

**Tacis Regional Cooperation:
Strategy Paper and Indicative Programme
2004-2006**

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Summary

This document provides the strategic framework for EC assistance to multi-country activities for the period 2004-2006. The document sets out an updated strategy 2002-2006 for a new Regional Cooperation Indicative Programme 2004-2006 as described in article 3.2 and 3.3 of the Regulation for the provision of assistance to the partner countries in Eastern Europe and Central Asia (Council Regulation (EC, Euratom) No 99/2000 of 29 December 1999).

The general EC policy objectives for each partner country in Eastern Europe and Central Asia are stated in the respective country strategy papers or the regional Central Asia strategy paper. The strategy for Regional Cooperation complements these country strategies. It sets out EC cooperation objectives, policy response and priority fields of cooperation for multi-country activities based on an assessment of shared and global challenges.

The revised strategy starts by outlining the general EU policy and cooperation objectives towards the countries in Eastern Europe and Central Asia. This is followed by a brief description of the region, an analysis of relevant issues based on the identification of shared challenges faced by the partners states, an assessment of the apparent willingness of partner countries to cooperate among themselves, an overview of past, ongoing and planned cooperation as well as the EC response strategy.

The main conclusion of the revised strategy is that the promotion of regional cooperation among the countries in Eastern Europe and Central Asia is not just the most appropriate way to deal with global challenges and issues of a transboundary nature faced by these countries, but also crucial for ensuring peace, stability and security as well as promoting sustainable economic and social development in a Pan-European context. It is of the interest to the EU to support programmes that reflect current and future needs of the countries in Eastern Europe and Central Asia and encourage them to cooperate among themselves in addressing these needs.

The Regional Cooperation Indicative Programme sets out our EC response in more detail, highlighting programme objectives, expected results, indicators and conditionality in the priority fields of cooperation for the period 2004-2006, and will serve as a basis for the project identification for EuropeAid.

The main concerns of the new Indicative Programme are to improve partner state ownership, complementarity with national programmes, coordination and cooperation with other donors and impact of the funding by focusing on a few, core priorities. The Regional Cooperation Indicative Programme 2004-2006 covers three themes, which will address the above-mentioned objectives: **sustainable management of natural resources**, focusing mainly on water, while also supporting biodiversity, forest resources and climate change; **promoting trade and investment flows**, through increased interstate cooperation in the fields of energy, transport and information society; and **justice and home affairs**, addressing enhanced integrated border management, combating organised crime and international terrorism, and improving migration and asylum management.

1. Introduction

In 2001, the Commission adopted broader strategic considerations 2002-2006 for Tacis Regional Cooperation, which included the analysis of the regional context and constraints in the priority areas of cooperation and provided the basis for the Regional Cooperation Indicative Programme 2002-2003. However, they did not provide a real justification for a choice of priority areas as required by the CSP guidelines. For this reason, a Regional Cooperation Strategy Paper, has been developed as the basis for the Indicative Programme 2004-2006.

2.1. EU policy and cooperation objectives

The EU's policy and cooperation objectives concerning the countries in Eastern Europe and Central Asia are built on the establishment of a relationship in which respect for democratic principles and human rights and the transition towards market economy are fostered. These objectives are integrated in Partnership and Cooperation Agreements (PCAs) with most of these countries, the Common Strategies for Russia and Ukraine and the framework for cooperation as set out in the Tacis Regulation.

The PCAs with the different partner states provide for trade liberalisation and wide ranging cooperation, including in the fields of environment, justice and home affairs, energy, transport and telecommunications. The common strategies for Russia and Ukraine underlined common challenges on the European continent, such as the stability and security in Europe, energy, nuclear safety, environment, the sustainable use of natural resources and cooperation in the field of justice and home affairs, including the fight against organised crime and illegal trafficking in drugs and in human beings.

The Tacis Regulation states that the Tacis Programme should aim to maximise impact through concentration on a limited number of significant activities. It also says that particular attention should be paid to reducing environmental risks and pollution, promoting the sustainable use of natural resources, including energy resources, and the social aspects of transition. It stresses that interstate and regional cooperation shall primarily serve to assist the partner states identify and pursue actions which are best undertaken on a multi-country, rather than national level, such as the promotion of environmental cooperation, networks and actions in the area of justice and home affairs.

Other principles from the development co-operation policy (article 177 of the EC Treaty) related to poverty reduction, integration in the world economy and sustainable economic and social development are also important, especially as regards the NIS countries that have been developing Poverty Reduction Strategies. The same degree of relevance applies to the integration of the sustainable development perspective that is now a key objective for all EU internal and external policies (article 6 of the EC Treaty) and requires an appropriate policy mix ensuring coherence and complementarity among the objectives of economic development, social development and environmental protection.

2.2. Rationale for a regional approach

EC external relations with the partner states of Eastern Europe and Central Asia (hereinafter called NIS countries) are primarily based on a bilateral national approach. Approximately two thirds of Tacis is allocated for national activities. Although the EU has not developed for the NIS countries a common regional approach, as for other regions (e.g. Barcelona process for the Mediterranean and the Stabilisation and Association

process for the Balkans), it is recognised that the national approach towards the NIS countries needs to be complemented by a regional approach to help them addressing challenges of a global or transboundary nature and benefiting from common approaches, collaborative action and economies of scale which arise from that regional approach. That is recognised by the Tacis Regulation.

Moreover, the EU is particularly interested in promoting regional and sub-regional cooperation among the NIS. It is crucial to enhance peace, stability and security not just in the NIS region, but also for the whole European continent, including an effective combat against threats to European security, such as international terrorism and organised crime. It is necessary to link the infrastructure networks between the EU and NIS countries, which are essential to increase trade and investment flows between the two regions and to supply vital energy resources to the EU. It also promotes partnership between the EU and the NIS in addressing global problems in a common Pan-European context. In addition, it contributes to sustainable economic and social development of its future Eastern neighbours, addressing the impacts of the enlargement process and reducing the risks of negative impacts of the economic and social divide.

Finally, it should be noted that promoting regional, sub-regional and cross-border cooperation within the NIS countries is not part of a regional integration strategy. These countries cannot be treated as a monolithic bloc. There are important differences among them, which are reflected in different national policy agendas. They face global, common and transboundary challenges or problems that are better tackled through common approaches and collaborative action. The way to address these challenges is through interstate and regional cooperation and not through regional integration.

3.1 Analysis of the region relevant issues based on the identification of shared challenges faced by the partner states

This analysis does not aim to cover all aspects of the region but includes a short description and refers briefly to common political, economic, social and environmental issues and progress towards transition, providing the context that allows the identification of common and shared challenges faced by NIS countries. A more detailed analysis of the national contexts is given in the Country Strategy Papers and the Central Asia Strategy Paper.

Brief description of the region (map and table in Annex 1)

The NIS countries had 286 million inhabitants in 2000. Russia with 145 million inhabitants ranks first, followed by Ukraine (49 million) and Uzbekistan (25 million). The region has less than 5% of the world's population, but 18% of the world's area with 23.7 million km². The average population density (12 persons/km²) is thus much lower than the world's average (49 persons/km²). During the 1990's the average annual growth of population in most countries was low or even negative. A further decrease of population is foreseen until 2015, except for the Central Asian countries. With a Gross National Income (GNI) of around USD 360 billion in 2000, the NIS countries represent just 1.2% of the world's total GNI. Only Belarus, Russia and Kazakhstan are classified in the World Bank, as lower middle-income while the other countries are part of the low-income group. However, they are all classified in the medium development group of the UNDP Human Development Index due to higher education and adult literacy rates. Share of external trade in GDP is low, although it has increased in recent years. FDI net inflows have

increased recently but represent less than one third of the FDI in central Europe and Baltic countries. Two countries, Russia and Kazakhstan, represented 75% of FDI to the region.

After having had a common history over much of the last century, today the NIS are far from homogeneous. Even if some common trends can be found, both the political, economic and social situation vary widely from one country to another.

Political, economic, social and environmental issues (tables in annex 2).

Since the break-up of the Soviet Union, all NIS countries have experienced, to a greater or lesser degree, a reform process involving profound political, economic and social changes.

On the political level, there are signs of a positive movement in relation to progress towards democracy, good governance and the rule of law: in many countries elections are now an established practice, new democratic political and economic institutions have been created and access to civil and political rights and basic economic freedoms has improved. At the same time, there are also negative examples: the threat of conflict is still an issue in the South Caucasus and Central Asia countries. Several NIS countries lack stable institutions or the will to provide the dialogue between government, civil society and private sector, to develop interstate cooperation activities and to fight organised crime, corruption and other illicit activities. Moreover, the aftermath of the 11 September 2001 and the events in Afghanistan created a growing international interest in the region, in particular Central Asia. Ensuring stability and security and the fight against international terrorism, became an international and national priority.

The economic situation deteriorated strongly in the NIS after 1991 and was aggravated by the Russian financial crisis in 1998 and 1999. GDP levels decreased significantly in most countries and are still much lower in real terms than in 1990 (on average, 65% of GDP level before transition). However, since 2000 a strong economic recovery has emerged in practically all countries and is expected to continue: GDP increased in average by 8.3% in 2000, 6.2% in 2001 and is expected to increase by 4.5% in 2002 and 2003. This economic improvement was initially pushed by external factors: world demand for commodities and imports from Western Europe. The slowdown of external demand in 2001 and 2002 was compensated by the increase in domestic demand, mainly domestic consumption, reflecting improved consumer confidence. Trade both with non-NIS and intra-NIS also rose significantly, although exports declined in 2002 in oil/commodity exporting countries due to the fall in the price of oil, cotton and base metals¹. Variation in oil prices and the rate of the dollar influenced inflation rates: increase in 2000, slight decrease in 2001/2002. The economic improvement did not lead to a significant reduction in the level of unemployment, which is still high (there is also a considerable amount of hidden unemployment). Finally, the economic restructuring in several countries created a more market-oriented behaviour and is slowly developing more entrepreneurship among firms.

As regards the social situation, all countries were affected by the breakdown of social services, mainly health and education, due to the collapse of the Soviet regime (and aggravated during the transition period). Moreover, practically all the countries saw an upsurge of poverty, estimated to concern almost 20% of the population and affecting mostly children, youth and old people. In some countries, a large spectrum of the population lives below the poverty line, in particular in regions with large numbers of refugees and internally displaced persons. Because poverty was initially viewed as temporary phenomena, specific policies and programmes dealing with that problem were

¹ Russia and Ukraine play a main role in this evolution as they have 80% of NIS trade.

lacking. Increased poverty led to the increase of income inequalities and reduced access to health and education. Moreover, women have been more affected by job cuts or forced to abandon their jobs to take care of children because of the dismantling of public care systems. Other serious problems are an important decline in fertility, the spread of diseases in particular tuberculosis and AIDS, as well as the decline of life expectancy, in particular among men. Criminal activity and corruption also rose to levels that deter foreign investment and economic development.

