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COMMISSION STAFF WORKING PAPER

2002 Annual Progress Report

On the implementation of the

Northern Dimension Action Plan

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2002 Annual Progress Report On the implementation of the Northern Dimension Action Plan

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Introduction

The « Full Report on Northern Dimension Policies »¹ endorsed by the Gothenburg European Council in June 2001 asked the European Commission to produce “[...] *Annual Progress Reports to take stock of the implementation of the Action Plan and further development of the ND initiative [...] at the end of each year, beginning in 2002*”.

The principal objective of the 2002 Progress Report is to give an overview of the most important steps taken in the last months by the European Commission to implement the Northern Dimension Action Plan² endorsed by the European Council meeting in Feira (Portugal) in June 2000.

The present document principally represents an update of the information on the implementation of the Action Plan provided by the Commission at the Ministerial Conference on the Northern Dimension that took place in Luxembourg on 9 April 2001³.

The text is divided into thematic sectors. Each section features the main overall policy objectives at the beginning, followed by elements on types of activities and examples of concrete projects.

The information provided in the following pages only covers the initiatives carried out – or currently underway – by the European Commission, and does not touch on bilateral or regional activities carried forward by other Northern Dimension partners. Looking to the future, it would certainly be helpful if partners could provide such information with a view to preparing a more comprehensive report.

The information provided by this report covers activities underway as of 31 October 2002.

¹ 9804/01, 12 June 2001. The Report was prepared by the Swedish Presidency, in co-operation with the Commission. Available at: http://europa.eu.int/comm/external_relations/north_dim/doc/full_report.pdf

² “Action Plan for the Northern Dimension with external and cross-border policies of the European Union 2000-2003”, 9401/00, 13 June 2000.

Available at: http://europa.eu.int/comm/external_relations/north_dim/ndap/06_00_en.pdf.

³ European Commission, Commission Staff Working Paper “Northern Dimension - Meeting of Foreign Ministers, Luxembourg 9 April 2001”, SEC (2001) 552, 29.03.2001; European Commission “A Northern Dimension for the Policies of the Union: an inventory of current activities”, April 2001. Both documents available at: http://europa.eu.int/comm/external_relations/north_dim/doc/index.htm.

1. The Political Framework

Bilateral and multilateral dialogue with Northern Dimension partners has been carried out in the last months by the European Commission. The importance of such a dialogue has been recognised several times by European Councils, especially in the perspective of the upcoming EU enlargement.

The Commission's very intensive co-operation with the EU Candidate Countries continues. It is based on the Europe Agreements and the Accession Partnerships. The three specific pre-accession funds Phare, ISPA and Sapard, plus other Community programmes, contribute financially.

The political dialogue within the framework of the Northern Dimension has been carried out extensively in the past months, in several different contexts.

- At EU level, the European Councils which took place in Gothenburg (June 2001) and Barcelona (March 2002) recognised the importance of the Northern Dimension, providing guidance for the further development of the initiative. This support is duly reflected by the Conclusions of the two Councils⁴.

- In close co-operation with the Swedish Presidency of the first semester 2001, the Commission organised a Ministerial Conference on the Northern Dimension, which took place in Luxembourg on 9 April 2001⁵.

- The Commission co-operated with the Swedish Presidency on the *Full Report on Northern Dimension Policies* that was endorsed by the European Council of Gothenburg in June 2001.

- Starting from July 2002, the Commission has started a comprehensive reflection on the implementation of the current ND Action Plan and on the preparations for the new one. In this context, the Commission has drafted, in close co-operation with the Danish Presidency, a non-paper entitled "The Northern Dimension after Enlargement"⁶. This text was discussed at the Ministerial Meeting on the Northern Dimension that took place in Ilulissat (Greenland) on 28 August 2002 and which constituted the first high-level opportunity to start the debate on the future Northern Dimension Action Plan.

⁴ For the texts of the Conclusions (only the paragraphs concerning the Northern Dimension): http://europa.eu.int/comm/external_relations/north_dim/doc/index.htm.

