File

TURKISH INTERNATIONAL COOPERATION AGENCY (TICA)  
PUBLISHED EVERY 15 DAYS

NO: 83 • SEPTEMBER'97/2

## Income Taxes in Georgia



In Georgia, tax revenues totalled 32,1 million Lari in July. This was the highest figure recorded in the first seven months of 1997 during which tax revenues totalled 170,9 million Lari, including the 70,3 million Lari of VAT.

The share of income taxes was 24,5 million Lari, exploitation of natural resources 7,5 million Lari, and property taxes 10,1 million Lari.

## Joint-ventures in Kazakhstan

According to a report prepared by the Kazakhstan State Investment Committee, the number of joint ventures in the country has been over 2700, of which only 700 have been operating.

Turkey, which is a partner in 96 joint ventures, ranks first among approximately 70 countries.

Other countries and the number of partnerships they have established are respectively China (74), Russia (65), Germany (61), USA (54), and South Korea (21).

The share of joint ventures in foreign trade is reported to be approximately \$600 million.

The report of the Kazakhstan State Investment Committee states that direct investments of foreign companies and joint-ventures totalled \$4 billion and the amount of export credits provided by them totalled \$1,6 billion.

International finance organisations provided \$1,9 billion and the inflation rate for the year 1997 is expected to be 21 percent, according to the report.

## 3 Customs regulations have changed in Turkmenistan

Turkmen government has brought significant changes in the existing customs law.

## 4-5 Kazakhstan

Kazakhstan, which became independent in 1991, is a country situated on 2.700.000 square kilometres of land in Europe and Asia with common borders with Russia, Uzbekistan, Turkmenistan, Kyrgyzstan, and China.



## 8 Turkish-Japanese Business Council in Baku and Tbilisi

Turkish-Japanese and Turkish-Azeri Business Councils within the Board of Foreign Economic Relations, held a meeting on 1 September 1997 in Baku, capital of Azerbaijan.

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Phone: (0.312) 417 27 90  
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ISSN 1300-1663



## Foreign Trade in Bosnia-Herzegovina

Bosnia-Herzegovinan Statistic Institute has stated that the exports of the Bosnia-Herzegovinan Federation, mostly to Croatia, Slovenia and Italy, totalled \$68 million and imports \$1 billion 203 million in 1996.

Labour Office has stated that 37,273 people had jobs and 89,946 were unemployed and included in the waiting list. Average wages were DM250 in mid-June in Bosnia-Herzegovina.

## Foreign trade in Georgia

Foreign trade volume increased by 32.6 percent in the first half of 1997 in comparison with the same period last year and totalled \$511,7 million.

Total exports increased by 7.96 percent from 1996 to \$105,9 million and total imports increased by 41 percent to \$405,8 million. The number of trade partners of Georgia has increased to 80 from 66 as at the end of 1996.

Foreign trade deficit increased by 58.09 percent from the same period in 1996 to \$299,9 million in the first six months of 1997. Out of trade with 67 countries Georgia had a trade deficit of \$308,6 million, and had a trade surplus of \$8,7 million out of trade with 13 countries.

Georgia's major trade partners are Russia, Turkey and Azerbaijan, with their respective trade volumes of \$95.07 million, \$60.491 million and \$54.843 million.

## \$821 Million Trade Surplus in Kazakhstan

Kazakhstan State Statistics Committee stated that Kazakhstan's trade surplus totalled \$821 million in the first half of 1997, which indicated an increase of 14.77 percent from the last year's surplus of \$963,3 million.

Exports increased from \$1,4766 billion in 1996 to \$1,678 billion in the first half of 1997. Imports of goods and services on the other hand totalled \$513 billion in 1996 and \$857 billion in 1997.

## Customs Taxes in Bosnia-Herzegovina

Officials in Bosnia-Herzegovina have stated that they needed at least six months to approve the new regulations, form the Customs Taxes Commission, and adjust the entity laws with the new ones before the implementation of the new customs policies and laws on common customs taxes adopted in July.

They also said that new tax rates were higher than the previous ones, yet the customs indemnities were abolished and the liabilities were reduced in comparison with that of the previous laws.

A comparative list of the previous and new common tax rates in the Bosnia-Herzegovinan State are as follows (%).

	BHF	SC	BH
Meat	8	12	10
Milk	6	10	8
Sugar	5	17	11
Wheat	0	v	0
Flour	0	v	15
Sunflower oil	6	f	12
Potatoes	4	15	9
Tomatos	4	15	9
Onions	4	10	7
Chocolate	5	20	12
Alcoholic beverages	10	25	17
Coffee seeds	0	o	0
Cigarette	15	25	20
Benzene	0	v	0
Gasoline	0	v	0

**BHF** : Bosnia-Herzegovinan Federation

**SC** : Serbian Republic

**BH** : Bosnia-Herzegovinan State

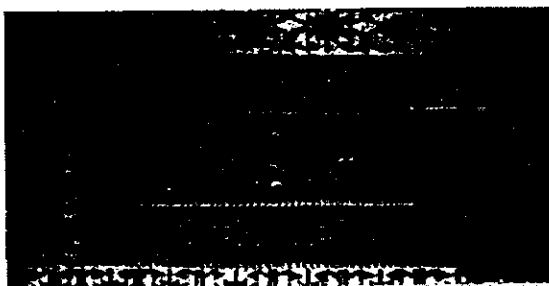
**v** : varies

**s** : free imports

## Customs Law Has Changed in Turkmenistan

Turkmen government has changed its customs laws for many times since 1993 in order to protect the domestic market. The latest changes in the customs laws in August stipulates the following:

- Individuals cannot import or export the following goods: Military arms, armaments and ammunition; special equipment and technology suitable to be used for military purposes; guns, pistols and fire arms, explosives, sky rockets, and nuclear equipment; poisons, narcotics, and substances with a narcotic effect; and pornographic publications, films, videos and video cassettes.
- Individuals cannot import or export printed or visual material that can be injurious for the political and economic interests and national security of Turkmenistan and the health and morals of people.
- Individuals cannot import and export the following goods: Bee and snake venom, honeycombs, root-liquorice, cattle, poultry, and all sorts of meat and processed meat produces with the exception of canned meat and sausages, Ahalteke horses, animals and plants designated in the Red Book of Turkmenistan, grains and flour, cotton seed, vegetable oil, agricultural implements, a mineral called mumiyo, precious and semi-precious gemstones, parts or waste of precious metals, and non-alloy gems.
- Individuals can import and export the following goods by taking a licence from the Turkmen government: non-military fire arms, radios, electronic and high frequency apparatuses, radio telephones, satellite equipment and other types of receivers, archive material, artworks, handmade antique carpets and rugs, antique icons and other religious items, vertebrate and invertebrate animals and plants.
- Individuals can export limited amount of the following goods: Medical material, canned meat, butter, green tea, milk, baby food, honey, detergents, soap and toothpaste, and material to be used in schools.



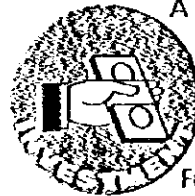
## Wheat Harvest Fell Short of Expectations in Georgia

In Georgia, wheat harvest is expected to total 310.000 tons for the whole year. According to a statement by an official from the Georgian Ministry of Agriculture and Food, Georgia produced 125.000 tons of wheat in 1995 and 179.000 tons in 1996.

Georgian government had estimated 1997 harvest as 410.000 tons at the beginning of the year. Despite suitable weather conditions in the first months of the year, hails in the spring and late frost resulted in a fall in wheat harvest.

In 1996, Georgia had imported 300.000 tons of wheat, mostly within the frame of humanitarian aid, from the former Soviet republics.

## Project for the Modernisation of the Ashkabat Locomotive Workshop



A tender is to be announced for the modernisation of the Ashkabat Locomotive Workshop in the capital of Turkmenistan and the computerisation of railway system. Japanese Fund for Foreign Economic Relations will provide 4 billion 505 million Yens to fund the project. President Turkmenbashi of Turkmenistan has authorised the Turkmen Railways Department to sign contracts with the winner of the tender and the undertaker of the modernisation.