The state of the environment also shows worrying trends. The centralised command economy, heavy industrialisation, concentration of population in urban areas and lack of attention to environmental problems created huge problems. Practically all countries suffer from the lack of safe and clean water as well as sanitation. There are increased levels of emissions to air and waste generation. The NIS represent more than 10% of the world's carbon dioxide emissions: Russia and Ukraine are larger emitters of carbon dioxide, with respectively 7% and 1.75% of the world total. Many NIS have an important share of protected areas that need to be preserved (around 10% of the world's total). For the western NIS (Ukraine, Russia, Moldova and Belarus), air pollution in urban areas, water pollution, hazardous waste, loss of biodiversity, depletion of forests resources and oil spillage from pipelines are major problems. For the Caucasus and Central Asia countries, land degradation and water management is the main concern. Groundwater is polluted by agriculture and mining activities while oil spillage is a problem in oil producing countries. In addition, the environmental and health conditions of the basins of several regional seas have deteriorated with negative impacts on economic activity.

The transition to a market economy has made significant advances in most NIS countries (exceptions being Belarus and Turkmenistan and to a lesser extent Uzbekistan) but it also reveals drawbacks. Measures taken for reforming the economy and the institutions were often faced with institutional and administrative barriers. As shown by the EBRD transition indicators (see table in *annex 2*) progress achieved with privatisation (namely of small scale enterprises), liberalisation of prices and the trade and foreign exchange systems must be balanced against weaker performance as regards governance, competition policy and the restructuring of enterprises and financial services. In fact, most countries focused first on liberalisation and privatisation leaving behind the development of an institutional framework that supports markets and private enterprises. This is the reason why the reform process in some NIS countries has sometimes slowed down or even gone backwards. However, 2002 transition indicators show improvements in economic governance in several countries, suggesting that most NIS countries might be able to move forward, in spite of the partial or incomplete reforms that delayed progress during the first decade of transition.

Common and shared challenges faced by the partner states

As indicated above, the NIS can not be considered as an homogenous group of countries. However, they have inherited similar structures from the Soviet Union and face common and shared challenges in the short and medium terms. In general, they all need to: ensure sustainable economic growth in order to fight poverty and improve the living standards; pursue essential political and economic reforms, and promote institutional modernisation; promote increased integration with global and regional economies; improve significantly social, health and environmental conditions; combat terrorism, organised crime, corruption and other illegal activities; and work together to improve migration management and asylum.

Interstate and regional cooperation or measures with a regional approach can have an important role in addressing these challenges. In other circumstances, measures developed and implemented at national level are best placed to deal with those challenges.

In the case of global challenges, issues of a transboundary nature or where there are real threats of conflict, it is clear that solutions cannot be found just on a national basis. They require joint action from the concerned countries; in these cases interstate and regional cooperation is particularly relevant. This is particularly the case of many environmental problems faced by the NIS, including the management of natural resources and supply and transport of energy resources. Joint action is also appropriate for the promotion of intra-NIS trade and improved cross-border management, including the development of ICT and information society, essential for meeting the challenges of globalisation and promoting the integration of NIS economies in global and regional markets. Similarly, international terrorism and organised crime, including trafficking on drugs and other illicit materials, trafficking and smuggling of persons, should be tackled through regional cooperation. Combating illegal migration, sound management of migratory flows and improved asylum systems are also a common challenge.

To address other common challenges, such as political, social and economic reform, poverty, development of civil society and human resources, measures carried out at national level are appropriate, although in certain cases regional approaches can provide economies of scale and gains in efficiency. There are also close links between these common challenges and the ones mentioned above: addressing environment, natural resources, promotion of trade, supply and transport of energy resources, etc., should contribute to poverty reduction and economic and social development; combating of organised crime and international terrorism is essential for creating a stable political and economic institutional framework. That also means that these challenges cannot be dealt in isolation. An appropriate policy mix is essential to ensure that pursuing different sectoral policy objectives would not lead to contradictory results, for instance by integrating environment, economic and social and political concerns.

3.2. Assessment of apparent willingness of partners countries to cooperate among themselves

NIS countries are members and participate in the activities of several regional organisations or structures. Some of these concern mainly the NIS countries and have been created in order to foster cooperation between specific sub-regions or focusing on specific issues: The Commonwealth of Independent States (CIS), the Euroasian Economic Community (EAEC), the Central Asia Cooperation Organisation (CACO), the Economic Cooperation Organisation, the Shanghai Cooperation Organisation (SCO), the Central Asia Union, the Russia-Belarus Union, the Georgia, Ukraine, Azerbaijan and Moldova initiative (GUAM), etc.² Other organisations include EU members, candidate countries and other third countries and relate in particular to border regions between the NIS and EU or candidate countries: the Council of Baltic Sea States (CBSS), the Barents Euro-Arctic Council (BEAC), the Arctic Council (AC), the Black Sea Economic Co-operation (BSEC) and the Central European Initiative (CEI).

The above list of regional organisations (for more details, see *Annex 3*) proves that most NIS countries are willing to participate in regional cooperation not withstanding persisting threats of regional conflicts. The driving forces of such cooperation are certainly different

² Russia Belarus, Ukraine and Kazakhstan agreed on creating a new Organisation of Regional Integration.

when taking into account political and geostrategic motivations. Several of the selected fields of cooperation are addressed by several organisations, such as trade, transport, energy, environment, customs, telecommunications and the fight against international terrorism and illegal activities.

In relation to several of these fields of cooperation, initiatives exist that encourage interstate cooperation among the NIS or with the EU and Central and Southeast European countries, often with Tacis support, such as the Environment for Europe Process, the Traceca Multilateral Agreement, the Inogate Umbrella Agreement and the Agreement on Cooperation of CIS Member States in Combating Illegal Migration.

4. Overview of past, ongoing and planned cooperation

Out of the total Tacis programme of approximately €5 208 million between 1992 and 2002, €484.57 million (9.3%) was allocated to the Regional/Interstate Cooperation Programme. This overview provides information on this Tacis programme and other Community policy instruments and programmes. It also identifies ongoing and planned cooperation developed by Member States and other donors in these areas. Finally, it briefly addresses lessons learned from past experience.

4.1. Past and ongoing EC support and cooperation

Tacis Regional/Interstate Cooperation Programme

The Interstate Cooperation Programme started in 1992. Approximately 120 projects were financed from 1992 to 2002. In the first phase (1992-1995), the programme covered several sectors: networks, environment (including sustainable management of natural resources), enterprise development, human resources, financial services, agriculture and Tacis facilities, including policy and legal advice. Since 1996, it has concentrated on three areas - networks, environment and justice and home affairs (see *tables 1* and *2*) – while support to other activities (human resources, enterprise development, financial services, etc) was moved to the national programmes, including the Small Projects Programmes (see *response strategy below and annex 5*):

- In environment, the main focus has been on water issues, in particular the regional seas, followed by support to environmental policy and plans, environmental education and awareness and environmental NGOs (through the Regional Environmental Centres).
- As for networks, the assistance has focused on the Inogate and Traceca programmes. Inogate mainly supports priority investments in oil and gas infrastructure together with audits of rehabilitation/modernisation of existing gas and oil transport networks and feasibility studies for oil and gas pipelines. As regards Traceca, support was split between technical assistance (horizontal, legal and trade facilitation activities) and investment, in particular rehabilitation and maintenance of railways, roads and ports.
- As far as Justice and Home Affairs is concerned, the assistance has concentrated on combating organised crime, in particular drug trafficking, followed by border management.

Increased support to Justice and Home Affairs and environment in recent years shows the growing importance of these issues both in global terms and in EU relations with the NIS.

Table 1 – Regional /Interstate Cooperation Programme: allocation 1992-2001 by main areas (million €)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Total
Networks	11.5	20.0	10.0	14.5	27.5	22.5	26.8	19.0	22.47	10.0	9.0	193.27 (39.9%)
Environment	4.0	12.0	-	12.0	12.5	12.0	10.5	8.5	11.0	18.0	16.5	117.0 (24.1%)
Justice and home affairs					0.5	3.0	3.0	3.5	7.0	10.0	11.5	38.5 (8.0%)
Enterprise development	4.0	15.0	5.0	4.0								28.0 (5.8%)
Human resources financial services	7.5	20.0	17.0	23.0								67.5 (13.9%)
Other	1.63	5.0	15.0	12.5	1.5	2.5	1.7		0.5			40.3 (8.3%)
Total	28.6	72.0	47.0	66.0	42.0	40.0	42.0	31.0	40.970	38.0	37.0	484.57

Source: Tacis Interstate and Regional Cooperation Action programmes

Table 2 - Main activities addressed in the Tacis Regional Cooperation Programme (million €)

	1992-1999 APs	2000-2002 APs	Total
Traceca,	86.3	23.1	109.4
----of which technical assistance	37.5	19.9	57.4
----of which investment-related	49.1	3.2	52.3
Inogate,	47.6	17.0	64.6
---- of which audits, feasibility studies, institutional support	22.3	17.0	39.3
---- of which investments in oil & gas infrastructures	25.3	-	25.3
Water	28.3	21.0	49.3
----of which Regional Seas	24.3	21.0	45.0
Environmental policy, plans, education, awareness	18.9	6.0	24.9
Regional Environmental Centres	5.9	6.0	11.9
Joint Environment Programme (investment preparation)	5.0	7.0	12.0
Combating organised crime	8.7	17.6	26.3
----of which drug trafficking	4.5	12.1	16.6
----of which trafficking in human beings	0.5	5.5	6.0
----of which money laundering	3.7	-	3.7
Border management	0.9	8.4	9.3
Asylum and migration	0.2	2.1	2.3

Source: Tacis Interstate and Regional Cooperation Action programmes

Some components of the Interstate Programme have been the subject of external evaluations: TRACECA in 1998, INOGATE and environment in 2000. While recognising the high relevance of the issues addressed and of the Community leadership and success in the promotion of regional cooperation, these evaluations stressed the need of a stronger policy framework and an adequate institutional capacity to support project development and implementation and improve effectiveness. Better involvement of stakeholders and the private sector and more attention to investment as a catalyst to leverage IFI funds was considered as essential for raising the impact of the Programme. More complementarity with the national programmes and increased ownership were also highlighted as ways of achieving greater efficiency in the implementation of those programmes.

Related EC policies and instruments

In the context of **energy policy**, the Green Paper « Towards a European strategy for the security of energy supply » has highlighted the need for an enhanced producer-consumer dialogue including the NIS countries. Co-operation has been strengthened in the last years through the EU-Russia energy dialogue and the development of contacts with producer and transit countries in the framework of the PCA. The Synergy programme has provided some technical assistance to support the reform and modernisation of the energy sector in the NIS. In 2001 and 2002, the programme focused on security of supply and energy efficiency in the context of the fulfilment of the Kyoto commitments. These priorities are also proposed for the international part (COOPENER) of the new energy action programme “Intelligent Energy for Europe” (2003-2006). As regards **transport policy**, the main objective has been to link the transport networks of the NIS with the European TEN-T network through the alignment with the TRACECA routes and the Pan-European Corridors.

Cooperation in the field of **environmental policy** has been developed through the existing PCA sub-committees on environment with Russia and Ukraine and multilaterally, through the “Environment for Europe process” (see above), as well as through global, regional and sub-regional conventions, networks and initiatives. In this context, the Commission funds the Environmental Action Programme (EAP) Task Force. The Commission also funded small programmes regarding the Northern Dimension, climate change, cleaner production, environmental impact assessment, as well as work on urban air quality in Georgia and Moldova.