⁵ All the Commission documents prepared for the Luxembourg Conference can be found at: http://europa.eu.int/comm/external_relations/north_dim/conf/formin2/index.htm.

⁶ Available at: <http://www.eu2002.dk/ewebeditpro2/upload/OW.StaticContent/282/Precidency-Commission%20paper%20dated%2012.7.02.pdf>

In the follow up to the Ilulissat Conference, the Commission made an important contribution to the drafting of the "Guidelines for a new Action Plan". This document was discussed and endorsed by the 3rd Ministerial Conference on the Northern Dimension that took place in Luxembourg on 21 October 2002.

Bilateral Relations

Russian Federation

Northern Dimension-related themes have been extensively discussed with the Russian Federation in the last months. At top political level, the EU-Russia Summits held last year (17 May 2001, 3 October 2001, 29 May 2002) addressed major ND issues such as environment, nuclear safety in Northwest Russia, Justice and Home affairs, Kaliningrad, Enlargement, Regional Co-operation and Economic development. The importance paid to Northern Dimension issues is duly reflected by the Conclusions issued at the end of each of these Summits⁷.

Other sectoral themes relevant to the Northern Dimension have been discussed within the appropriate frameworks (Co-operation Councils, Co-operation committees and Sub-committees). Information on the progress in sectoral areas of EU-Russia relations affecting the Northern Dimension is given in the following pages.

Unfortunately, little progress has been made in the last year on one of the most important multilateral framework involving the Russia Federation and several Western donors: the Multilateral Nuclear Environmental Programme for the Russia Federation (MNEPR). This framework agreement, which will provide an adequate legal framework for nuclear-related projects to be implemented mainly in Northwest Russia, has not yet been concluded, despite the diplomatic efforts made by all parties involved. However, the discussions continue, and it is hoped that the MNEPR can be concluded soon.

Canada

In the Joint Statement at the Summit in Ottawa 16 December 1999, EU-Canada agreed to pursue expert dialogue, based on the basis of the northern dimension of their respective policies, which would engage other northern countries (Russian Federation, acceding countries in the Baltic Sea region, Norway and Iceland), draw maximum benefit from existing multilateral and regional fora (Arctic Council, Nordic Council Barents-Euro Arctic Council, Council for Baltic Sea States), enhance dialogue with Arctic nations. High priority was attached to the following specific co-operation themes:

- Sustainable development (management of natural resources, preserving biodiversity);
- Issues of interest to Arctic indigenous peoples;
- Environmental issues (climate change and chemical pollutants);
- Eco-efficient technology in Arctic region;

⁷ For more information on the 2001/2002 bilateral EU-Russia events:
http://europa.eu.int/comm/external_relations/russia/intro/index.htm#IV.

- Northern children/youth, education and student exchange, public health;
- Research and higher education;
- Information technology/telecommunications in the Arctic area.

Political events

EU-Canada Summit 21 June 2001, Stockholm - 1st Progress report on EU-Canada co-operation on Northern issues. (2nd report scheduled for EU-Canada Summit in Ottawa, December 2002)

Canada participated in the July 2002 pledging conference for Northern Dimension Environment Programme.

Projects

- Health telematics
This project is aimed at creating an information network regarding such issues as health maps, care networks, telemedicine and disease surveillance and control. In this context, experts from EU, Canada, Russia, Norway and US met in June 2001 in Sweden and in July 2002 in Brussels to discuss, inter alia, e-health and the implementation of e-health technologies, as well as research and development issues.
- Forest conference May 2001
An academic conference on "The Nature and Culture of Forests; the Implications of Diversity for Sustainability, Trade and Certification" was organised in May 2001 in Vancouver.

Enlargement

In the run-up to EU enlargement, the last months have been characterised by very intensive relations between the EU and Candidate countries belonging to the Northern Dimension region, namely Estonia, Latvia, Lithuania and Poland.