General Motors and General Electric (the USA), Cori (Japan), and Turkish companies as well as others are expected to participate in the tender.

Turkmen Railways Department has stated that the credit will be payable after 30 years with a grace period of 10 years.

The contracts to be signed after the tender:

- Modernisation of the Ashkabad Locomotive Workshop,
- Purchase of new machines for technical services,
- Maintenance and repair of locomotives, and
- Computerisation of the railway system in Turkmenistan.

## Economy

Following the demise of the Soviet union, Kazakhstan had undergone an economic crisis during which the living standard and production capacity decreased. The fall in GDP and other significant socio-economic indicators stopped in 1996.

Indicators	1995	1996	%
<b>Industrial production</b>			
Billion Tenge		722	100.3
Million Dollars		963	100.3
<b>Agriculture</b>			
Billion Tenge		313	100.9
Million Dollars		417	103.9
<b>Foreign Trade Volume</b>			
Total (\$million)	8616	9736*	122.0
Exports	4974	5823*	128.0
Imports	3742	3913*	113.0

(\* Figures for the period of January-November)

Certain Production Items	1995	1996	%
Electricity (billion kW/h)	65,7	8,7	90
Oil (million tons)	20,5	22,7	111
Natural gas (million m <sup>3</sup> )	5916,0	6389,0	108
Iron ore (million tons)	15,1	13,2	88
Coal (million tons)	83,0	76,0	92
Steel (1000 tons)	3028,0	3210,0	106
Fertilisers (1000 tons)	197,0	191,0	97

Major export products of Kazakhstan have been copper, zinc, precious metals, grains, precious alloys, and cotton.

Major imports goods have been machines and machine parts, food and consumer goods. Major trade partners of the country are Russia, accounting for 45 percent of Kazakhstan's total foreign trade volume, Germany, Belgium and Netherlands.

The government spent 92,5 billion Tenges (\$1,23 billion) in 1996 for the social and economic development of the country. Total labour force of the country was 4,62 million people in 1996 and official number of the unemployed 282.000. 559 establishments had to close down, while 1129 had to reduce capacity.

Average wages were 7423 Tenges (\$106) in 1996. The number of the pensioners are 2,8 million with an average salary of 3000 Tenges.

# Kazakhstan

Kazakhstan, which became independent in 1991, is a country situated on 2.700.000 square kilometres of land in Europe and Asia with common borders with Russia, Uzbekistan, Turkmenistan, Kyrgyzstan, and China.



Inflation rate was reduced to a controllable level. It was 1258 percent in 1994, 160,3 percent in 1995, 128,7 percent in 1996, and is estimated to be limited to 121 percent in 1997.

Dollar-Tenge parity by year:

November 1993	4,7 Tenges = \$1
January 1994	7,5 Tenges = \$1
January 1995	54,4 Tenges = \$1
January 1997	75,0 Tenges = \$1

According to the evaluation of the World bank, Kazakhstan, as a country striving to create a market economy, is within the low income group of countries. But its GDP is higher than that of Lithuania, Ukraine, Belarus, Slovakia, Latvia, Poland, and Estonia.

## Mining

Kazakhstan has been among the ten countries having the largest mine reserves of the world. During the Soviet era, it used to provide raw material and to import more than half of its food consumption.

According to the Ministry of Geology, the value of the proven reserves of the country is above \$1 trillion, and the economic value of these reserves are about \$4 trillion. The priority mines to be extracted, in accordance with the National Investment Programme, are:

### Metals:

Gold, silver, platinum, uranium, copper, lead, zinc, manganese, chrome, and aluminium.

### Non-metals:

Precious and semi-precious gems, coal, sodium sulphate, sodium carbonate, magnesium.

Kazakhstan has been the second country, after South Africa, with the largest gold reserves, but



comes the sixth by its proven reserves. Uranium reserves are estimated to be 1617 million tons. Coal reserves are above 160 billion. Hydrocarbon reserves are estimated to be 13 billion tons, and natural gas to be 6 trillion cubic metres.

## Investments

Rich mineral resources, implementation of reform programmes and political stability have brought Kazakhstan an increasing amount of foreign investments. Direct investments, most of which had been joint ventures or foreign capital, to Kazakhstan totalled \$4 billion. Germany provided \$800 million, Turkey \$166 million, Austria \$198 million, and other sources \$1,6 billion exports credits for Kazakhstan. IMF, IBRD and EBRD gave a development aid of \$1,9 billion.

Kazakh government has issued a presidential decree on 28 February 1997 to increase the flow of foreign capital. The decree provides advantages and legal protection for foreign capital. The newly formed state committee is the only authorised state organ to deal with investments. Some advantages granted to investors are: State donations, reductions of up to hundred percent for the first five years, and fifty percent for the second five years in income, land and property taxes and total or partial tax exemptions for the imports of equipment, raw material and other produces to be utilised in investment projects.

Kazakhstan seems to be the country where economic reforms are implemented in a most widespread manner within the CIS. New laws have been adopted in areas such as the civil law, taxation, land, banking, privatisation, and bankruptcy.

## Privatisation

The constitution recognises two sorts of properties: Public and private. Three kinds of privatisations are being implemented in the country: small scale,

large scale, and individual privatisation. Small scale privatisation has almost been completed. 15.000 establishments, of which 2,100 in the agriculture, were sold and 40.000 new farms were formed. 70 percent of the public corporations (120.000 out of 150.000) in the country have now been in the hands of the private sector.

Private economic zones in Kazakhstan are Lisakovskaya, Zhairam-Atasu, Akmolâ and Kzyl-Ordinskaya regions.

Privatisation continues in Kazakhstan

Kazakhstan has continued privatisations by having 33 more corporations privatised in 1996. Distribution of these corporations according to sectors is as follows:

- 18 metallurgy and mining companies,
- 8 power stations,
- 2 oil and gas producing establishments, and
- 5 other corporations.

16 of these corporations were purchased by nine countries, respectively the United States, England, Switzerland, Sweden, Belgium, Japan, South Korea, Greek Cyprus, and Russia.

Kazakhstan plans to privatise 166 establishments in 1997-1998 and to invest \$5 billion to be earned from privatisations to be completed up until 2005.

## Joint ventures

Of 2700 joint ventures in Kazakhstan, only 700 have been operating. Turkey, which participates in 96 joint ventures, ranks first among approximately 70 countries.

Other countries and the number of partnerships they have established are respectively China (74), Russia (65), Germany (61), USA (54), and South Korea (21).

The share of joint ventures in foreign trade is reported to be approximately \$600 million.

## Budget

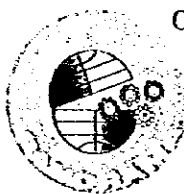
Budget revenues totalled 235 billion Tenges (\$3,15 billion) and expenditures 276 billion Tenges (\$3,68 billion) in 1996. Budget deficit was 40 billion tenges (\$0,47 billion), which was 2.8 percent of GDP.

Budget estimates of the government for the year 1997 are as follows: Revenues 177 billion Tenges (\$2,36 billion); expenditures 200 billion Tenges (\$2,67 billion); budget deficit 55 billion Tenges (\$0,73 billion).

## Credits to Azerbaijan

Azerbaijan Central Bank has stated that the amount of credits provided for Azerbaijan totalled 1,7 trillion Manats in the first half of 1997. The figure indicates a 4.9 percent fall from that of the previous year. 35.2 percent of the credits went to the Agriculture Bank, 20.2 percent to International Bank, and 20.2 percent to Industrial Investment Bank. Short-term credits account for 92.4 percent of the total, which makes 1,5 trillion Manats. The share of long-term credits is 130 billion Manats. Credits due to be paid totalled 724,4 billion Manats in the same period.

## Wheat Harvest Meets Domestic Demand in Kyrgyzstan



Officials from the Kyrgyzstan Ministry of Agriculture has stated that grain harvest totalled 1,04 million tons, of which 970,000 tons were wheat, as of 20 August 1997.