Several programmes have been developed within EC competence in the field of **justice and home affairs**. One project identified the needs and strategies to fight corruption and organised crime in 10 candidate countries, Russia, Ukraine, Moldova and Georgia. The Democracy and Human Rights budget line that covers all the NIS, includes the promotion and strengthening of the rule of law, independence of the judiciary and human prison system, promotion of good governance and combating corruption. An observatory was created for cross-border cooperation and assistance for the internal and external border regions of the EU, including strong involvement of regional and local levels. Some of the NIS countries have participated in EU funded seminars on asylum in the framework of the Odysseus programme. Moldova, as a member of the Stability Pact for South Eastern Europe, participates in the Partnership Programme on Migration and Asylum.

Lessons learned from support under Tacis and other EC instruments

Tacis Regional support has been an important instrument for promoting regional cooperation and collaborative action between governments, institutions and civil society of the NIS. This kind of assistance has proved to be suitable for addressing areas, which require cooperative action from several countries. Moreover, where the challenges and the problems could be a source of conflict (e.g. water), regional projects may contribute to conflict prevention, helping and encouraging governments to find common solutions to them.

However, it should be noted that the implementation of the programmes cannot benefit of a single regional interlocutor as may be the case for other regions for which the EU has developed a common regional approach (Mediterranean, Balkans, etc.). Moreover, past experience with the implementation of the projects has shown that success of the programmes is dependent on:

- the degree of ownership and high-level political support in the partner states as well as the commitment of the direct beneficiaries (especially in Central Asia, the element of political will has proven to be of crucial importance);
- the existence of an appropriate policy framework and the institutional capacity for supporting the implementation of the projects;
- the involvement of all key actors and stakeholders in the development and implementation of the projects;
- the level of co-financing from other donors and private companies as well as the financial participation of the beneficiary countries.

In addition, the need for better coordination with other Community assistance instruments and with other policy areas as well as ensuring the complementarity between the assistance provided by this programme, the national programmes and the activities developed by other donors has been recognised.

4.2. Other donors

As far as other donors (including Member States, IFIs and other organisations) are concerned, assistance to the NIS is mainly provided through bilateral cooperation. In some cases strategy papers have been prepared addressing a regional or sub-regional context. For instance, UNDP has developed a regional strategy for the European region in addition to the national strategies, the UK developed strategy papers in relation to the Caucasus and to Central Asia and the World Bank complemented the work on individual countries' Poverty Reduction Strategies and Country Assistance Strategies with regional and sectoral-based strategies covering Central and Eastern Europe and Central Asia (ECA region). Denmark has also developed strategy papers for environmental assistance in Eastern Europe.

Below is a brief description of ongoing and planned assistance provided by different donors in the fields of environment, energy, transport, telecommunications, justice and home affairs. More detailed information is available in *Annex 3*.

Environment and sustainable management of natural resources

Several multilateral and bilateral donors provide technical assistance or finance investments in the field of environment and natural resources management. Water is certainly the most important focal area.

Assistance to water issues focus on regional seas (Black, Caspian and Aral Seas) and water supply and sanitation. As regards the regional seas, the Global Environmental Facility is the most important donor (together with Tacis) with investment and technical assistance projects to the three seas implemented mainly by UNDP and the WB (funds available for the three seas represent more than \$100 million). Other donors supporting the regional seas are the Asian Development Bank (Aral Sea), USAID (Black and Aral Seas), Canada (Black Sea), Japan (Caspian Sea), Norway (Caspian Sea), UK (Caspian Sea) and the private sector (Caspian Sea). As far as water supply and sanitation is concerned, investment projects have been developed by EBRD and WB in several NIS countries. Denmark, Sweden, Finland and UK also focus on this area. In addition, both the WB and USAID finance studies and other technical assistance regarding the management of water resources, including development of legislation and collection of data. Finally, USAID, UNDP and UK provide technical assistance to projects on transboundary rivers.

Other environment and natural resources issues covered are forest resources and biodiversity (GEF, WB, USAID and Germany), waste management (EBRD), integrated pollution systems (WB), Green House Gas (GHG) emissions inventory (USAID), eco-industries/environmental management systems (USAID), the Regional Environmental Centres (USAID, Asian Development Bank) and sustainable harvesting of medicinal plants, eco-tourism and mountain development (Swiss Agency for Development and Cooperation).

Cooperation in the fields of energy, transport and telecommunications

Energy assistance provided by multilateral and bilateral donors focus on restructuring, rehabilitation and modernisation of different energy sectors as well as energy efficiency and conservation. In this area EBRD, WB, USAID and the Asian Development Bank have financed the restructuring, rehabilitation and modernisation of power plants and district heating. They have also financed restructuring of the oil, gas and coal sectors (World Bank in Russia). Projects were also developed by USAID and the EBRD for restructuring of the electricity sector. Financing of energy efficiency and energy conservation has been provided by EBRD, WB and USAID. Projects on energy renewable sources (hydro projects, wind power) were also supported by USAID.

Support to the transport sector is mainly provided by the EBRD, WB and the Asian Development Bank through financing transport infrastructure, in particular roads, railways, ports and airports. In addition, EBRD has started a policy dialogue on railways restructuring with Russia. USAID supports a project on the control of air space in Georgia.

As regards telecommunications, assistance is provided by EBRD to Georgia, Armenia, Ukraine, Russia, Kazakhstan and Tajikistan helping these countries developing the regulatory framework and independent telecommunications authorities or regulators and the privatisation of the Ukrainian operator.

Justice and Home Affairs

The United States is with the EC the largest donor in the entire region. EU Member States finance some justice and home affairs projects, particularly focussing either on trafficking in human beings or drug trafficking. Sweden is providing bilateral support to migration and asylum to Russia, Ukraine and Belarus. International Organisations in the region, such as the UNODCCP, UNHCR, IOM, ICMPD and the OSCE, strongly depend on EC or US funding.

It should be noted that the priorities of the EU and other donors have however not always coincided with those of the NIS countries: while donors have been interested in strengthening the western borders of NIS countries in order to stem the flow of illegal migrants from moving further west, the priority of the NIS countries has been to reduce the flow of illegal migrants entering through their eastern borders. This clash of priorities is particularly evident in Russia, which is both an entry and exit point for illegal migrants.

5. Response strategy

While the bulk of Tacis support to the NIS is provided by the national programmes, the Tacis Regional Cooperation Programme complements that national approach through assistance to interstate and regional activities addressing common and shared challenges.

In building the regional cooperation strategy, it is essential to take account of the:

- Objectives set out in the Tacis Regulation and other documents;
- Transboundary and common challenges and the willingness of countries to work together and address these challenges;
- Objectives and activities at national level set out in the national strategy papers;
- Lessons learned from regional cooperation past programmes.

In particular it is imperative to have:

- A forward looking approach, reflecting current and future needs, including when pursuing existing activities;
- Focus on a few core priorities, addressing not more than three of the six areas cooperation foreseen in the Tacis Regulation;
- Improved partner state ownership, through better involvement of the partner states and key stakeholders in the design and implementation of the activities, in order to get political support and the commitment of direct beneficiaries;
- Effective participation of civil society in programme activities, in particular in the environmental field.
- Consideration for different interlocutors in the region and the need of an appropriate policy frameworks and institutional capacity for a successful implementation of the programme;
- Improved coordination and complementarity with other donors and with the national programmes, ensuring that there is no overlap and that Tacis assistance is well coordinated, and when possible in close cooperation with other donors in order to achieve efficiency and effectiveness in the use of financial resources, including, where appropriate, the co-financing of projects.

Taking account of the above and in order to get a greater impact of our funding, the Tacis Regional Cooperation Programme will focus on **three key themes**, which are part of **three areas of Annex II of Tacis Regulation**: support for institutional, legal and administration reform; development of infrastructure networks; promotion of environmental protection and management of natural resources.

The three themes covered by the **Regional Cooperation Programme** are:

- **Sustainable management of natural resources**, focusing mainly on water issues. Additional support is provided to biodiversity and sustainable use of forest resources and climate change;
- **Promoting trade and investment flows**, addressing interstate cooperation in the fields of energy, transport and the promotion of information society, including the Inogate and Traceca programmes;
- **Justice and home affairs**, focusing on enhancing integrated border management, improving migration and asylum management and combating organised crime and international terrorism.

It should also be noted that a series of Tacis programmes under the designation of Small Projects Programmes (SPPs) also address common and shared challenges faced by the NIS. These programmes are developed under a common approach but they are funded from and support activities in the national programmes, thus not aiming at the encouragement of regional cooperation. A description of these programmes is included in *annex 5*.

Coordination and complementarity with the national programmes and other donors

Regional cooperation will cover areas which are, in general, not addressed by the national programmes (*see table 3*). In the few cases where the national programmes include activities in the areas selected by the Regional Cooperation Programme, these are activities of a national nature or are indirectly related to the areas proposed in this response strategy. There are however close similarities with the priorities selected in the Central Asia Indicative Programme 2002-2004 as this programme includes sub-regional cooperation.

Tacis assistance foreseen in this response strategy is complementary to the support foreseen by the other Tacis national programmes, although very close coordination must be ensured during project identification with respect to activities that would benefit the Central Asia countries.

Table 3 - Complementarity with the Tacis National Programmes 2004-2006 and Regional Central Asia 2002-2004

(*X* indicates assistance in this area and *y* in a related area)

	Russia	Ukraine	Moldova (4)	Belarus	Arzeib.	Armenia	Georgia	Central Asia
Natural Resources	<i>y</i> (1)	<i>y</i> (3)			<i>Y</i> (5)			
---Water	<i>X</i>							<i>X</i>
---Biodiversity/forest								<i>X</i>
---Climate change								<i>X</i>
Promoting trade & investment flows	<i>y</i> (1)							
---Energy		<i>X</i>				<i>X</i>		<i>X</i>
---Transport								<i>X</i>
---Telecom/Info Soc.						<i>y</i> (7)		
Justice and home affairs	<i>y</i> (2)						<i>y</i> (8)	
---Combating organised crime and international terrorism	<i>X</i>	<i>X</i>						
---Enhancing integrated border management		<i>X</i>						<i>X</i>
---Illegal migration and asylum	<i>X</i>	<i>X</i>				<i>Y</i> (6)		<i>X</i>

(1) Includes support to policy dialogue on sustainable development, energy, transport and telecommunications

(2) Includes support to the judicial reform

(3) Includes eventual support to harmonisation of environmental legislation as well as to water and other environment related projects under the municipal investment support programme and regional development activities in Ukraine

(4) The Moldova national indicative programme will be developed later.

(5) Includes support to strengthening the capacity on the Ministry of Environment in Azerbaijan

(6) Includes support modernisation demilitarised border guards and use customs to combat people trafficking

(7) Includes support to vocational training in the area of information technologies

(8) Includes support to judicial cooperation and law enforcement

As far as the assistance provided by other donors is concerned (*see table 4*):

- Sustainable management of natural resources: other donors, in particular IFIs are very active providing investment support to water. Tacis action must be closely coordinated with these donors, in particular in leveraging investment from IFIs through support to investment preparation and other activities not covered by IFIs. The two other areas are much less covered by other donors; Tacis can play a leading role here;
- Promoting trade and investment flows: close coordination with other donors is also necessary, although most of the support provided by other donors relate to activities at a national level;
- Justice and home affairs: Tacis is a main donor but coordination is necessary with other donors (USAID) and organisations active in this area (namely UN agencies).