Major progress has been made in the most important areas of co-operation, mainly thanks to the resources provided by Community programmes such as Phare, ISPA and Sapard.

In 2001, Phare allocated € 29.3 M to Estonia, € 33.4 M to Latvia, € 103.5 M to Lithuania and € 467 M to Poland, for a total of € 634.2 M. ISPA (Instrument for Structural Policies for Pre-Accession) contribution from the 2001 budget to the four countries amounted to € 406.5 M for Poland, € 48 M for Latvia, € 29.9 M for Estonia and € 50.4 M for Lithuania. In the same year, SAPARD (Special Pre-Accession Programme for Agriculture and Rural Development) allocated € 175 M to Poland, € 30.9 M to Lithuania, € 22.6 to Latvia and € 12.6 M to Estonia⁸.

More detailed information will be provided in this document on projects and initiatives in specific sectors of co-operation.

⁸ 2002 figures for these programmes will be provided by the 2003 Progress Report.

For more information on EU Enlargement:
<http://europa.eu.int/comm/enlargement/index.htm>

For key documents on the enlargement process:
<http://europa.eu.int/comm/enlargement/report2001/index.htm#2.%20Regular%20%20Reports%202001%20for%20each%20Candidate%20Country>

Relations with Regional bodies of the Northern Dimension region

The Commission has been actively participating in the work of the three most important regional bodies of the region: the Council of the Baltic Sea States (CBSS), the Arctic Council (AC) and the Barents Euro-Arctic Council (BEAC).

Two main CBSS event took place in the last months, under Russian Chairmanship: the 11th Ministerial Session (Foreign Ministers) was held in Svetlogorsk, Kaliningrad Oblast, on 6 March 2002 and the 4th Baltic Sea States Summit (Heads of Government) in St Petersburg on 10 June 2002. Commissioners Mr C. Patten⁹ and Mr M. Barnier¹⁰ attended these meetings, respectively.

The Commission also participated in the Meeting of CBSS Ministers for Trade and Economy that took place in Moscow on 20 March 2002.

On 24 January 2002 the Commission hosted a meeting of the CBSS MFA Political Directors in Brussels. On the following day, a special session on the implementation of the Northern Dimension took place, giving the opportunity for a fruitful exchange of information between CBSS Member States and Commission services on the activities in the various sectors of the ND Action Plan.

The Commission has also been actively contributing to the work of two Task Forces established in the framework of the CBSS, on Communicable Diseases and the Fight against Organised Crime. Commission Directorates-General responsible for Health and Consumer Protection and Justice and Home Affairs, respectively, participate in the two Task Forces.

The Commission has also been following very closely the activities of the Barents Euro-Arctic Council and the Arctic Council. The Commission has been regularly participating in the Senior Officials' meetings of the three regional bodies and in some of the Working Groups created in their framework to pursue specific goals in selected sectors of activity.

⁹ The speech delivered by Commissioner C. Patten at the 11th CBSS Ministerial Session is available at: http://europa.eu.int/comm/external_relations/news/patten/sp02_98.htm.

¹⁰ Commissioner M. Barnier's speech can be found at: http://europa.eu.int/comm/commissioners/barnier/document/100602_st-petersbourg.pdf.

2. Priority Sectors

The Northern Dimension Action Plan adopted at Feira in June 2000 encompasses a number of priority sectors: Infrastructure (including Energy, Transport and Telecommunications), Environment and Natural Resources, Nuclear Safety, Public Health, Trade and Business Co-operation, Human resources and RTD, Justice and Home Affairs, Regional and Cross-Border Co-operation). While endorsing the Action Plan, the Feira European Council asked the European Commission to pay special attention to Environment and Nuclear Safety, Justice and Home Affairs (and particularly to the fight against organised crime) and Cross-Border Co-operation, including Kaliningrad.

Information concerning 2001-2002 developments in each of the Action Plan sectors is provided in the pages that follow

2.1. Infrastructure

The Northern Dimension Area is a region with vast energy resources and is very important for the supply and the transit of oil and gas to the EU. In order to secure such supply of energy, a considerable level of investment will be required, in the next few years, for the development of the energy transport infrastructures and for the exploitation of the vast gas resources of the area.