The production of Kyrgyz farmers was enough to meet domestic wheat demand of 850,000 tons. 67 percent of 424,000 hectares of total cultivated area was responsible for the grain harvest.

### FOREIGN EXCHANGE RATES

Date	Country	Monetary Unit	1 \$
12.09.'97	Albania	Lek	153
12.09.'97	Azerbaijan	Manat	3.950
12.09.'97	Belarus	Ruble	43.336
12.09.'97	Estonia	Kron	14
10.09.'97	Georgia	Lari	1,29
12.09.'97	Kazakhstan	Tenge	75
10.09.'97	Kyrgyzstan	Som	17,70
12.09.'97	Latvia	Lat	0,58
12.09.'97	Lithuania	Litas	4
12.09.'97	Macedonia	Dinar	55
12.09.'97	Moldova	Lei	4,56
12.09.'97	Mongolia	Tugrik	784
12.09.'97	Romania	Leu	7.502
12.09.'97	Russia	Ruble	5.852
08.09.'97	Turkmenistan	Manat	5.400
12.09.'97	Ukraine	Grivna	1,86
10.09.'97	Uzbekistan	Sum	74,88

## World Bank Supports the Aral Sea Project

Officials from the World Bank have announced that the Bank has allocated \$75 million for the supply of water in Karakalpakistan and Harezm regions in Uzbekistan and for the renovation of the water installation and distribution system.

The statement points out that the said amount is not enough to solve the problems in the Aral Sea region, but it can provide people living in the region a better water quality. German, Kuwait, and Uzbek governments are to contribute to the \$117 million project.

The World Bank officials has announced their plan of providing \$380 million for the prevention of the ecological disaster in the region. The area of the Aral Sea was 69,000 kilometres in 1960 and shrank to 30,000 today. The amount of salt, increased due to the decrease in the amount of water, and chemicals used in cotton production have been threatening the health of millions of the inhabitants of the region.

## Oil Production Increases in Kazakhstan

14,9 million tons of oil and condensate gas were produced in Kazakhstan in the first seven months of 1997. Production increased by 35.9 percent in comparison with the last year. State company Kazakhoil produced 11,5 million tons of oil in the same period. Gas production increased by 53.6 percent to total 3,4 billion cubic metres in the period from January-July.

## An International Tender in Turkmenistan

Following a meeting chaired by President Turkmenbashi in August, an international tender was announced by the Council of Ministers in Turkmenistan for the exploitation of hydrocarbon resources on the shore of the Caspian Sea. Applications are due as of 1 September.

The result is to be made known on 1 January 1998. Turkmen experts estimate that 3 billion tons of oil and 4,8 trillion cubic metres of natural gas reserves are to be found on 70,000 square metres of Turkmen land on the Caspian Sea.

**Macedonian** government is to import 2,000 tons of sugar to eliminate the shortage and to stabilise prices.

**A Turkish** company has won the tender announced by the Public Transport Corporation in Sarajevo for the purchase of minibuses and buses. MANAS is to produce the vehicles to the required standards and to start delivering them in January 1998.

**A Turkish** delegation of military and civil officials visited Bosnia-Herzegovina at the end of July and negotiated with Bosnian officials on joint ventures and the purchase of goods from Bosnia-Herzegovina needed by the military and civil economy.

**Japanese** Foundation for Co-operation With Foreign Countries is to provide \$45 million for the development of energy resources in Georgia.

**Azerbaijan** government has granted customs tax exemption to 200 litres of fuel carried by vehicles engaged in international transport during their transit through the Azerbaijan Republic. For fuel over this amount, a custom tax of \$0,3 for each extra litre of benzene, and \$0,2 for each extra litre of diesel will be due.

**The number** of banks operating in Azerbaijan with a capital stock of over \$600,000 totalled 97 as of 1 August 1997.

**A German** delegation headed by the Minister of the Economy, Guenter Rexrodt, has paid a seven-day visit to Central Asian countries.

**A delegation** from the Office of the Chairman of the Turkish International Co-operation Agency has visited Kyrgyzstan, Azerbaijan and Turkmenistan to investigate the conditions and determine the requisits for the "Project for the Consolidation of Local Governments," which is implemented by the Turkish International Co-operation Agency and the German Organisation for Technical Assistance, GTZ.

**Azerbaijan** State Committee for Geology, and Mineral Resources prepares a book that contains information on geological, technological and economic indicators in mining. The book, which aims to attract foreign investments, is to be published in Turkey and sponsored by the Turkish International Co-operation Agency.

**The United Nations** has estimated the population of Azerbaijan 9,7 million in 2025.

**According** to data issued by the Macedonian Statistics Institute, industrial production increased by 1.1 percent in July, in comparison with June. Production increase for the period from January-May was 3 percent. An increase in the production of working machines and consumer goods was responsible for the general increase in industrial production. Macedonian Statistics Institute has stated that production of home appliances accounts for 40 percent of industrial production.

**Local government** in Ashkabat has announced that a project developed for the improvement of the infrastructure of the city is to be implemented soon. The cost of the first phase is expected to total \$300 million. Renovation of the underground communication network and melioration of the water distribution system is also in the agenda. The present water distribution network, which was constructed 40 years ago, causes 60 percent of water loss.

**Azerbaijan** Ministry of Agriculture has announced that 40 factories producing canned food is to be privatised before the end of 1997

**The Kyrgyz** government has estimated the revenues for the 1998 budget 4,5 billion Soms, and expenditures 6 billion Soms.

**A survey** made in Kyrgyzstan has demonstrated that the average life span was 67,7 years, literacy rate 97 percent, and per capital GDP was \$1,9 in the country.

**Azerbaijan** exports 35-50 thousand tons of beet sugar to Iran in exchange for the 5 percent of the ready-products.

**According** to Azeris Officials, Azerbaijani government collected 1.346525 trillion manats in revenues in the first seven months of this year, or 92.5 percent of the amount forecast. In some areas, more revenue was collected than forecast: by 61.9 percent for duties and other non-tax payments, by 32.5 percent for profit taxes, by 29.7 percent for retail trade licences and paid consumer services and by 3.3 percent for surtax. But in other areas, revenues were under target: by 66.4 percent for land tax, by 43.1 percent for royalties, by 16.1 percent for value added tax (VAT) and 11.7 percent for exercises. Meanwhile, 1.689821 trillion manats were spent in the January-July period, only 86 percent of the amount forecast.

## Turkish-Japanese Business Council in Baku and Tbilisi

Turkish-Japanese and Turkish-Azeris Business Councils, operating within the Board of Foreign Economic Relations, met in Baku, capital of Azerbaijan, on 1 September 1997. A delegation of 60 businessmen headed by the Chairman of the Turkish-Japanese Business Council, Sarik Tara, as well as high-ranking officials from Azerbaijan: Abid Serifov, Deputy Prime Minister, Ferhad Aliyev, Vice-Minister of Trade, Oktay Hakverdiyev, Vice-Minister of the Economy, Natic Aliyev, Chairman of SOCAR, Selim Muslumov, Head of the Department of Prognostication and the Management of State Income of the Ministry of Finance, and Fikret Sadikov, Chairmen of Azerkimya. According to the speech delivered by Mr. Oktay Hekverdiyev, Vice-Minister of the Economy, the government plans

- to privatise around 400 small and medium scale enterprises,
- and revision the tax system to attract foreign investments, to establish free economic zones, and to adjust the banking system with international banking system, and
- to extend the range of investments to areas outside of Baku as well.

He further stated that foreign capital flow to Azerbaijan totalled \$2 billion from 1994-1997, \$13 million in 1994 and they expected this figure to rise to \$340 million in 1997, and Turkey ranked first among foreign investors.

Chairman of SOCAR, Azerbaijan State Oil Company, Natic Aliyev, on the other hand, has stated that foreign capital is invited to solve the problems

of the oil industry and nine agreements worth \$300 billion were signed.