Table 4 - Coordination with other donors assistance

(**X** indicates a main support and **x** some support in this area)

	EBRD	WB	ADB	GEF/ UNDP	USAID	D	DK	UK	Other MS	Other countries
Natural Resources										
---Water	X	X	X	X	X	X	X	X		x
---Biodiversity/Forest		X			X					
---Climate change					x					
Promoting trade & investment flows										
---Energy	X	X	X		X					
---Transport	X	X			x					
---Telecom/Info Soc.	X									
Justice and home affairs										
---Combating organised crime and international terrorism					X					
---Enhancing integrated border management					X					
---Illegal migration and asylum									x	

Finally, Tacis assistance while reflecting different needs of the partner states and the objectives of different EU policies (trade, conflict prevention, environment, energy, transport, justice and home affairs, etc), also tries to ensure coherence between different policy objectives, for instance by stressing the need to integrate broader environment, economic, social and political concerns in the selected priority areas.

6. The Regional Cooperation Indicative Programme 2004-2006

The Regional Cooperation Programme will consist of three thematic areas:

- **Sustainable management of natural resources**, including in particular water issues, biodiversity and sustainable use of forest resources as well as climate change;
- **Promoting trade and investment flows**, addressing in particular interstate cooperation in the fields of energy, transport and the promotion of information society;
- **Justice and home affairs**, including combating organised crime and international terrorism, enhancing integrated border management and improving migration and asylum management

6.1. Sustainable Management of Natural Resources

Background and justification

Much of the negative environmental situation in the NIS is due to overexploitation, misuse and pollution of natural resources (water, forest and energy resources as well as other raw materials). This may be aggravated by the current economic recovery, unless measures are taken to decouple environmental degradation from economic growth, which can only be achieved by a more sustainable and efficient use of resources.

These concerns receive increased attention at international and national levels. The Johannesburg World Summit on Sustainable Development (WSSD) placed as a top priority “protecting and managing the natural resource base of economic and social development” in order to reverse the current trend in natural resource degradation. Specific targets were adopted in relation to clean water and sanitation, loss of bio-diversity and renewable energy resources. It also emphasised commitments and obligations resulting from the Climate Change Convention and the Kyoto Protocol. Sustainable management of natural resources and climate change are also main priorities of the EU’s sustainable development strategy and is getting higher on the NIS policy agenda. The Kiev Environment Ministerial Conference dedicates a special attention to these issues. Moreover, EU initiatives on water and energy were tabled at Johannesburg, including a specific EU-NIS strategic partnership on water.

Focusing on sustainable management of natural resources and increased resource efficiency allows better targeting of Tacis assistance and increases ownership and visibility. It promotes a more preventive approach and contributes to stability and security, as the competition for natural resources, in particular water, is a potential source for conflict in Central Asia and South Caucasus. It also contributes for achieving important commitments agreed at the Johannesburg Summit and the Kiev Ministerial Conference. In order to increase effectiveness and national visibility, more emphasis should be placed on supporting investment-related activities, both large and small-scale investments, in cooperation with other donors.

Complementarity with the Tacis national programmes and Central Asia programme:

Sustainable management of natural resources or wider environment cooperation are not a priority area in any of the national programmes. However, some national programmes foresee support for developing the bilateral policy dialogue on these issues (Russia), strengthening the capacity of the Ministry of Environment (Azerbaijan) and strengthening national environmental legislation, aiming for harmonisation with EU standards (Ukraine,

Azerbaijan, Russia). Water might also be addressed under the Municipal Investment Support Programme for Russia . As far as the Central Asia Programme is concerned, environmental activities are part of the regional cooperation component of the programme, concerning water resources (Aral Sea), Kyoto Protocol mechanisms and the Central Asia Regional Environmental Centre. This assistance is considered to be an additional support to Central Asia countries on activities already started under the Regional Cooperation Programme.

General objective:

Progress towards sustainable use of natural resources and increased resource efficiency, in particular as regards water, forests and energy, improving environment and health conditions, while fostering economic development and contributing to stability and security

The role of civil society

Civil society involvement is essential for delivering results in this thematic area. The Regional Environmental Centres in the NIS countries have an important role ensuring, where appropriate, the participation of civil society in the programmes described below.

Indicative budget and key components:

The indicative budget for this thematic area is €50 million, spread over water (70%, €35 million), biodiversity and sustainable management of forest resources (16%, €8 million) and climate change (14%, €7 million).

Water

(70%, €35 million)

Specific objectives

- Johannesburg WSSD and MDG targets: halving by 2015 the proportion of people not having access to safe drinking water and adequate sanitation and developing by 2005 integrated water resources and water efficiency plans
- Implementation of the EU-NIS partnership on water for sustainable development
- Reduced pollution and improved quality of shared water sources, such as transboundary rivers and lakes, and protect the marine environment of regional seas
- Leveraged investment from IFI and participation of the private sector in the water sector of the NIS

Description of Programmes:

- Development in close cooperation with IFIs of a water investment support instrument for the development of feasibility studies and the identification, preparation of large water investment projects (including possible co-financing of investments, where appropriate) as well as supporting small scale investments and pilot projects. This instrument should build on existing examples of cooperation with the IFIs, in particular the JEP programme and other relevant instruments implemented by the IFIs and contribute to the transfer of knowledge and exchange of experience regarding investment financing in the water sector. It should also contribute to existing programmes regarding the Black, Caspian, Aral and Azov Seas, transboundary rivers as

well as water supply and sanitation, both in urban and rural areas. Project prioritisation will be carried out in close cooperation with IFI and other main donors, based on assessment of urgent needs, identification of hot spots and commitment from partner states.

- Assist the NIS countries in developing plans for integrated water resources and water efficiency, including, as appropriate, harmonisation with EU standards in this area. Exchange of experiences regarding integrated water management as successfully implemented in EU countries, including twinning between EU and NIS countries institutions/organisations.

Expected results:

- Accomplishment of water-related targets and commitments set at the Johannesburg WSSD and follow-up of the Kiev Environment Ministerial Conference
- More efficient use of water resources, increased quality of water supply, increased access to sanitation, reduced health impacts, in particular water-borne diseases, reduced levels of pollution of shared water resources, increased levels of fish stocks.
- Increase in the level of investment in the water sector in the NIS countries

Indicators

- Proportion of population with sustainable access to improved water resources in urban and rural areas (**MDG**)³
- Proportion of population with sustainable access to adequate sanitation (**MDG**)
- Proportion of population affected by water-borne diseases
- Level of main pollutants in regional seas and transboundary rivers
- Level of fish stocks, especially sturgeon and other sensitive species.
- Number of investment projects and value on the investment made in the water sector

Conditionality

Support to these programmes is dependent on a real commitment from the partner states to implement decisions taken at the Johannesburg Summit and the Kiev Environmental Conference, as well as willingness to cooperate with other NIS countries.

Biodiversity and sustainable management of forest resources

(16%, €8 million)

Specific objectives:

- Johannesburg WSSD target: achieve by 2010 a significant reduction in the current rate of loss of biological diversity and land degradation
- Implementation of the UN Conventions on Biological Diversity and to Combat Desertification and the Proposals for Action developed under the UN Intergovernmental Panel on Forests and the Intergovernmental Forum on Forests
- Prevent depletion and degradation of forest resources and illegal logging

³ “MDG” means Millennium Development Goal Indicator; “sustainable access” means at least 20 liters a day; unimproved includes vendors, tanker trucks, and unprotected wells and springs

- Combat poverty and reduce pressures and threats of conflict in transboundary regions

Description of Programmes

- Promote regional initiatives addressing hot spot transboundary areas and the development of regional ecological corridors, including transboundary mountain ecosystems, to enable compliance with commitments from the relevant international regional processes, such as the Pan European Biological and Landscape Strategy
- Support the development of regional cooperation activities and partnerships for developing responsible and sustainable forest management (in sensitive transboundary areas), including cooperation between private and public sectors, local communities and NGOs.
- Exchange of best practices and capacity building for the development of supportive policy frameworks for the conservation and sustainable use of forests, including certification and demonstration and pilot projects.

Expected results

- Progress towards the achievement of targets and commitments set at Johannesburg in relation to biodiversity and forest management and the follow-up of the Kiev Environment Ministerial Conference
- Reverse current deforestation trends and establish plans for an effective sustainable management of forest resources

Indicators

- Ratio of area protected to maintain biological diversity to surface area (**MDG**)
- Proportion of land area covered by forests (**MDG**)
- Number of cases of illegal logging (brought to trial)

Conditionality

Support to these programmes is dependent on a commitment from the partner states to implement decisions taken at the Johannesburg Summit and the Kiev Environmental Conference, as well as willingness to cooperate with other NIS countries.

Climate change

(14%, €7 million)

Specific objectives:

- Reduction of greenhouse emissions and mitigation of climate change in NIS countries
- Compliance with UN Framework Climate Change Convention and the Kyoto Protocol
- Implementation of Joint Implementation and Clean Development Mechanism projects developed by EU countries and benefiting the NIS countries
- Improvement of energy efficiency

Description of Programmes

- Support to build the necessary capacity within NIS countries to enable them to comply with the commitments of the Climate Change Convention and benefit from the Kyoto Protocol flexible mechanisms, in particular:
 - The development of tools for an effective participation in the Kyoto Protocol flexible mechanisms (Emissions Trading, Joint Implementation and Clean Development Mechanism)
 - The development of Joint Implementation and Clean Development Mechanism projects for the transfer of environmental technology, including cleaner production pilot and demonstration projects that improve energy and materials efficiency and contribute to reduction of Green House Gas emissions.

Expected results

- Increased institutional capacity for monitoring of, and reporting on green house gas emissions in accordance with the Revised IPCC Guidelines for National Greenhouse Gas Inventories and the Common Reporting Format for inventories as recommended by the UNFCCC
- Mutual recognition of domestic emissions trading schemes with the view of implementing Article 17 of the Kyoto Protocol and an emissions trading mechanism between the EU and NIS having an emission target in Annex B of the Kyoto Protocol
- Real reduction of the level of Green House Gas emissions

Indicators

- Carbon dioxide emissions per capita (**MDG**)
- Level of Green House Gas (GHG) emissions
- Energy use (Kg oil equivalent) per \$1 GDP (**MDG**)
- Proportion of population using solid fuels (**MDG**)
- Submission of annual inventories and National Communications to the UNFCCC Secretariat
- Number of Joint Implementation and Clean Development Mechanism projects benefiting NIS countries

Conditionality

Support to these programmes is conditional on effective progress towards the ratification by partner states of the Kyoto Protocol and a commitment to implement decisions taken at the Johannesburg Summit and the Kiev Environmental Conference, as well as willingness to cooperate with other NIS countries.