The Northern Dimension is an important aspect of the balanced development of European energy infrastructure, and is being treated as such, as evidenced in the Commission's Communication and proposals of December 2001 "European Energy Infrastructure" (COM(2001)775).

Another important aspect of the energy sector in the area is related to the structural reforms needed in view of the integration of some countries of the region into a single European energy market.

As far as transport is concerned it should be pointed out that the improvement of the Northern Dimension area's transport infrastructure is vital for the development of the economy of the region. The overall objective is to develop a multi-modal transport system improving the connections within the region and with the neighbouring countries.

Information and communication technology can play a crucial role in the development of a prosperous and sustainable Northern Dimension region. The Northern Dimension offers a platform helping to accelerate the transition to the information society in the region through closer co-operation and integration. This is however challenged by the complexities of the region, therefore there is a need for promotion of co-ordinated initiatives and increased commitment from national governments and other key actors. The Northern eDimension Action Plan (NeDAP) serves as a tool for enhancing the development in the region.

2.1.1. Energy

In the period June 2001- June 2002, a number of initiatives have been carried out relevant to the energy sector in the Northern Dimension Area, a short description of the most relevant actions is provided hereafter.

The EU Russia Energy Dialogue.

At their Summit of October 2000, the European Union and the Russian Federation decided to initiate an energy partnership. Initiatives in the following areas were envisaged: improvement of the energy legal framework, security of the transport networks, legal security for long term supplies, new energy transport infrastructures, technology co-operation and energy efficiency. Progress has been made and continues in each of these areas, as reflected in **the Joint Statement from the May 2002 EU-Russia Summit.**

In the area of - energy efficiency - a huge potential for energy saving exists in the Russian Federation amounting to an estimated annual saving of 400 Million ton oil equivalent (Mtoe), close to the overall annual gas production in Russia, which is 490 Mtoe.

In the framework of the EU-Russia Energy Dialogue it was agreed to carry out **pilot projects focused on energy efficiency in two areas of different climate, the Astrakhan and Archangels regions.** More recently **Kaliningrad** was added as the **third region for projects aiming at energy efficiency.**

Baltic Sea Region Energy Co-operation (BASREC)

In October 1999, the Energy Ministers of the Baltic Sea Region countries and the European Commission decided in their conference in Helsinki **to create the Baltic Sea Region Energy Co-operation (BASREC).** The countries participating in BASREC are Denmark, Poland, Germany, Estonia, Latvia, Lithuania, Russia, Finland, Sweden, Norway and Iceland. The European Commission is represented by the Directorate General for Energy and Transport. A group of Senior Energy Officials (GSEO) was set up to steer the activity of BASREC. The Commission participates in this group.

In December 2001, the Nordic Council of Ministers and the European Commission signed the contract, under the Synergy Programme, for the BASREC 2002 project which aims at promoting energy co-operation in the Baltic Sea Region. The project objectives are to improve security of supply and to look at measures for the implementation of the Kyoto Protocol through increased co-operation between the 11 countries in the region. A series of meetings of the GSEO was organised and a BASREC conference, on flexible mechanisms related to the Kyoto Protocol, took place on 26-28 May in St. Petersburg. An Energy Ministers conference will be held in Vilnius on 19-20 November 2002.

The development of energy co-operation in the Baltic Sea Region is clearly important for security of supply and for the development and operation of the energy market in

Europe. This is reflected in, inter alia, the identification of projects of common interest in the TEN-Energy programme and the Commission's proposals for revision of TEN Energy guidelines (COM(2001)775). The following paragraphs give examples.

BALTREL and Baltic Gas

BALTREL and Baltic Gas are two organisations of countries around the Baltic Sea aiming at increased co-operation in the energy sector. BALTREL and Baltic Gas were responsible for the study "Electricity and Gas in the Baltic Sea Region".