Selim Muslumov from the Ministry of Finance said the number of joint-ventures totalled 1279, of which 380 were Turkish companies, the number of foreign companies totalled 870, differences between foreign and domestic companies as to tax liabilities was abolished in order to attract foreign investors, and a programme was prepared to provide investment funds for investors from the state budget.

Azeri officials have also taken up the issue of land owning in the country and stated that this was an area not regulated yet, but in practice individuals and corporations were given land to construct buildings on it.

The delegation completed negotiations in Azerbaijan and visited Georgia from 3-4 September to hold talks with President Eduard Shevardnadze and the Minister of State acting Prime Minister Nikoloz Tekishvili, and exchanged ideas with other high ranking Georgian officials.

Speaking at the meeting, Georgian officials dwelt on the economic reforms implemented in recent years, the process of the establishment of economic and political stability in the country, and new legislations to attract foreign investors. Members of the Japanese-Turkish Business Council stated that they were closely watching the situation in Georgia and were delighted to see that economic and political stability had been established. They reiterated their willingness to invest then certain advantages were granted.

## Eurasian File

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MINISTRY OF FOREIGN AFFAIRS  
TURKISH INTERNATIONAL  
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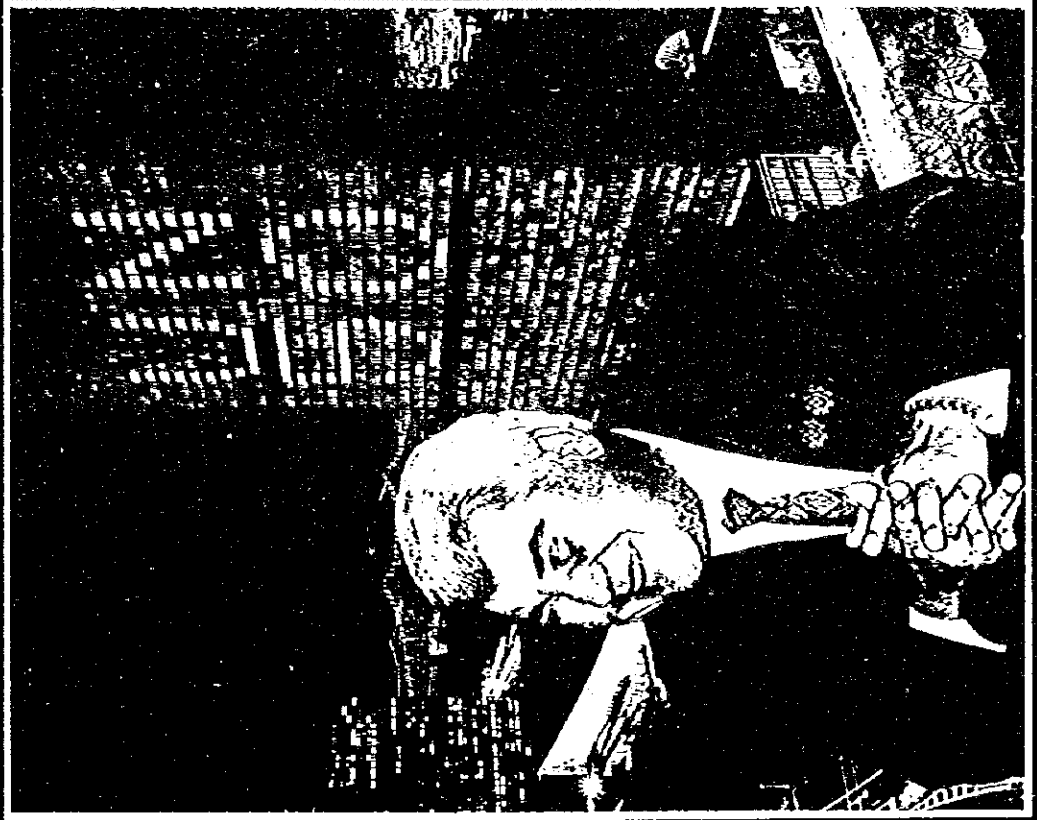
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Saparmurat Turkmenbashi

Presidential State Programme of  
Turkmenistan  
"HEALTH"



Ashgabat - 1995



**Saparmurat Turkmenbashi**

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Turkmenistan  
"HEALTH"**

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### **People's health - country's wealth**

The main wealth of our independent State of Turkmenistan is the health of its heroic, wise and hard-working people. Our ancestors have said "if there is health - there will be wealth", "people's health - country's wealth." Health promotion and cleanliness will always be the main concern of our government."

Saparmurat Turkmenbashy

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## PRESIDENTIAL STATE PROGRAMME OF TURKMENISTAN "HEALTH"

### Introduction

A population's state of health is one of the most important indicators of a country's well-being. In this connection the key issues of the Turkmenistan Presidential Programme "10 years of prosperity" are to solve the social problems and, in particular, the problems of health protection and the raising of the population's level of health.

The reorganization in the field of Health care and aid during recent years has led to positive results. But the analysis of population's state of health still gives serious anxiety.

In Turkmenistan the birth rate is decreasing, the average life expectancy is considerably less than in many developed countries of the world.

The health system is functioning on the base of Soviet period principles. Wrong orientation to rendering in-patient aid to the detriment of the development of the health care primary link has led to an excessive quantity of beds and as a result 17,5% of the population annually received medical aid at in-patient departments. At the same time the hospital bed fund of the country has been used only at 72%.

The treatment of diseases has been preferred to their prophylactics. As a result the morbidity caused by such risk factors as: smoking, alcohol and drug abuse, irrational nourishment, irregular life mode, on the one hand, and, on the other hand, by bad ecological conditions and the absence of a centralized water supply and sewage in many regions of the country, as well as by problems of labour hygiene and mode of life, has increased.

The unfavorable tendencies of population health state aggravation take place despite the provision of the population with high a number, in comparison with the developed countries of the world, of physicians (32 physicians per 10.000 people) and auxiliary medical personnel (3 per physician) whose professional level does not always meet the modern requirements.

Undoubtedly, the problem is the isolation of medical science from practical

programme by rendering the consultative and technical aid, the exchange of specialists and scientific information.

### Improvement of Health Management

As a result of the reforms the health system will be strengthened due to the precise demarcation of activity spheres and responsibilities of every level of the management and due to forming the new model of the correlation of horizontal and vertical management structures.

The Ministry of Health and Medical Industry will be released from functions not peculiar to it and from the practice of small minded care of subordinate structures and it is stipulated to become an analytical, expert and organizational-and-methodological center.

A number of measures are aimed at establishing a new normative base, at improving the personnel training system, at demarcating the spheres of the influence of state management bodies, at broadening the rights of managers and health bodies, at improving the information system with obligatory transition to international medical statistics. With promotion of UNDP the establishment of the international network of medical statistics attached to Turkmenistan Ministry of Health and Medical Industry is being planned.

The structural reform will also touch the local Health Care Authorities: the city Health Care Authorities will be canceled in velayat centers.

The reorganization of health institutions includes the elaboration and the confirmation of new nomenclature of medical institutions, the improvement of their structures and capacities, the reduction of the number of beds at 40-45%, of total amount of beds available and the elimination of medical institutions functioning ineffectively.

The structural changes will be aimed at strengthening the primary health link to provide the purposeful, efficient and effective use of resources.

The city sanitary-and-epidemiological stations in velayat centers are planned to be canceled in order to eliminate the function duplication, but in the cities and etraps several sanitary-and-epidemiological institutions if any are planned to be united in a single territorial station.

health care. The scientific research carried out does not meet up-to-date requirements.

The prevalence of the extensive health development model, i.e. increasing the number of physicians, auxiliary medical personnel, beds, hospitals etc., as the process of reproducing, "one and the same" without the establishment of state health system has not proved to be correct.

Thus the necessity of reforming the health system with the determination of priorities aiming at changes and the proper distribution of resources available has become obvious. The Presidential State Programme of Turkmenistan "HEALTH" intends to solve these tasks.

### Aims and Tasks

The main aim of the "HEALTH" programme is the radical improvement of population health and increase of the life expectancy rate.