6.2. Promoting Trade and Investment Flows

Background and justification

The challenges of globalisation and the need for integration of NIS economies into world markets require the development of network infrastructure in the NIS. The Tacis Regional Cooperation Programme has been providing assistance for this purpose. However, support has been restricted to the Traceca and Inogate programmes and focused mainly on

Southern Caucasus and Central Asia. NIS partners have also expressed interest in support for other activities in the fields of transport, energy, telecommunications and information society. Increased cooperation in these fields is essential to overcome important obstacles to economic development and encourage increased trade and investment flows.

Activities with wider impacts and potential for intensified regional cooperation, including, where appropriate, harmonisation with EU standards and rules, should be prioritised. Special attention is needed as regards security and safety aspects as well as environment and health impacts. These are priorities for the EU but they are also highly relevant for the NIS as they are bound by commitments in international and regional conventions and agreements. Moreover, harmonisation with EU standards becomes necessary in order to facilitate trade flows and avoid barriers to trade. Reliable statistics showing trends in these sectors are also essential.

While there is a huge need for investment in infrastructure development and modernisation in these areas, the limited Tacis resources should not generally be used for direct investment. The main aim should be to leverage IFIs investment and promote private sector involvement. Direct financing of infrastructure should be selective and address urgent, transboundary black spots. Sharing EU experiences and implementing EU plans developed in specific sectors through regional activities addressing specific groups of NIS (sub-regions) can provide an important contribution to the reform and modernisation of the targeted sector.

Finally, although proposals for potential focus of the assistance are already included in this programme, identification of concrete activities will result from the strategic and programming studies that have been launched to assess potential cooperation in the fields of energy, transport and telecommunications. When necessary the suggested focus might be updated in a future revision of this Indicative Programme.

Complementarity with the Tacis national programmes and Central Asia programme:

Cooperation in the fields of energy, transport, telecommunications and information society is not a selected area of cooperation in the national programmes. However, support is envisaged for the reform of the energy sector in Ukraine, including energy conservation and promotion of renewable energies, and in Armenia, as well as support to vocational training in the area of information technologies in Armenia. As far as the Central Asia programme is concerned, the regional cooperation component of the programme will include assistance to the reform of energy policy and the power sector, installation of a monitoring system for gas networks, as well as provision of policy advice in relation to the implementation and enforcement of international agreements, European technical standards and inter-operability of railways.

General Objective:

Progress in co-operation between NIS in the fields of energy, transport and telecommunications in order to facilitate and increase trade and investment flows, enhanced security and safety, reduced health and environmental impacts of existing energy and transport networks, as well as improved statistical information on those sectors

Indicative budget and key components:

The indicative budget for this thematic area is €50 million, spread over oil and gas networks (36%, €18 million), transport cooperation (44%, €22 million), promotion of information society (20%, €10 million)

Oil and Gas Networks

(36%, €18 million)

Specific objectives:

- Development of rationalised and facilitated interstate oil and gas transportation systems, contributing to the implementation of the Inogate Umbrella Agreement,
- Improvement of security and safety of the transport of gas and oil, in particular from Russia and the wider Caspian Basin to Europe, taking account of economic and environmental importance of this sector and its importance for EU energy supplies
- Promotion of IFIs investment and private sector involvement and progress on modernisation and reform in these areas

Description of Programmes:

- Activities will be prioritised on the basis of results of ongoing studies on respectively the future orientation of Inogate and on the satellite monitoring, accident prevention and security of gas transport
- Support should aim to strengthen regional cooperation in the framework of Inogate and harmonisation with EU standards (e.g. introduction of safety and environment standards and of personnel certification systems in oil and gas industry) and assist the beneficiary countries to trigger increased support from the IFIs to the sector

Expected results

- Increased operational safety and reliability, and reduced environmental impacts, of the NIS oil and gas transport systems to the EU
- Reduction of spills from pipelines in the NIS
- Progress of reforms in the gas and oil sectors in the NIS
- Increased IFI financing in this sector

Indicators

- Number of spills from pipelines in the NIS
- Introduction of modern maintenance principles and operation in the oil and gas transmission systems of the NIS
- Quantifiable progress in the operation of the hydrocarbon and gas transmission system in the NIS in terms of safety and environmental concerns

Conditionality

Commitment from the partner states to implement the Inogate Umbrella Agreement and willingness to co-operate with other NIS countries and to contribute with necessary funds for maintenance and operations of the oil and gas distribution system as well as commitment to reforms in the oil and gas sector.

Transport cooperation

(44%, €22 million)

Specific objectives:

- Improved links between existing transport corridors in the NIS, such as the Traceca, and the links between these corridors and the relevant Pan European Corridors
- Increased intra-NIS trade flows
- Improved safety, security, economic and environmental performance in different transport modes
- Leveraged IFI investment and the involvement of private sector

Description of programmes

- Establishment of a coherent corridor management system, including Traceca, the Black Sea PETRA and the relevant Pan European Corridors and taking into account the links with other transport corridors in the NIS and links with the Trans-European Transport Network (TEN-T). Development in that context of multi-annual business plans that prioritise activities and distinguish between EU support, beneficiary countries contributions and IFI or other donor financing. Tacis assistance should focus on the harmonisation of core technical, safety, security and environmental standards and urgent measures to tackle border bottlenecks, including financing of selective small-scale investments.
- Beyond the transport corridors, promote harmonisation of legislation, standards, rules and procedures, including interoperability, in different modes of transport, where appropriate with EU standards and rules. Special attention should be dedicated to improved safety and security of air transport, in particular as regards harmonisation between European safety (e.g. JAR) and environment (noise, engine emissions) standards and NIS standards, as well as to the establishment of the appropriate regulatory environment ensuring implementation and enforcement. As regards railways, consideration can be given to promotion of railway interoperability, including harmonisation with EU technical, safety and environmental standards. Finally, in the case of maritime transport, priority should be given to improve the maritime safety record in the Baltic Sea, the Black Sea and the Caspian Sea, to tackle maritime oil spills and to enhance safety of maritime energy transportation.
- Promote investment by IFIs in the transport field, particularly in Central Asia, by assisting in the identification and preparation of investment projects through existing facilities.

Expected results

- Enhanced efficiency of supported transport corridors in the NIS and higher freight volume
- Easier mobility of persons and goods between the NIS countries and between NIS countries and the EU or candidate countries

- Reduced environmental and health impacts and the number of transport accidents
- Increased levels of investment from IFIs and developed private-public partnerships

Indicators

- Volume of freight transported in supported NIS transport corridors
- Volume of passenger transported by the different modes of transport
- Volume and share of intra-NIS trade and trade between NIS and the EU
- Number of accidents
- Level of pollution coming from cars, vessels, ships and aeroplanes
- Maritime safety record of the countries in the region

Conditionality

Partner states willingness to cooperate with other NIS countries and to contribute with national funding for the financing of investment projects and institutional bodies. Compliance with international norms as regards technical/operating, safety and environmental standards and commitment to implementation of agreed transport corridor management plans.

Development of e-plans and implementation of Information Society

(20%, €10 million)

Specific objectives

- Strengthened government and private sector plans for the promotion of the Information Society, including development of e-plans.
- Increased use of new technology by government, businesses and citizens, including the development of strategies for e-Government.
- Leveraged domestic and foreign investment in the telecommunications and Information Society markets.
- Regional cooperation for inter-operability of networks (including research networks) and services, including e-commerce services

Description of programmes

- Assist governments in the NIS in policy making and the establishment of realistic plans for their development of the Information Society.
- Advise relevant institutions and actors in the NIS on the importance of the Information Society, and encourage their active participation for its planned development.
- Promote the development of the ICT and telecommunications sector in the NIS and advise government officials on relevant legislation.
- Support regional co-operation on developing cross-border electronic commerce in the region.

Expected results

- Improved awareness amongst key actors in government and the private sector of ways of attracting investments into the telecommunications and Information Society sectors;
- Improved policies for the development and management of these sectors
- Increased application of ICT and electronic communication including e-commerce services in the public and private sector
- Improved planning for the development of the Information society

Indicators

- Personal computers in use per 1000 inhabitants (**MDG**)
- Internet users per 1000 inhabitants (**MDG**)
- Number of e-Government services which are made available to the citizen
- Percentage of transactions done through e-commerce
- Value of investment dedicated to telecommunications and Information Society sectors

Conditionality

Partner states willingness to cooperate with other NIS countries and commitment to the development of information society.

6.3 Justice and Home Affairs

Background and justification

The EU is committed by international conventions and resolutions of the UN Security Council to support efforts in the global fight against organised crime and terrorism. Cooperation with third countries on migration and asylum is another priority area of the EU. Support to third countries is one of the key elements of this policy. Increased cooperation on Justice and Home Affairs requires evidently that the human rights aspects are respected (ECHR, ICCPR) and are consistently included in the programmes. Support to the NIS region is focused on three areas: international borders, migration and organised crime.

After the collapse of the Soviet Union, the formerly internal administrative borders were replaced by **international borders**. After enlargement, the Western NIS will become the EU's new direct neighbours. Intra-NIS borders are porous and badly controlled due to the very limited resources of the border guards. At the same time, the transition towards market economy and democracy means a changed role for *inter alia* border guards, which so far has not been turned into reality.

The geographic location of the NIS between Europe and Asia, the weak institutional capacity of the NIS authorities to manage migration, the absence of appropriate legislation, and the high level of corruption have all contributed to make this region a convenient route for **migration** (both legal and illegal). The scarce financial resources and the weak human rights record in the NIS, notably in the countries of Central Asia, constitute risks in particular with regard to treatment of asylum seekers and migrants.

The social and economic changes since 1990 have been conducive to the growth of **organised crime**. There is no effective legal provision in most of the NIS yet for investigating money laundering. Criminal developments in the NIS are influenced by

external factors such as the unstable situation in Afghanistan, linked to drug production as well as trafficking routes for drugs and human beings from or through the region. Criminal and terrorist organisations take advantage of inadequate legal, judicial and law enforcement structures, porous borders as well as endemic corruption among state officials.

Tacis support in this area started and was almost entirely restricted to the Regional Programme but it is now also part of the different national programmes. This is justified by the very high priority given to this area both in the EU and the NIS, including the need to take into account the impacts of enlargement and the aftermath of 11 September 2002.

Complementarity with the Tacis national programmes and Central Asia programme

Assistance in the field of justice and home affairs is also foreseen under the national and the Central Asia Programmes. Support to combating organised crime, asylum and migration as well as judicial reform are important components of the Russia and Ukraine programmes (building on the EU Action Plan on Justice and Home Affairs on Ukraine). Judicial reform and law enforcement will also be addressed by the Georgia Programme.. Border management is included in the Ukraine and Central Asia programmes, the later concentrating on the Ferghana valley. The Central Asia programme supports combating drug trafficking, building on the Central Asian Drugs Action Plan.

In this context, the Regional Cooperation Programme provides complementary assistance to what is foreseen in the national or Central Asia programmes. Since enlargement requires particular attention to the future neighbours, assistance on border management, migration and asylum and combating drug trafficking will in addition be provided to Belarus and Moldova. The Southern Caucasus will benefit from the continuation of the anti-drugs programme. Central Asia will receive additional support on border management - focussing on areas which are not covered by the Central Asian Programme - as well as on migration and asylum in order to complement border management activities.

General Objective

To combat organised crime (money laundering, drug trafficking, trafficking in human beings) and international terrorism, enhance border management and strengthen migration and asylum systems in the NIS.