The first phase of the "Electricity and Gas in the Baltic Sea Region" study Baltic Gas was completed in October 2001. **The second phase of the "Electricity and Gas in the Baltic Sea Region" study BALTREL** focuses on various aspects of the electricity market. The final report of the study, expected by the end of 2002, will analyse the following issues: electricity production, exchange of electricity between the countries, security of supply, reduction of emissions, changes in market conditions and new infrastructure projects. The results of this study were presented and discussed at the conference "Towards a common electricity Market in the Baltic Sea Region", held in Helsinki on 10 September 2002

Several other studies have been approved or are ongoing in the Northern Dimension area such as: Kola Electricity Bridge, Scenarios for the Poland-Lithuania interconnector, Kaliningrad Energy Study etc.

Particularly interesting are the developments linked to the development of a Common Baltic Electricity Market (CBEM). The aim of the common electricity market is to guarantee free trade in electricity in the Baltic region, which is a **precondition of the EU internal market** directive. The first step in this respect is to create possibilities for all large users in the Baltic States to buy electricity from all electricity producers of the region.

2.1.2. Transport

The backbone of the transport infrastructures in the Northern Dimension Area is the Pan-European Transport Network. Such network consists of the following components:

- The Trans-European Transport network on the territory of the EU (TEN-T)
- The Pan-European Transport Corridors in the accession countries and in the CIS
- Pan-European Transport Area covering maritime.

The Northern Dimension involves Pan-European Transport Corridors I and IX and the Barents Euro-Arctic Pan-European Transport Area.

The budget for projects in the territory of the EU is provided by the Trans-European transport Network budget, while TACIS, ISPA, INTERREG and PHARE programmes support activities in non-EU countries.

An important aspect with huge potential impact on the transport infrastructure in the northern region is **the development of the satellite navigation system GALILEO**. The signal emitted by the network of satellites of Galileo will be received perfectly all over the world notably in the regions located at high latitudes. It should be noted that the satellite navigation systems currently in use do not have such capabilities in the extreme latitudes. **Therefore the Nordic region will take particular advantage from the full implementation of the GALILEO system.**

Pan-European Transport Corridors and Areas

Corridors I and IX cross the Northern Dimension Area.

Corridor I is a multi-modal transport link, running in a North - South direction. It starts in Helsinki (Finland) and connects Tallinn (Estonia), Riga (Latvia) and Kaunas (Lithuania). In Kaunas Corridor I split into two branches one to Warsaw and the other to Gdansk (Poland). In Kaunas Corridor I is crossed by Corridor IX.

The last Steering Committee meeting for Corridor I (Via Baltica and Rail Baltica) took place in July 2002. The second investment programme for Via Baltica (2001-2006) was presented in February 2001.

Corridor IX is the longest of the ten Pan-European multi-modal Transport Corridors. The Corridor starts in Helsinki (Finland), runs to St. Petersburg (Russia), where it splits into two branches, one running to Moscow and the second to Pskov (Russia). Both branches come together again in Kiev (Ukraine). In Ljubashevka/Rozdilna (Ukraine) the Corridor splits again. One branch runs down to Odessa (Ukraine) on the Black Sea, whereas the main line continues southwards to Chisinau (Moldova), further to Bucharest (Romania), Dimitrovgrad (Bulgaria) and ends at the Aegean Sea in the Greek port of Alexandroupolis.

Besides the above-mentioned branches there are two additional links. Both links start at the Baltic Sea, one in Kaliningrad (Russia), the second in Klaipeda (Lithuania). In Kaunas (Lithuania) both branches meet and continue via Vilnius (Lithuania) to Minsk (Belarus), where the link is connected to Corridor II, and further to Kiev (Ukraine).

The last Steering Committee meeting for development of Corridor IX (Middle Section) took place in Vilnius, Lithuania January 31 – February 1, 2002.