The main tasks of the "HEALTH" programme are as follows:

- improving health management;
- introducing the state voluntary medical insurance of citizens from January 1, 1996;
- carrying out effective prophylactic measures;
- providing the population with available, qualitative and qualified medical services;
- providing the sanitary-and-epidemiological well-being of the population;
- transition to the family doctors service of the population;
- reforming the health financing;
- strengthening the material-and-technical basis of medical institutions;
- introducing the licensing of the medical and pharmaceutical activities of legal entities and physical persons;
- developing the private sector;
- raising the production of medicaments and medicinal means;
- increasing the quality of training and retraining of personnel;
- drawing the medical science to the needs of practical medicine.

The international organizations - the World Bank, UNICEF, WHO, UNDP, TICA and others - will take part in the implementation of the "HEALTH"

## Public Health Insurance

In order to perfect public health financing, to secure principle of justice, equality and mutual assistance state voluntary health insurance of the Turkmenistan population with 4% monthly insurance dues taken from wages, pensions and stipends is planned to be introduced from the 1 st of January, 1996.

To create the legal basis aimed at population interests protection under the health insurance normative acts providing state guaranteees in the sphere of health protection and privileged medical service for some categories of population as well as the regulations about the procedure of making health insurance contracts will be elaborated. The citizens including the children under 16 and dependents insured above the volume of medical services guaranteed by the state will be provided with medicines at 90% discount from their cost under the ambulatory treatment as well as the privileged medical service while making toothprosthetic appliance and hospitalizing.

Under the conditions of the free price medicines trade from the 1st of January, 1996 the categories of population and the list of diseases for which free of charge or privileged distribution of remaining medicines will be revised and defined. Ministry of Health and Medical Industry of Turkmenistan will make health insurance passports and contract forms for state voluntary public health insurance to the moment of medical insurance system introduction in Turkmenistan. The measures on forming the sufficient reserves of medicinal means through purchasing and gradual raising the rate of their production are planned to be exercised.

## Prophylactics is the Main Goal of Public Health Protection

The main aim of public health protection should become a real prophylactics viewed as a complex of state rank socio-economic and medical measures providing high public level, people's creative longevity, eradication of morbidity causes first of all owing to improving high living and rest standards of the population, due to environmental protection and by creating adequate conditions for a healthy mode of life.

As a rule until now prophylactics has been carried out under the departmental legislative acts that effected negatively both prophylactics quality and legal defense of the population. But at the same time it has excluded a complex approach to prophylactics.

Public health policy will be carried out on the base of the state assurance of priority financing the measures and programmes of diseases prophylactics, the support and the stimulation of investment activities of the managing subjects.

Local executive bodies should consider public health care as a priority trend of all social programmes and arrangements to be exercised.

Governmental measures will be directed to the development of favourable surroundings for the public health by improving water supply and sewerage, raising labour and life conditions hygiene of the population. Special attention will be given to the revision of existing sanitary and hygiene standards, to the introduction of constant monitoring of environmental surroundings, industrial activities and agricultural chemicalization.

The measures on reduction of such risks factors as smoking, having alcohol and drugs; maternity health preservation during pregnancy, delivery and in post-natal period and child health preservation during the first five years of life; propaganda of rational and proper nutrition of the population will gain the state medico-social and economic significance. The prophylactics measures such as salt iodination and flour saturation with ferrium are planned to be carried out with the active assistance of UNICEF which will reduce considerably the population morbidity connected with iodine insufficiency and anemia.

An immunization programme covering fully all the children by prophylactic vaccination will allow a reduction to single incidences such diseases as: diphtheria, whooping cough, measles and eliminate poliomyelitis.

For lowering child and maternity mortality rate the programme provides the introduction of family health reproductive principles as economically effective prophylactic measure in the activity of mother and child health protection institutions. It will also help to understand the nature of socio-hygienic problems determined as intergenetic intervals for the sake of mother, child and family health.

The programme of a mass degeimitization of children with highly effective drugs and quality of nutrition improvement by the use of various food

increments, containing vitamins and trace elements that will considerably improve the children's condition, will increase the attendance of classes and progress of hundreds of thousands of children, will be realized as economically effective measures. The intensive industrial production, adjustment of the children's nutrition will provide infants with full value nutrition. These measures will be carried on by the joint efforts of the Ministry of Health and Medical Industry of Turkmenistan, the Ministry of Agriculture and Food Industry of Turkmenistan, the Ministry of Trade and Resources of Turkmenistan, the Ministry of Education of Turkmenistan and other Ministries.

At present the prophylactic activities of medico-prophylactic establishments are more declared and the activities of sanitary-and-epidemiological subdivisions are oriented for the sanitary inspectors, the effectiveness of which is low. In connection with this, it is necessary to realize a great volume of scientific investigations in the optimization of organized forms of work of various levels of health protection and sanitary-and-epidemiological services in prophylactics of diseases.

In recent years the international orientation for medico-sanitary help in primary link of public health has been recognized as a priority one in our state as well. In accordance with it the reorientation of a family doctor is revised with mainly individual-medical trend of work aimed at medico-social prophylactics. The organization of prophylactics department in the large polyclinics with concrete organized forms of their work will have significant importance.

The formation of healthy living style and prophylactics of diseases is a significant link of hygienic education, effectiveness of which is directly connected with the elaboration and implementation of measures for various population groups, including the person's training from birth to old age under concrete conditions of every day life.

Therefore the programme aims at the conscience and responsible attitude of a person to the individual and social health by the exercising the measures complex via the education system, public health, mass media means and other social institutes. For these aims the creation of the effective information system of the healthy life style medical propaganda is planned. It includes the following:

- introduction of the obligatory course (subject) on healthy life style into the curriculum of schools providing general education;
- introduction of the rubric "Health for all" into all the means of mass information (newspapers, journals, other periodic publications, editions, radio-television programmes);
- further development and availability of mass physical culture and sport for all the strata of the society;
- construction of physycultural-restorative complexes, sport grounds, swimming pools in large industrial enterprises in all the settlements;
- advertisement ban for alcoholic beverages and tobacco goods in mass media, smoking ban in public places;
- mass output of scientific-popular medical literature and other information of healthy life style in the form of visual and prospects.

The healthy life style propaganda effectiveness will be ensured by the integration of activities of state establishments of public health system, education, culture, tourism, means of mass media and social organizations taking into consideration demographic, national features and traditions.

### Population Sanitary-Epidemic Well-being

The population sanitary-epidemic well-being provision as the most important part of the state health protection of the population should become one of the main state tasks and duty of all the bodies of the state power and management, enterprises, establishments, social unions and the very citizens. It will be based and regulated by the clear system of legal, socio-economic, medico-sanitary measures, broad sanitation and prophylactic measures.

Economic and juridical lever including fines against the contamination of environment, drinking water, the production of poor quality foods are being revised.

The reforming of bodies and establishments of the sanitary-epidemiological services, the creation of the state sanitary inspection of the control over the sanitary norms and rules, the introduction of the obligatory hygienic certification of foods, food raw resources, drinking water and other products, the elaboration of the measures on carrying out the prophylactic and sanitation arrangements to be obligatory fulfilled as well as

the information base strengthening will be provided by the relevant state sanitary inspectors in the country.

The scientific research institute of epidemiology and hygiene of Turkmenistan Ministry of Health and Medical Industry is planned to be established for the further development of scientific researches in the field of sanitary-epidemic well-being of population. The elaboration of scientific prophylactic principles, early diagnostics of the most widely spread infectious and parasitic diseases, sanitary regulations and hygienic standards, sanitary-hygienic and sanitary-prophylactic measures to be scientifically substantiated and aimed at the environment sanitation will be the main directions of the institute activity.

Tough requirements will be made to the fertilizer and chemicals producers, to strict implementation of the agro-technical instructions to secure the sanitary-epidemiological well-being of the population of rural areas. The measures of the control over the security of the imported mineral fertilizers will be introduced to make the contamination of the soil by the agro-chemical impossible.

The implementation of the complex of measures in the field of labour protection and security aimed at decreasing, and removing professional risks is also foreseen.