Indicative budget and key components:

The indicative budget for this thematic area is €49 million, spread over integrated border management (55%, €27 million) improving migration and asylum management (20%, €10 million) and combating organised crime and terrorism (25%, €12 million).

Enhancing Integrated Border Management

(55%, €27 million)

Specific Objectives:

- The creation of an integrated border management system in Belarus, Moldova and in Central Asia (in particular Kyrgyzstan and Tajikistan), aiming at reducing illegal migration flows and trafficking in human beings as well as smuggling of illegal migrants into the territory of the NIS and towards the EU;

- Intensified cross-border cooperation between Ukraine, Moldova, Belarus and the new MSs along the enlarged EU border.

Description of programmes:

- Focus will be placed on (i) capacity building of border and customs authorities; (ii) establishing improved systems for the management of illegal migration at the borders; (iii) promoting cross-border and regional cooperation and exchange of information between relevant law enforcement bodies (such as the Söderköping process); (iv) developing comprehensive data transmission and radio communication networks.

Expected Results:

- Enhanced (i) technical capacity, including data and radio communication networks; and (ii) professional skills of border and customs guards, including improved knowledge of international law and human rights as well as anti-corruption aspects;
- Improved regional and cross-border cooperation, in particular within the Central Asian Border Guards Training programme.

Indicators:

- Equipment and infrastructure, including data and radio communication networks available for border and customs guards;
- Training sessions with border and customs guards;
- Increased number of detected, apprehended and returned illegal migrants;
- Respect international law and human rights in performing their duties.

Improving Migration and Asylum Management

(20%, €10 million)

Specific Objectives:

- National migration authorities in Belarus, Moldova, Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan able to be more effective in managing migration and in providing protection to asylum seekers and refugees
- Enhanced cooperation at regional level in the field of asylum and migration with a view to managing migratory movements through the NIS

Description of programmes:

- Focus will be placed on strengthening the capacity of migration authorities to manage asylum and migration flows and address the issue of statelessness. This includes (i) improving the legislative framework; (ii) ensuring access to the territory of the concerned NIS for persons in need of international protection ("first contact" standards); (iii) procedural protection including strengthening reception systems; taking into account special needs of vulnerable groups such as children and women; (iv) enhancing respect for refugees' rights and striving for durable solutions, integration into society, for recognised refugees, *i.a.* through support to concerned NGOs; (v) support implementation of international standards related to return of rejected asylum seekers; and (vi) support the CIS Conference and follow-up process in view of managing migratory flows at regional level.

Expected results:

- Improved legislative framework and strengthened structures of functioning asylum and migration management systems more in line with the EU standards.
- Contribute to a better understanding and improved cooperation related to management of migratory flows in the NIS including aspects such as illegal migration, asylum, refugee protection, international law and human rights, asylum and return, etc. through the CIS Conference Process.

Indicators:

- Number of asylum seekers admitted into the territory, existence of an effective and efficient refugee status determination procedure in line with international standards, number of asylum seekers whose claims are being examined, increased level of awareness of refugee issues among the general public, number of refugees integrated into society.

Combating Organised Crime and International Terrorism

(25%, €12 million)

Specific Objectives:

- Implementation of UNSCR 1373 (2001) on combating international terrorism and its financial resources;
- Combating organised crime and international terrorism, including notable drug trafficking in line with EUs strategy paper on the external aspects of the fight against drugs.
- Improvement of the capacity in the Southern Caucasus and the Western NIS to address drug trafficking and drug abuse along the heroin route from the "Golden Crescent" (especially Afghanistan) towards the NIS;
- Combat trafficking in human beings for the purposes of sexual and labour exploitation;
- Adequate anti-money laundering systems and procedures meeting international standards in Belarus and Kazakhstan, including the establishment of effective Financial Intelligence Units.

Description of programmes:

- Focus will be placed on the (i) improvement of the relevant legislation; (ii) capacity building aimed at judicial, law enforcement and - in the context of money laundering - financial sector staff and NGOs; (iii) promotion of cross-border and regional cooperation and exchange of information; (iv) creation of governmental/NGO networks; (v) prevention, demand reduction, rehabilitation and treatment of drug addicts; and (vi) prevention, return, rehabilitation and reintegration assistance to victims of trafficking (support for temporary accommodation/safety shelters, provision of legal, medical and psychological services, etc.).

Expected results:

- Increased effectiveness of combating organised crime as mentioned above as well as adequate treatment and support to victims of trafficking and drug addicts;
- Enhanced (i) technical capabilities; and (ii) professional skills of judicial staff, law enforcement and financial sector staff, as well as NGOs dealing with victims of crime and the treatment of drug addicts.

Indicators:

- Infrastructure and technical equipment for judicial and law enforcement bodies as well as temporary accommodation facilities for victims of trafficking are in place. Technical equipment provided to relevant NGOs;
- Training sessions with judges, prosecutors, law enforcement staff, financial sector staff and NGOs have been carried out;
- Increased number of returned and reintegrated victims of trafficking and treated drug addicts.

Conditionality, risks and assumptions (regarding the three areas)

The ownership of the process by the NIS is of particular importance. Partner governments and authorities should be ready to cooperate regionally and, where appropriate and necessary, to reform their law enforcement agencies which could necessitate the reallocating of tasks and funds. Key personnel will have to be appointed and made available to attend to and follow up the projects' implementation and should remain in their positions for at least the duration of the projects.

Ownership and common interest in sustainability are key. This means close involvement of national authorities and ensuring that financial allocations are made in the national budget to cover maintenance cost, for example for the refurbished/established reception and detention centres etc. Project implementation will also depend on the readiness of the EU Member States to support the actions with staff and expertise.

FINANCIAL ENVELOPPE

REGIONAL COOPERATION INDICATIVE PROGRAMME 2004-2006	Share	Budget (€ millions)
Sustainable Management of Natural Resources		50
<ul style="list-style-type: none"> • Water • Biodiversity and sustainable management of forest resources • Climate change 	70% 16% 14%	35 8 7
Promoting Trade and Investment Flows		50
<ul style="list-style-type: none"> • Oil and gas networks • Transport cooperation • Development of e-plans and implementation of information society 	36% 44% 20%	18 22 10
Justice and Home Affairs		49
<ul style="list-style-type: none"> • Enhancing integrated border management • Improving migration and asylum management • Combating organised crime and international terrorism 	55% 20% 25%	27 10 12
Total		149

Map of the Region



Basic indicators

	Population			Area 1000km ²	GDP Billion US\$ 2001 (ranking)	GNI Per capita US\$ - 2001 (ranking)	HDI Human Development Index - 2000 (ranking)	Trade Share (%) of imports/ exports in GDP - 2000	FDI Net inflows million US\$ 2001
	Total Million 2001	Density 1999	Total Estimates 2015						
Armenia	3.8	135	3.8	30	2.0 (131)	560 (154)	0.754 (76)	51-23	70
Azerbaijan	8.1	92	8.7	87	5.7 (101)	650 (147)	0.741 (88)	38-43	227
Belarus	10.0	49	9.7	208	12.1 (75)	1190 (128)	0.788 (56)	69-68	104
Georgia	5.0	78	4.8	70	3.1 (122)	620 (150)	0.748 (81)	47-37	110
Kazakhstan	14.8	6	16.0	2 717	22.6 (57)	1 360 (120)	0.750 (79)	47-59	2 760
Kyrgyzstan	5.0	25	5.8	199	1.5 (139)	280 (181)	0.712 (102)	55-43	25
Moldova	4.3	130	4.2	34	1.5 (140)	380 (168)	0.701 (105)	77-53	149
Russia	144.8	9	133.3	17 075	310.9 (16)	1 750 (107)	0.781 (60)	25-46	2 469
Tajikistan	6.2	44	7.1	143	1.1 (143)	197 (170)	0.667 (112)	85-81	9
Turkmenistan	5.3	10	6.1	488	5.9 (99)	990 (133)	0.741 (87)	53-63	---
Ukraine	49.1	86	43.3	604	37.6 (54)	720 (143)	0.748 (80)	57-61	792
Uzbekistan	25.1	59	30.6	447	11.3 (77)	550 (155)	0.727 (95)	39-44	70
NIS	281.5	12	273.4		359.7	851			+/- 7000
World		49	7 207	133 572	31 315	5 170	0.722		CEE+Baltic 21 741

Source: UNDP Human Development Report 2002; World Bank Development Indicators 2002

Economic, social, environmental and transition indicators

GDP, industrial output and exports growth rates

	GDP growth rates			Real GDP (1989=100)		Industrial output growth rates	Real gross Industrial output (1989=100)	Exports Growth rates
	2000	2001	2002/2003 (off. forecast)	1998	2001	2000	2001	2000
NIS	8.3	6.2	4.5/4.5	54.0	64.9	9.6	63.4	46.0
Armenia	5.9	9.6	6/6	58.6	70.3	6.4	49.2	22.5
Azerbaijan	11.1	9.9	8.5/7.5	43.6	57.1	6.9	31.4	235.7
Belarus	5.8	4.1	6-7/7	79.4	90.4	8.0	109.1	29.4
Georgia	1.9	4.5	3.5/4	30.3	33.3	6.1	16.9	50.3
Kazakhstan	9.8	13.5	7-8/6	60.9	78.0	14.6	65.3	76.7
Kyrgyzstan	5.4	5.3	1-2/5-6	63.9	73.5	6.0	43.7	10.6
Moldova	2.1	6.1	5-6/5	34.4	36.0	2.3	40.1	2.9
Russia	9.0	5.0	4.2/3.5-4.4	55.9	67.4	9.0	59.9	49.5
Tajikistan	8.3	10.2	8/6	32.0	39.5	10.3	47.3	13.5
Turkmenistan	17.6	20.5	18/16	65.0	107.7	25.0	106.9	92.0
Ukraine	5.9	9.1	5/4	39.4	45.4	12.9	65.5	23.9
Uzbekistan	4.0	4.5	2-3/3	89.9	102.0	6.4	135.4	-2.9

Source: UN/ECE Economic Survey of Europe, 2002-N°2

Unemployment, inflation, productivity rates, government/current account balances

	Unemployment rate		Inflation rate		Labour productivity	Consolidated government balance (per cent GDP)	Current account balance (\$ million)
	2000	2001	2000	2001	2000	2000	2001
NIS	7.0	6.2	...	...	...	...	32 962
Armenia	10.9	9.8	-0.8	3.2	7.5	-5.2	-196
Azerbaijan	1.2	1.3	1.8	1.5	6.9	-2.2	-52
Belarus	2.1	2.3	168.9	61.4	8.4	-0.2	-281
Georgia	...	...	4.2	4.6	...	-4.6	-211
Kazakhstan	3.7	2.8	13.4	8.5	...	0.8	-1 749
Kyrgyzstan	3.1	3.1	18.7	7.0	7.5	-1.2	-16
Moldova	1.8	1.7	31.3	9.8	9.5	-1.9	-100
Russia	9.8	8.7	20.8	21.6	6.7	2.7	34 575
Tajikistan	3.0	2.6	32.9	38.6	18.9	-3.0	-160
Turkmenistan	...	...	...	...	...	...	...
Ukraine	4.2	3.7	28.2	12.0	15.5	-	1 402
Uzbekistan	0.6	...	24.9	...	...	...	50