The Barents Euro-Arctic Pan-European Transport Area (BEATA) is a multi-modal transport network. The area covers the northern provinces of Sweden, Finland and Norway as well as the north-western part of the Russian Federation, in particular it comprises the Oblast of Murmansk and Archangels, the Republic of Karelia and the Nenets Autonomous Okrug.

The Steering Committee of this area is quite active and met on 26 September 2001 in Haparanda/Tornio (border between Sweden and Finland) another meeting took place on 4-6 February 2002 in Umeå, Northern Sweden. Sweden chaired the Steering Committee with Finland providing the permanent secretariat

Maritime transport

The Commission White Paper: "European Transport Policy for 2010" indicates that one of the objectives of maritime transportation should be the development of the **"Motorway of the Sea" network. One application of this concept could be the development of the "Motorway of the Baltic Sea"**.

An example that can be quoted in the maritime sector, for the improvement of the transport infrastructure of the Northern Dimension Area, is the project for the development of the Kaliningrad port. The TACIS project "Kaliningrad Port Development" is ongoing and an international investor conference on the "Kaliningrad Port Development" was organised in June 2002. A request for funding for the project Kaliningrad St Petersburg Port Infrastructure Upgrading (Baltic Port Development Project) has been submitted to the EBRD. The total cost of the project is 120 M€ of which 75 M€ has been asked of the EBRD.

For more information on energy and transport activities of the European Commission in the Northern Dimension region:

http://europa.eu.int/comm/dgs/energy_transport/index_en.html

More details on ISPA-funded transport projects in the region are available at:

http://europa.eu.int/comm/regional_policy/funds/ispa/ispa_en.htm

2.1.3. Information Technology – the Northern eDimension Action Plan

The initiative for the NeDAP is based on the EU's Northern Dimension and the decision of the Council of Baltic Sea States (CBSS), from 26 January 2001 to develop NeDAP in partnership with the European Commission. Several meetings i.e. the EU and partner countries Foreign Ministers' Conference 9th of April 2001 and the EU - Russia summit the 17th of May 2001, have actively supported the development of the Northern eDimension.

The Northern eDimension Action Plan, NeDAP, was adopted by the information society ministers from the Council of Baltic Sea States in September 2001 to strengthen the Baltic Sea region's position in the information society. NeDAP builds upon the EU Northern Dimension plan, eEurope and eEurope +, as well as national and regional e-initiatives. NeDAP is established as a supplement to the other plans, with special focus on **regional challenges** and **cross-border co-operation**. A major ambition is to reduce the region's east-west digital divide.

The implementation of the NeDAP objectives is co-ordinated by the **Council of Baltic Sea States' Group of Senior Officials**, the SOIS group. SOIS consists of senior officials from each participant country, and is extended with observers from the business and research community. Sweden holds the chairmanship this year.

Focus areas

6 concrete action lines with corresponding working groups are established, to facilitate the transformation of the region into the information society. A lead country (put in parenthesis) is appointed for each action line:

- High Speed Infrastructure and Research Networks (Norway)
- ICT Security (Estonia)
- eSkills (Germany and Finland)
- Electronic Commerce (Russia)
- eGovernment (Sweden)
- Indicators (Denmark)

Project proposals and activities

Since the adoption of NeDAP, progress has been made in several areas. Working groups have been established in 6 of the 7 action lines. In 2002 special focus is put on cross-border co-operation on concrete projects, with Russia as a main beneficiary.

€ 12 M is set aside for NeDAP projects through the TACIS Cross Border Cooperation programme in 2002 and 2003, along with € 2 M from Interreg III. Projects will be proposed for the TACIS committee in the following areas in 2002:

- **Eskills.** The project aims at innovating new methods and approaches to promote the application of new technologies in Russian enterprises as well as addressing the ICT skills shortages in the companies.
- **Ekarelia,** main objectives being development of a trans-border information society model in the region “Karelia” in order to stimulate economic growth and bridge the digital divide between the Russian and the Finnish part of Karelia. Special focus will be put on industrial development in the forestry and wood processing industries.
- **Indicators,** focusing on developing EU-compatible indicators implementing statistical surveys in the field of ICT, proving businesses and policy makers with a comprehensive information basis for strategic planning.