The state sanitary inspection of Turkmenistan Ministry of Health and Medical Industry jointly with the veterinary service of Turkmenistan Ministry of Agriculture and Food Industry are ordered to carry out the complex of measures on the prevention of the diseases transmitted from animals to people.

Ecological initiatives will be stimulated by the government financially or by investing appropriate researches and scientific works.

The problems of the Aral zone of the country will be overcome by the joint efforts of the state and international organizations which are interested in them.

## MEDICO-PROPHYLACTIC AID TO THE POPULATION

### 1. Primary Medico-Sanitary Aid

The programme provides the deep reform in the field of medical aid to the population.

The ground element of gaining health for everyone is to carry over the main emphasis not on therapeutic medicine under clinical conditions but on primary medical-sanitary aid.

Primary medical-sanitary aid being the main and available medical service for each citizen first of all includes: treatment of the most widely spread diseases and traumas, immunoprophylactics, mother and child health protection involving the reproductive family problems; medico-sanitary education of the population by showing ways of the medico-sanitary problem's solution and aiming at the prevention of diseases, reveal individual risks factors and the implementation of health building measures.

The central role in rendering primary medical-sanitary aid from the point of view of its expenditures will be given to the medical institutions and the primary link workers - ambulatories, polyclinics, family doctors, nurses and other professional workers of public health rendering medical services on the level of the first contact with the patient.

The prevalent diseases ambulatory treatment of which is of priority significance are: hypersonic disease and artery hypertensions, ischemic heart diseases, respiratory infections, diarrhea and prenatal disease, tuberculosis, viral hepatitis, diseases transmitted sexually, extragenital pathologies of pregnant women. The economically effective standards of diagnostics and the treatment of the above mentioned diseases are planned to be worked out and introduced in order to treat these diseases under the ambulatory-polyclinic conditions successfully.

In connection with the growth of the load of the health primary link it is necessary to establish within it the prophylactic departments, the nurses care service at home, woman-and-child consultations and further expansion of the network of the day-time in-patient departments attached to polyclinics.

One of the most perspective tendencies of rendering primary medical aid is the introduction of the family principle of the population service. That in its turn will require the perfection of the family doctor programme introduction into the public health practice.

It is planned to finish the transition to the general medical service of the population by the family doctors in Ashgabat city during the first part of 1996, in velyats - by the end of 1996.

The conception of the programme of a family doctor provides the decreasing of the medical personnel function duplication, the increasing of

choosing the optimal birth time depending on the age of parents.

The dispensary observation of pregnant, nursing women, multipara, women of fertile age is provided as well as the introduction of the system of diagnostics of fetus development defects in early terms of pregnancy. The special attention will be drawn to teenagers-girls to achieve the total youth health.

The supply of hospitals and emergency stations with modern means of sanitary transport, communication means and apparatus is planned to provide effectiveness, reliability, operativeness and mobility of ambulance and emergency service for population.

## 2. In-patient service

The population needs in in-patient service will be decreased because of the displacement of the center of gravitation in rendering medical aid towards ambulatory treatment of most diseases.

The improvement of the structure of in-patient medical institutions will be provided. The network of day-time in-patient departments will be enlarged that will be convenient for the population and a more profitable form of treatment organization for the government.

The number of hospital beds is planned to be reduced to 40-45% of the total number of beds available till 2000, and use effectively the bed fund up to 95% per year.

The fulfillment of the effective prophylactic measures by primary health link as well as the complete examination of a patient at the pre-hospital stage, the introduction of the standard treatment schemes of more prevalent diseases, the improvement of the working hours of the diagnostic and medical services of the hospital institutions will provide the decreasing the specific gravity of the hospitalized population up to 10% and terms of the in-patient -treatment of the patients up to 8 days till 2000.

Due to the reduction of hospital beds the holiday hotels for the patients of another towns will be established on the base of the large hospitals.

The further development of medical aid is impossible without appliance of progressive modern technologies. So the particular specialization of some subunits requiring considerable finance expenditures and not properly developed in the country will be provided. The specialized medical aid will be rendered to patients with diseases requiring special diagnostic methods, treatment and application of complicated medical technologies.

the quality of services and effective expenditure of means. The system of providing with family doctors will be based on training doctors of different specialties working at the present time as well as on teaching and training students of the medical educational institution on specialty "a family doctor" that will require fundamental changes in curriculums.

For these purposes the departments of family medicine will be organized in the Turkmen state medical institute. A post of "a family doctor" will be included in the nomenclature of medical specialties and medical posts.

The measures on providing the family doctors with necessary equipment and apparatus will be exercised, and the effectiveness of family doctors work will be systematically analyzed.

In order to introduce effective methods and means of prophylactics, diagnostics and treatment of the most prevalent diseases the elaboration and the fulfillment of the following population health protection programmes are planned:

1. "Struggle against the most prevalent diseases including cardiovascular diseases, tuberculosis and non-specific lung disease, diseases transmitted sexually, viral hepatitis, iodine deficiency disorders, alcoholism, narcomania, toxomania

2. "Maternity and child protection", including the morbidity of women of fertile age, of children with acute respiratory diseases, diarrhea infections, and perinatal pathologies, the reproductive health of family, the propaganda of breast feeding.

The implementation of the above mentioned programmes on population health protection together with the other prophylactic measures will reduce considerably the population morbidity rate.

Further development and improvement of maternity and child protection are directed to working out and exercising the effective prophylactic measures aiming at women and child health improvement taking into consideration the demographic, national features and traditions.

It is stipulated to create the reproductive family health protection service, aiming at the reproduction of morbidity of expectant mother, mother and child mortality rate; rendering assistance to the family in preventing undesirable pregnancy, in regulating the intervals between childbirth,



The establishment of the multi-profile hospitals with the diagnostic center and the consultative polyclinic in Ashgabat and velayats will give the possibility to examine a patient using the main kinds of the diagnostic investigations, to organize the consultations of specialists to carry out the ambulatory treatment as well as the in-patient treatment if necessary within one medical institution.

The establishment of sanitary-and-technical subunits in Turkmenistan Armed Forces and to enlist as junior and serving personnel the servicemen, taking military service at the call in the subunits are planned to improve the service in medical institutions.

The introduction of private medical practice is provided to meet the population requirements more completely in medical services of appropriate quality. The medical services rendered by medical workers to be engaged in private practice will be exercised out of the state health system institutions at the expense of means of enterprises and institutions.

The private health system will include the treatment-and-prophylactic and the pharmacy institutions whose property is private.

Private medical practice as well as the activity of private health system institutions will be regulated by the Turkmenistan Legislation and other normative acts.

Folk medicine (curativeness) will get further development. The unification of traditional methods of folk medicine with modern medical prophylaxis will provide the broadening the medical services, particularly those ones which do not require considerable investments.

#### Medicinal Maintenance for Population

The policy in the field of medicinal maintenance is based on determining and confirming the list of main and vital remedies and articles of medicinal prescription (not less than 1200 names) meant for the treatment of the priority diseases. The purchase of medicaments according to the list will provide their effectiveness and economy.

To coordinate the work aimed at the radical improvement of medicinal means supply of population and treatment-and-prophylactic institutions the Committee to control over the distribution and rational use of medicinal means will be established.

During the period of the organization and the formation of the country's pharmaceutical industry together with increasing the budget allocation it is planned to use foreign credits for purchasing abroad medicinal means, raw materials and substances, articles of medical prescription, and the equipment for their manufacturing.

The priority development of pharmaceutical industry is planned to meet the requirements of the population and health institutions in medicinal means more completely.

The construction and reconstruction of enterprises of pharmaceutical industry will provide the raise of the home output of medicaments by using the local resources including animal and vegetable raw materials.

After putting the joint venture with the Indian company "Ardunta Pharma Limited" in Ashgabat into operation, various medicinal preparations are planned to be produced in the four forms of ampoule, capsule, bottles, solutions for injections and various ointments.

Putting new capacities for manufacturing medicine articles into operation in Ashgabat will meet the complete needs of the country with medical cotton wool, bandages, single use systems, single use syringes, suture materials.