Source: UN/ECE Economic Survey of Europe, 2002-N°2

Intra-NIS trade and trade with non-NIS countries

	Exports: value 1999 (billion USD)			Imports: value 1999 (billion USD)			Exports: value 2001 (billion USD)			Imports: value 2001 (billion USD)		
	Total	Intra-NIS	Non-NIS	Total	Intra-NIS	Non-NIS	Total	Intra-NIS	Non-NIS	Total	Intra-NIS	Non-NIS
Total NIS	104.2	21.9	82.3	62.0	24.4	37.0	143.5	29.9	113.6	81.7	32.9	48.8
-of which Russia	73.7	10.9	62.8	31.0	8.8	22.2	100.6	14.4	86.2	41.2	11.1	30.1
-of which Ukraine	11.6	3.3	8.3	11.8	6.7	5.1	16.3	4.7	11.6	15.8	8.9	6.9

Source: UN/ECE Economic Survey of Europe, 2002-N°2

Poverty, distribution of income, fertility rate, diseases and life expectancy

	Population below poverty line		Distribution of income (GINI Index)	Fertility rate		Tuberculosis (per 100.000) 1997	HIV/AIDS (persons) 1997	Life expectancy (years)	
	National (% people)	International (\$ 2 day)		1990	1995-2000			1970-75	1995-2000
Armenia				2.3	1.3	28.9	<100	72.5	70.5
Azerbaijan	68.1			3.2	2.0	60.5	<100	69.0	69.9
Belarus	22.5	> 2	21.7	2.0	1.3	56.4	9 000	71.5	68.0
Georgia	11.1			2.3	1.3	155.4	<100	69.2	72.7
Kazakhstan	34.6	15.3	35.4	2.9	2.0	101.4	2 500	64.4	67.6
Kyrgyzstan	40.0		40.5	4.1	2.8	119.3	<100	63.1	67.6
Moldova	23.3	31.9	34.4	2.4	1.7	65.4	2 500	64.8	67.5
Russia	30.9	25.1	48.7	1.9	1.2	82.3	40 000	68.2	66.6
Tajikistan				5.6	3.4	30.7	<100	63.4	67.2
Turkmenistan		59.0	40.8	4.9	2.9	79.3	<100	60.7	65.4
Ukraine	3.17	23.7	32.5	2.0	1.3	52.9	110 000	70.1	68.8
Uzbekistan		26.5	33.8	4.8	2.8	54.8	<100	64.2	67.5
NIS									
ECE +NIS						67.6	185 700		

Source: WB World Development Report 2000/2001 and UNDP Human Development Report 2000

Environmental challenges and issues

	Water		Protected areas (nat.)	Carbon dioxide emissions			GDP per unit energy use
	Annual freshwater withdrawals % total resources	Access water sources: % popul. urban/rural	Thousands km ² % land area	Total Million metric tons	Share world total %	Per capita Metric tones	1999 (PPP \$US / Kg oil equivalent)
Armenia	27.9		2.1 (7.4)	3.7	-	1.0	
Azerbaijan	54.6		4.8 (5.5)	30.1	0.1	4.0	1.6
Belarus	4.7		8.6 (4.1)	61.8	0.3	6.0	2.9
Georgia	5.5		1.9 (2.7)	3.0	-	0.6	4.8
Kazakhstan	30.7		73.4 (2.7)	174.1	0.7	10.4	2.1
Kyrgyzstan	94.9	93/42	6.9 (3.6)	6.1	-	1.4	5.0
Moldova	25.3	98/18	0.4 (1.2)	12.1	0.1	2.7	3.2
Russia	1.7		516.7 (3.1)	1 582.1	6.6	10.7	1.9
Tajikistan	14.9	86/32	5.9 (4.2)				1.9
Turkmenistan	52.3	80/5	19.8 (4.2)	34.3	0.	8.3	1.2
Ukraine	18.6	77/12	9.0 (1.6)	397.9	1.7	7.7	1.2
Uzbekistan	63.4	72/46	8.2 (2.0)	95.1	0.4	4.1	1.1
NIS							
World			8 543	22.443		4.1	4.4

Source: WB World Development Report 2001/2 and UNDP Human Development Report 2000/2

EBRD transition indicators⁴

Countries	Private share of GDP (mid 2001) EBRD est. %	Large-scale privatisation	Small-scale privatisation	Governance & enterprise restructuring	Price liberalisation	Trade and foreign exchange system	Competition policy	Banking reform & interest rates	Securities markets & non-bank financial resources	Infrastructure reform
Armenia	70	3+	4-	2+	3	4	2	2+	2	2+
Azerbaijan	60	2	4-	2	3	4-	2	2+	2-	2-
Belarus	20	1	2	1	2	2+	2	2-	2	1+
Georgia	65	3+	4	2	3+	4+	2	2+	2-	2+
Kazakhstan	65	3	4	2	3	3+	2	3-	2+	2
Kyrgyzstan	60	3	4	2	3	4	2	2+	2	1+
Moldova	50	3	3+	2	3+	4+	2	2+	2	2
Russia	70	3+	4	2+	3	3	2+	2	2+	2
Tajikistan	50	2+	4-	2-	3	3+	2-	2-	1	1+
Turkmenistan	25	1	2	1	2	1	1	1	1	1
Ukraine	65	3	4-	2	3	3	2+	2+	2	2
Uzbekistan	45	3-	3	2-	2	2-	2	2-	2	2-

Source: EBRD Transition Report 2002

⁴ The EBRD has developed a set of transition indicator measuring progress in transition in each individual country. The measurement ranges from 1 (little or no change from rigidly planned economy) to 4+ (similar with the situation in an industrialised market economy).

Regional and sub-regional organisations

Organisations concerning the NIS countries and in certain cases other Asian neighbouring countries:

- The Commonwealth of Independent States, established in 1991 by all members of the former Soviet Union. Cooperation in different areas is addressed in meetings of Interstate Committees.
- The Euroasian Economic Community (EAEC), created in 1995 as a Customs Union by Belarus, Russia Federation, Kazakhstan, Kyrgyzstan and Tajikistan
- The Central Asia Cooperation Organisation (CACO), created in 1994, initially as Central Asian Economic Community (CAEC), to promote regional cooperation between Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan in the fields of trade, environment and transport.
- The Economic Cooperation Organisation, created in 1985 to promote economic, technical and cultural Co-operation between Azerbaijan, Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan, Turkey, Afghanistan, Iran and Pakistan.
- The Shanghai Cooperation Organisation (SCO), created in and renamed in 2001, to promote cooperation between the Russia Federation, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and China with regard to border management and the fight against terrorism and extremism.
- The Central Asian Union, created in 1994 as a regional integration organisation, originally comprised of Kazakhstan, Kyrgyzstan, and Uzbekistan, later joined by Tajikistan. Activity seems limited to periodic summits of the four presidents.
- The Russia-Belarus Union, established in 1996 to promote free trade, customs union, military integration and plans for a monetary union (in 2005).
- The Georgia, Ukraine, Azerbaijan and Moldova (GUAM) initiative created in 1997 for deepening political, and economic ties and enhance regional security, focusing in particular on transport (Traceca Corridor), energy (diversification of energy supplies) and increasingly regional security (fight against international terrorism, extremism and aggressive separatism and related illegal activities).
- The Organisation of Regional Integration, to be established in 2004, as agreed by the Presidents of Russia, Belarus, Kazakhstan, and Ukraine. Aims at creating a common economic space characterised by freedom of movement for goods and services.

Organisations including EU members, candidate countries and other third countries relating in particular to border regions between the NIS and EU and/or candidate countries:

- The Council of Baltic Sea States (CBSS), established in 1992 and focusing among other objectives, on strengthening of democracy, human rights, civil security, education, economic co-operation and environment protection. Member states: Russian Federation, Germany, Denmark, Finland, Sweden, Estonia, Latvia, Lithuania, Poland, Norway and Iceland.
- The Barents Euro-Arctic Council (BEAC), established in 1993 for promoting sustainable development in the Barents Euro-Arctic region situated in the extreme north of Europe, including economic co-operation, the environment, regional

infrastructure, educational and cultural exchange, tourism and the situation of indigenous peoples. Member states: Russian Federation, Norway, Sweden, Finland, Denmark and Island.

- The Arctic Council (AC) established 1996 and focus on the protection of the Arctic environment and sustainable development as a means of improving the economic, social and cultural well-being of the north; Member states: Russian Federation, Canada, Denmark, Finland, Iceland, Norway and the USA.
- The Black Sea Economic Co-operation (BSEC), established in 1992 and addressing a broad variety of issues including trade and investment, transport and telecommunications, environment, etc. Member states: Georgia, Russia Federation, Ukraine, Armenia, Azerbaijan, Moldova, Greece, Bulgaria, Romania, Turkey and Albania.
- The Central European Initiative, established in 1989, focus on a wider range of issues including on combating organised crime and energy. Belarus and Ukraine are members of the this organisation although most members are Central and South East European countries, including Austria and Italy from the EU.

Other initiatives encouraging interstate cooperation among the NIS and/or with the EU and Central and Southeast European countries in the fields of environment, energy, transport, and justice and home affairs:

- The Environment for Europe Process, framework for pan-European environmental cooperation aiming to promote the integration of environmental considerations into the political and economic restructuring of both NIS and CEE countries. The EU and the other UNECE member countries participate in this process. Environment Ministerial Conferences take place every 4/5 years. The Commission co-chairs the Environmental Action Programme (EAP) Task Force, established to promote policy reform and institution building in the region.
- The Traceca Multilateral Agreement, which created a framework for cooperation along the Central Asia-Caucasus-Eastern Europe transport corridor between 10 NIS countries, Bulgaria, Romania and Turkey. Within this framework, it was created an Inter-Governmental Commission, consisting of governmental authorities from the member countries, which meets once a year to decide on relevant issues related to the implementation of the Basic Agreement.
- The institutional system created in the framework of the Inogate Umbrella Agreement, which encourages cooperation between 11 NIS countries as well as Albania, Bulgaria, Croatia, Greece, Latvia, Macedonia, Romania, Slovakia, Turkey and Yugoslavia. In the context of system, Inogate working groups meet regularly to discuss specific aspects related to the implementation of the Umbrella Agreement.
- The Agreement on Cooperation of CIS Member States in Combating Illegal Migration concluded in 1998 by all NIS, except Turkmenistan, is the basis for regional cooperation and coordination in the area of immigration control, harmonisation of legislation, harmonisation of migrant return procedures and staff training as well as exchange of information on identity documents, irregular migration routes, national migration legislation, and agreements signed with third parties. On the basis of this agreement, the Chairmen of the NIS State Border Guard Committees meet regularly and discuss pattern of criminal/illegal activities. Moreover a CIS Anti-terrorism Centre in Central Asia created in 2002 provides for joint training and anti-terrorism operations among the NIS.

Support by other donors

Environment and natural resources management

In the Black Sea area, GEF developed a five-year plan including \$75 million investment fund for strengthening nutrients reduction, benefiting Russia, Moldova and Ukraine together with the other non-NIS riparian countries, a \$10 million mix loan/grant (implemented by WB) covering coastal zone management (benefiting Georgia and other NIS) emergency response and biodiversity, a \$7 million Dnipro integrated river basin, benefiting Russian, Ukraine and Belarus and a \$15 million Danube programme on nutrients reduction (benefiting Ukraine and Moldova). USAID supports small projects related to emergency response, while Canada (CIDA) contributes with \$2 million for Dnipro river basin programme.

In the Caspian Sea area, \$5.5 million GEF project (implemented by UNDP) has been supporting the Caspian Environment Programme (CEP) including the CEP secretariat, development of the transboundary diagnosis assessment (TDA), Action Plans, etc. A second GEF \$ 5/6 million project will start mid 2003 and cover biodiversity, invasive species, pollution from POP's and public participation. With impact on the Caspian Sea, GEF also finances a \$5/6 million biodiversity Volga River lower wetlands management project and \$4 million rural wetlands project in Kazakhstan. The WB provides \$2 million for financing PIP and MSGP activities and implements a \$1 million Japanese trust fund on eco-toxicity and a \$350 thousand Norwegian trust fund. UK contributes with \$500 thousand to water management in Azerbaijan. The private sector also contributes with around \$2 million to the financing of environmental projects in the Caspian Sea.

As regards the Aral Sea, a GEF has been completed. Presently USAID finances a \$4/5 million project on water management related to hydrologic data distribution and UNDP a \$500 thousand public participation project. Moreover, the World Bank and the Asian Development Bank support several projects on water management in Central Asia countries, many of them addressing or related to the Aral Sea.

Support to transboundary rivers is provided by the USAID regarding the Kura-Araks basin, covering needs assessment and collection of data and by UNDP to the Tuman river (also concerning Mongolia and Korea). UK also supports a pilot programme of river basin management in Kazakhstan.

The WB also finances studies on integrated water resources management and municipal water and waste water in Armenia, water basin management in Georgia and Germany (through RTZ) a water management project in Georgia and Azerbaijan. USAID supports in Armenia the development of a water code and upgrading water databases and in Georgia a project for improving the management of water resources, including collection and monitoring and dissemination of data and development of the legal framework and integrated management systems.

With respect to water supply and sanitation, the EBRD started the municipal infrastructure programme which includes financing of water investments in Russia (Kaliningrad and St Petersburg waste water treatment plants) and Ukraine (Kherson) which are co-financed with Tacis (St Petersburg and Kherson). It also supports in Azerbaijan the Baku water rehabilitation (together with the WB), in Moldova the Chisinau water services rehabilitation and in Turkmenistan a Dushanbe water supply and waste water project. The WB supports projects on environmental management of water supply and sanitation in

Russia, Ukraine Georgia, Kazakhstan and Tajikistan (the later with UK). UK supports with WB and ADB the rural water supply, sanitation and hygiene promotion programme in Uzbekistan while DEPA (DK) has supported water supply waste water in Ukraine together with the modernisation of the Kiev Vodokanal.

Finally because of its links to conflict prevention, water management and irrigation receives and increasing attention by OSCE and NATO and seminars/studies have dedicated to it in particular regarding the Central Asia and Caucasus regions.

On forest resources and biodiversity, WB supports projects on sustainable use of forest resources and protected areas and parks in Georgia and Armenia as well as an overview study on the Ukrainian forest sector. A GEF/WB project on biodiversity conservation of Caucasus forest ecosystems and forestry is planned in Georgia. Forest resources is the USAID priority in Russia: a \$20 million 5 years programme supports activities to raise public awareness on the need to prevent depletion of forest resources, including fire prevention and the promotion of biomass (timber waste). Germany supports the creation of a national protected park in Georgia.

As regards other environment related aspects:

- the WB assists in Ukraine the development of an integrated pollution permitting system and the evaluation in Donetsk area of persistent organic pollutants and started the identification of investment projects on climate change;
- The EBRD supports a waste management infrastructure projects in Kazakhstan (Almaty solid waste project), Russia Kaliningrad solid waste management), Azerbaijan and Ukraine;
- USAID supported in Ukraine the development of a GHG emissions inventory (not finalised), national environmental policy and capacity building and local environmental action plans, environmental impact assessments, use of economic instruments and in Russia a programme with municipalities for the promotion of eco-industries (introduction ISO14000 environmental management standards); it also supports activities of Regional Environmental Centres (Ukraine, Caucasus.....)
- The ADB supports the Central Asia Regional Environmental Centre
- the Swiss Agency for development and Cooperation supports a Caucasus environment NGO network, mountain development, eco-tourism and mountain development, promotion of organic food and sustainable methods of collection and harvesting medicinal plants.

Energy

The EBRD supported the restructuring and rehabilitation and modernisation of the power sector in Ukraine, Georgia (including financing of the Enguri hydro power plant (€54 million) and Kazakhstan and district heating projects in Russia, Ukraine, Moldova and Uzbekistan as well as the restructuring of electricity distribution companies in Armenia. It also supported energy efficiency and conservation projects in Ukraine and the energy sector in Uzbekistan as well as renewable energy and geothermal projects in Russia.

USAID supports the restructuring, privatisation, local market improvement and creation of regulatory framework in the electricity sector in Ukraine and re-establishment of a regional dialogue as well as the development of the regulatory for the electricity sector between main actors in the South-Caucasus. It also supported district heating, energy

efficiency and conservation projects in Ukraine and the rehabilitation of hydro power plants and construction of wind power plant station in Kazakhstan.

The WB, after having supported the restructuring of the oil, coal in Russia, focus now the support in this country on the restructuring of the power sector, energy efficiency and municipal heating (\$85 million loan) as well as initiating a policy dialogue on energy issues. A feasibility study was carried out regarding the pipeline of the Baltic Sea. In Armenia it will support the restructuring of the gas and heat sector. In Georgia will finance a geothermal energy project. In Ukraine it supports district heating and heat supply improvement projects.

The ADB supports reform of the energy sector in Kazakhstan and Kyrgyzstan and energy infrastructures in Tajikistan.

Transport

EBRD and the WB have financed several roads, railways and airports infrastructures in several NIS: Armenia-Georgia road connection (WB), South Caucasus railway line (EBRD, \$20 million), transcaucasian rail link in Azerbaijan (EBRD \$36 million), bridges rehabilitation in Russia, new oil terminal in Porti Port, Georgia (EBRD), Tbilisi airport refurbishment (EBRD \$11 million), hydrocarbons port in Turkmenistan (EBRD), transport infrastructures in Kazakhstan, Tajikistan and Uzbekistan (EBRD), urban transport in Kyrgyzstan (WB).

The EBRD also started a policy dialogue on railways restructuring in Russia.

USAID supports a project on the control of air space in Georgia.

ADB supports road rehabilitation and infrastructure in Kazakhstan and Kyrgyzstan and Railways infrastructures in Uzbekistan and Tajikistan.

Telecommunications

Assistance in this area is provided by EBRD to Georgia, Armenia Ukraine, Russia, Kazakhstan and Tajikistan, helping developing the regulatory framework and independent telecommunications authorities or regulators and the privatisation of the Ukrainian operator.

Justice and Home Affairs

The United States is with the Commission the largest donor in the entire region. EU Member States finance single justice and home affairs projects, particularly focussing either on trafficking in human beings or drug trafficking. Sweden is providing bilateral support on migration and asylum to Russia, Ukraine and Belarus. International Organisations in the region such as the UNODCCP, UNHCR, IOM, ICMPD and the OSCE strongly depend on EC or US funding.

It should be noted that priorities of the EU and other donors have however not always coincided with those of the NIS countries. In effect, while donors have been interested in strengthening the western borders of NIS countries in order to stem the flow of illegal migrants from moving further west, the priority of the NIS countries has been to reduce the flow of illegal migrants entering through their eastern borders. This clash of priorities is particularly evident in Russia, which is both an entry (from Kazakhstan) and exit point for illegal migrants into and from the region.

Support to the Small Projects Programmes

While a more efficient use of the financial resources is achieved by providing the bulk of Tacis support through large-scale projects, in order to address adequately the challenges faced by the NIS countries, it is necessary to complement this kind of assistance with small and medium-sized projects. Such projects make it possible to deal with a great number of organisations at local and national levels that would not be able to handle and benefit from a large-scale project, thus increasing Tacis ownership, visibility and perception among the people. Over the years, Tacis has been developing a series of programmes with such kind of support, generally called Small Projects Programmes (SPPs). Such programmes are considered to have made a valuable contribution to the overall objectives of the Tacis Programme.

These programmes have contributed to promoting the democratisation of the partner countries by encouraging a pluralistic society through exchange programmes, support to NGOs etc, supporting the development of a market economy through various enterprise support programmes, targeting in particular SMEs. They have also enable the Commission to respond to urgent requests for policy and legal advice.

The SPPs focus on challenges which are common to all the NIS but which should be better addressed through action at national level. They are funded through the allocations agreed with each partner country in the framework of discussions on their national programme and they should support and complement other activities from the national programmes.

The main themes addressed by these programmes are:

- **Human resources and education networks**, including Tempus and other education or knowledge networks;
- **Policy making and civil society**, including the Institutional Building Partnership and Policy Advise Programmes;
- **Support to investment**, in particular concerning programmes addressing SMEs and municipalities.

The following programmes are currently included in the SPPs framework:

- **The Tempus Programme**, providing up-to-date training to the academic community policy makers and the civil society in vital areas such as justice, environment and public service development. Joint European projects implemented by partnerships between universities in the EU and the NIS countries are also encouraged as well as mobility grants for teachers and administrative staff of higher education institutes.
- **The Managers Training Programme**, providing training in the form of internships in EU companies, together with seminars on management issues and practices, EU Business and industrial policies and EU integration in order to develop a business management capacity and a management training capacity in the NIS countries.

- **The Policy Advice Programme**, providing for short term policy and legal advice to high level decision making bodies in the NIS countries. The principal areas of activity are: PCA implementation and WTO accession, macroeconomic policy, financial services, social policy, institutions building, legal advice and environmental policy.
- **The Institution Building Partnership Programme**, building capacity of key public institutions which play a critical role in the transition process, either executive (Ministries, national agencies), legislative or regulatory bodies and supporting civil society and local initiatives, including NGOs, professional associations, cities and regional or local organisations. These actions are developed through a partnership with organisations from the EU which similar goals and are faced with similar problems as those from the NIS countries.
- **Investment Support Facility**, to finance technical assistance in the preparation and implementation of investment and loan programmes, focusing on the following areas:
 - **The Municipal Investment Support Programme**, assisting municipalities in the redefinition of their relationship with the utility company and in designing an investment strategy in order to become financially viable market oriented utilities, as well as in the preparation of bankable projects, including development of investment plans, training of management and staff, assessment of creditworthiness of the utility company and the municipality and preparation of technical dossiers outlining urgent investments that are able to upgrade the service and quality and raise the revenues of the company.
 - **The SMEs Investment Support Programme**, providing advice and assistance to SMEs in relation to the development of business and financing plans, effective implementation of sound management rules as well as providing local and financial intermediaries with training on risk evaluation of SMEs, monitoring and portfolio management. Development of innovative SME financing schemes (e.g. leasing) can also be envisaged taking into account the limitations of the Tacis Regulation.