Building the licorate root refining plant in Chardgey city on the base of the enterprise "Buyan" named after S.A.Niyazov will provide the annual output of 650 tonnes of licorate root production.

The enlargement of the base of the scientific-industrial herpetology enterprise in the settlement "Kalininsk" in Gavers etrap will allow to increase the production of dry snake venom up to 1,300 gr. per year.

Cultivating 1,400 hectares of land till 1997 will allow the growth of such medicinal plants as Matricaria chamomile, marshmallow, wild rose, cassia, garlic and others.

Thus in 2000 due to manufacturing own main and vital medicinal means the medicaments will be produced at the sum of 75 mln US dollars that will make about 70% of Turkmenistan's needs.

The implementation of the measures mentioned above as well as the purchase of medicinal means will allow to bring expenses for remedies to 40 US dollars per capita annually till 2000.

Introducing the licensing of the pharmaceutical activity and the establishment of the State Center, attached to the Ministry of Health and Medical

industry, for registration, the quality control, for the examination and clinical testing of medicinal means, articles of medical prescription and medical technology will provide high quality, safety and effectiveness of medicine preparations, importing and producing by the local pharmaceutical enterprises.

In order to prevent the abuse of medicines and immunological remedies, their misappropriation, spoiling, the breach of rules of their realization and utilization the introduction of the system of control over the medicinal reserves and the improvement of prescription methods are planned.

#### **Sanatoria-and-Health Resorts Improvement**

The further development of health resorts and sanatoria, their organization according to the world standards are of great importance within the whole complex of preventive and curative measures aimed at the improvement of the population health.

Regarding the organization of sanitary treatment and recreation of population as one of the prior directions of state policy in the field of people's health protection the Programme outlines intensive ways of the material base development of sanatoria and health resorts; building of new modern resorts, reconstruction of the acting ones, further improvement of medical and cultural service, comfort conditions, and the volume and quality of this service.

The material base of leading resorts will be enlarged to a great extent. New diagnostic block for 500 attendances per day and 2 sleeping blocks, each for 125 patients of the sanatorium named after Saparmurat Turkmenbashi, medical-diagnostic block for 500 attendances per day of "Archman" sanatorium and a sleeping block for 200 patients of "Mollagara" sanatorium will be put into operation and equipment in accordance with the modern world standards.

The building of the modern equipped sanatorium of spinal profile for 30 patients will be finished by the end of 1996 in Mollagara.

Intensive building of new health-improvement units and reconstruction of existing resorts will increase 1.5 times the number of guests resting there and they will be served according to world standards.

Foreign investments as well as long-term credits in accordance with the concluded mutually beneficial contracts will be actively attracted.

#### **Development of the Material-Technical Base of Public Health**

The measures aimed at strengthening the material-technical base of the public health are provided with the programme. For the re-equipment of the medical institutions of new nomenclature, medical and diagnostic equipment will be worked out and introduced appropriate to the world standards and requirements.

The dispensary-polyclinical subdivisions and medical-prophylactic establishments will be supplied with all necessary equipment, apparatus, computers, medical articles, transport means and inventories.

The financial resources will be sent to the hospitals including the specialized medical establishments for improving material-technical base, infrastructure and for the security of the qualitative medical service. The main part of the resources will be directed to the reconstruction and repair of the medical-prophylactic and sanitary-prophylactic establishments. The state deposits will be distinguished to finish the medical building sites. These medical building sites are the petherapeutic building of the Central clinical hospital named after N.I. Pirogov with 240 beds in Ashgabat, the polyclinic of 380 attendances per shift in Chardjow, the complex of Mary medical college named after S.A. Niyazov in Mary, as well as sanitary-epidemiological stations in Mary, Dashkhovuz and Saker, Charshangy and Dashkhovuz etraps.

The building of the new and the reconstruction of the acting building sites of the public health, equipment supply of the treatment-and-prophylactic and sanitary and epidemiological institutions will be carried out with the broad attraction of foreign investments.

The construction of multi-profile hospitals with diagnostic centers, consultative polyclinics, ambulance service to be supplied with modern medical equipment are planned to create the effective treatment base in Ashgabat and velayats.

The Treatment-and-Consultative Center named after Turkmenistan President S.Niyazov is planned to be reconstructed and re-equipped as well as the Ashgabat clinical hospital by Semashko N.A., a number of buildings of Central clinical hospital by Pirogov N.I., branch of hospital at the Ministry of Health and Medical Industry of Turkmenistan.

Acquisition of special sanitary cars from the Belgian firm "Dirapantex", equipped with modern medical equipment and apparatus will renovate park of sanitary cars. It is foreseen to purchase a modern medical equipment to equip the medical-prophylactic establishments of a country.

#### Reform of Financing of the Ministry of Health

Realization of the "10 Years of Prosperity" program proposed by the President of Turkmenistan will ensure the annual increase of gross domestic output at the rate of 12%. It will give an opportunity to increase expenses on public health 2,8 times or 5,5% of gross domestic output.

The main ways of deposits will be prophylactic health activities which have public importance and affect some economic cases. Most of expenses are expected for financing the main points of public health.

The medical establishments will have rights for distribution and using allocated money. There will be new ways of financing public health which are based on distributing means per person.

Transferring the financial system of public health is stipulated to be as mixed budget and insurance one. According to this on 1<sup>st</sup> of January, 1996 a state voluntary medical insurance of citizens of Turkmenistan was introduced.

Medical insurance being a new source of financing public health together with guaranteed medical service not being included into guaranteed medical insurance envisages personal participation of citizens in medical aid payment.

Some additional medical services such as easy payment terms for drugs and set of false teeth with 25% off (with exemption for artificial limb made from metals and ceramics) must be paid.

Alternative sources of financing the state public health will be benefits from economic activities and providing medical services which are paid for incomes from imported drugs registration and giving licenses on carrying out medical and pharmaceutical activities, charity payments and international organizations investments.

Some new measures are stipulated to be put forward for wide attraction of foreign investor in health service. It is particularly concerned with the medical industry and science development and health service system computerization and other expensive projects.

#### Training Specialists in Public Health

Professionalism of experienced medical specialists and their sense of responsibility for effective results of their work play an important role in quality of public medical service. Complete reformation in the medical staff is supposed. First of all it concerns increasing some positions in administrative system. In the last period of reformation 25 doctors will serve 10 thousand people.

Rational correlation of doctor and assistant medical staff (in proportion of 1:2) correct arrangement of specialists in cities and villages, states and regions will be guaranteed.

Special attention will be paid to the degree of training specialists, to improve it to the quality level of developed countries.

Those who majored in medicine (medical colleges) or have more than two years experience in prophylactic establishments or citizens who were in the army as a medical specialist of Military Force of Turkmenistan, in the future testing on computers skills will be held during the entrance examinations to the Medical Institutes. Students will have more practice in medicine at medical establishments in addition to their studying. In realization of the program students using theory in practice and mastering the new methods of diagnosis and treatment.

Improving knowledge of teachers and pedagogical skills of professors and teachers staff of Institutions will be achieved by competition selection of scientific teachers and by regular examining teachers, professors and training them in constant interchanging programmes of foreign countries.

More attention must be paid to teaching specialists administration system, medical management, economy and financing of public health, provision the field of medicine with technical equipment.

Compulsory licensing is to hold medical and drug activities regular, training of specialists of public health by taking the current programmes into account and examining them for knowledge required by public health. In connection with the above mentioned, some courses of training will be opened as parts of Medical Institute activation of participation of scientific research institutions and major multiprofile hospitals in public health will increase. Economically independent medical centers of medical specialists were established, teaching computer programmes of different specialty and sections of medicine were worked out.

Training specialists abroad is considered to be held by means of programmes of technical cooperation and agreement of two countries in the field of public health. Accordingly an agreement between Turkmenistan and Israel on cooperation in public health, medicine and interchanging specialists has been signed.

#### Development of Medical Science

The new policy of medical service to the population is based on scientific way of changing completely the strategy and tactics of public health.

The government carries out a number of activities aimed at improving efficiency of medical science using it in different sections of medicine.

The main tasks of medical science are the following: Studying medical social problems, analysis of the health condition of the population taking demographical features into account, condition of industry and environment, analyzing the illness rate of the population. More efforts of scientists are aimed at working out scientific fundamentals of prophylactics, early diagnosis and treatment of the most spread diseases and risk factors. The principal attention will be paid to the researches into the protection of mothers and children health, prophylactics and treatment of cardiovascular and cerebrovascular diseases, illnesses of respiratory organs, acute enteric, infections, hepatitis as well as elaboration and inculcation of the new techniques of medicinal preparations made from local resources.

The rise of the crimination role in the evaluation of scientific researches, the improvement of patient - licence service, the development of an effective system of medical science achievements inculcation into practice of public health and other social spheres is also foreseen.

The creation of scientific clinical Turkmen center of Medical Science Academy is planned for the rising of scientific researches effectiveness. This center will be equipped with modern equipment, instruments and techniques. The material and technical basis of existing scientific research institutions and Higher Educational Institutions of the country will be improved.

The primary attention will be paid to the issues of medical science and the support of medical staff, taking into account the fact of the outflowing of the scientific medical employees to other spheres which lead to the reduction of medical intellectual potential.

The stimulation of scientific employees activity by means of differentiating in the payments depending on the quality of work is foreseen. The establishment of modern scientific-information service is being planned. The expansion and strengthening of the international scientific relationships is contemplated. The different forms of cooperation are supposed to be introduced into practice: exchange of the scientific data, participation in meetings, symposiums, workshops, the training of the staff abroad, the participation in elaboration and realization of scientific and technical complex programmes which will allow to increase the medical science prestige in our country and abroad.

#### The Improvement of the Legislation

The further improvement of legislation base in the field of citizens health protection is stipulated. It is oriented toward the execution of the tasks planned, the support of development and national functioning of the public health system, the improvement of potential possibilities. The adoption of laws "On Citizen Health Protection", "On Medical Insurance", "On Drugs Provisions", "On Licensing of Medical and Pharmaceutical Activity", the elaboration of the whole range of standard acts on law regulations of free medical service with medical citizens' insurance is foreseen.

The improvement of sanitary legislation on part of citizens' responsibilities for possible poisoning by dangerous infection, the expansion of rights on penalties for sanitary rules and hygienic standards violation is stipulated so as to develop the Main Laws on citizens Medical care and will strengthen citizens' health.

Development of the state programme of the President of Turkmenistan will provide a high people's health standard, bring down the sick rate and increase man's life-time. Conducting efficient prophylactic measures, qualitative and qualified medical care, strengthening of the primary link of public health, rational and effective use of hospitals will further its achievement.

In consequence, a perfect health system corresponding to the medical service level in the developed countries will have been functioned by 2000.

Main Evidences of Health Program

List of Major Medical Establishments that will be Built in the Period 1996-2000.

Evidences	Periods				Names of objects	of building time	capacity
	1995	1996	1997	1998			
1. Specific weight rate of people in hospital (percents)	17,5	15,5	14	12	11	10	
2. Average length of in-patients (days)	15	14	12	10	9	8	
3. Degree of using bed fund per person within a year (percents)	72	76	80	85	90	95	
4. Number of patients beds (per 10.000 of population)	113	91	83	75	68	65	
5. Prophylactic inoculation (percents)	88	89	91	93	94	95	
6. Number of doctors (per 10.000 of population)	32	30	28	27	26	25	
7. Number of medical staff (per doctor)	3	2,8	2,6	2,4	2,2	2	
8. Using drugs per person of the population (in USD)	10	15	20	25	30	40	
9. Expenses for Public Health (percents of state gross output)	2	3,4	4	4,3	4,8	5,5	
<u>Public Health</u>							
<u>Transitory buildings</u>							
1. Therapeutic corpus of Pirogov Central Clinic Hospital, Ashgabat							240 places
2. Polyclinic, Chardjev							380
3. S.A. Niyazov Medical College in Mary							640 students
4. "Ak Altin" Sanatorium hospital in Bayram-Ali							500 places
5. S.A. Niyazov advising Center hospital in Ashgabat							22 places
6. Chardjev Medical College							600 students
<u>New building</u>							
1. First aid visiting hospital in Ashgabat							200 places
2. Antituberculosis dispensary in Ashgabat							200 places

3. Scientific clinic center of Academy of Medical Science, Turkmenistan, Ashgabat	1998-1999		2. S. Turkmenbashi sanatorium in Bayram-Ali	1995-1996	500 patients for examining
4. Oncology dispensary with clinic in Ashgabat	1999-2000	250 places 300 patients for examining	- two corpuses of patients	1995-1996	125 places in each
5. Akhal district hospital with its clinic, Anev	1997-1999	150 places 200 patients for examining	3. "Ustyurt" sanatorium, Dashkhovuz	1995-1997	150 places
6. Multidepartment hospitals with diagnostic center and obvising clinics			4. "Mother and child" sanatorium, Dashkhovuz	1996-1998	200 places
Ashgabat	1997-1998	300 places	5. "Parhay" sanatorium, Sarrygala	1996-1998	100 places
Dashkhovuz	1998-1999	150 places	<u>New construction</u>		
Mary	1998-1999	150 places	1. "Berzengi" sanatorium in Ashgabat	1997-1998	300 places
Nebitdag	1999-2000	150 places	2. Corpuses for patients of Mollagata sanatorium	1997-1998	200 places
Chardjev	1999-2000	150 places	3. "Yily-Suw" sanatorium in Baharden	1997-1998	250 places
7. Psychiatric hospital in Geokdepe	1997	300 places	4. Diagnostic corpus of Archman sanatorium	1997-1998	500 patients for examining per day
Sanatorium-resort places			5. Resort in Avaza, Caspian Sea	1997-1998	500 places
<u>Transitory buildings</u>					
1. Sanatorium of spinal diseases, Mollagata resort	1995-1996	30 places			

A Schedule of the Most Significant Constructions Related to the  
Medicine Industry till the Year 2000

The name of the project	Periods	Power
1. Plants manufacturing medical products, Ashgabat		
- wadding - thousand tonnes per year	1995-1996	1
- infusionary polyvinylchloride solution packed million pieces per year	1997	10
- single used syringes, million pieces per year	1997-1998	120
- products for sole injection million pieces per year	1997-1998	10
2. Joint Venture "Turkmen-Derman-Adjanta Farma Limited" manufacturing medicines, Ashgabat 1995-1996		
- capsules, million pieces per year		75
- ampullas, million pieces per year		20
- bottles of dry powder, million pieces per year		20
- bottles of solution for injections, million pieces per year		20
- different ointments, tonnes per year		93
- the powder of hydride salt, tonnes per year		372
3. Plant for production of medical wares, Ashgabat 1997-1998		
- hygroscopic wadding, tonnes per year		2300
- hygroscopic products, tonnes per year		240
- napkins for children, tonnes per year		470
4. Plant on processing of liquorice root based on the agro-industrial complex named after S. Nitazov 1997-1998		
- extractum, tonnes per year		300
- glyceride acid, tonnes per year		50
- powder extract, tonnes per year		100
5. Plant on manufacturing of suture materials for medical purposes, Ashgabat 1997-1998		
- flavonoid production, tonnes per year		200
- catgut, million ampules per year		2

6. Scientific -research herpetological  
Enterprise (expansion of production)  
settlement Kalininsk, Gyavers etrap 1997-1998

- dried snake venom,  
gramms per year 1300

7. Miniplants producing medicines

- Baikan velayat 1997  
- Dashkhovuz velayat 1998  
- Mary velayat 1999  
- Lebap velayat 2000  
- Akhal velayat 2000

8. Chemical Pharmaceutical  
Plant "Saglyk" (reconstr.)  
Ashgabat 1997-1998

- shop on iodine preparation  
and bottling 18  
million bottles per year

- pills production shop,  
million packs per year 30











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