The main targets set out in the NeDAP are aimed to be achieved by 2004. A first progress report will be produced in the autumn of 2002, with an interim report being submitted at the end of 2003 and the final report presented at the end of 2004.

More information can be found at the NeDAP homepage:

<http://www.riso.ee/nordic/index.html>

2.2. Environment and Nuclear Safety

Environment constitutes a central pillar of the Northern Dimension. Over the last months, the Commission has continued to pay great attention to this sector, with several initiatives ranging from political meetings and consultations, to technical assistance and direct implementation of environmental projects.

The main priorities for the Commission's activities in the Northern Dimension region remain environmental hot spots of air and water, climate change, monitoring, cleaner production in SMEs, EIA (Environmental Impact Assessment) review mechanisms and nuclear safety.

In the Northern Dimension region, the EU is playing a central role to reduce the environmental and socio-economic risks stemming from radioactive waste, spent fuel, nuclear submarines and obsolete nuclear reactors.

Several activities have been carried out by the Commission in the past months, mainly in the Kola Peninsula and in the Archangelsk Region, where several TACIS projects have been initiated, and in Lithuania, for the Ignalina NPP.

2.2.1. Environment

The Commission – Directorate General Environment holds regular meetings with Member States, Russia as well as candidate countries on issues related to the environment and the Northern Dimension. These include:

- **Ad-hoc working group with Russia**

The Ad-hoc Working Group on Sustainable Development - was proposed by deputy-Minister of Economic Development, Dimitriev during Commissioner Wallstroem's visit to Moscow in May 2001. The EU-Russia PCA sub-committee on Environment agreed at its meeting in September 2001 to the establishment of the Working Group. In December 2001, the Commission adopted in Communication on C-operation with Russia in the field of environment. This Communication officially proposed the establishment of the Ad-hoc Working Group. The first meeting of the Ad-hoc working group will be held on the 22nd of July. The Northern Dimension and its environmental component will be discussed during the meeting.

- **Meetings with Member States**

Regular meetings are held with representatives of Member States on issues related to the Northern Dimension. For instance, on the 10th of February 2002, a meeting was organised with the Swedish and Finnish ministries of environment concerning the Northern Dimension.

- **Seminar on Northern Dimension (Moscow 11th of May 2001)**

The seminar was in the first place a stock taking event that aimed at assessing progress in implementing the environmental component of the Northern Dimension

Action Plan, but it also paid specific attention to co-operation between the EU and the Russian Federation.

Community environmental activities in Northwest Russia and the Candidate Countries.

ISPA

The **Instrument for Structural Policies for Pre-accession (ISPA)** was set up as part of Agenda 2000, and confirmed by the Luxembourg European Council of December 1997 which provided an enhanced pro-accession strategy. The role of ISPA is to support infrastructure projects in the field of transport and environment (€ 1040 M per year in 1999 prices), in *all* Candidate countries.

ISPA assistance concentrates on the "investment heavy" directives, i.e. Directives that are costly to implement, and, to deal with the worst environmental problems, on:

- drinking-water supply
- treatment of waste water
- solid-waste management
- air pollution

For more information on the ISPA Programme (including projects implemented so far):

http://europa.eu.int/comm/regional_policy/funds/ispa/ispa_en.htm

TACIS

Some examples of recent TACIS environmental projects with relevance for the Northern Dimension include: Kaliningrad Solid waste management (€ 2 Mio), Environmental Management Lake Chudskoe (€ 2 Mio), Water Environmental Monitoring and Management in the Kaliningrad Oblast (€ 2,2 Mio), Environmental Management for the Paz River Basin (€ 1,4 Mio), Construction of the Sludge Incineration Plant at the Southwest Wastewater Treatment Plant (SWTP) in St. Petersburg (€ 24 Mio) and Small waste water investments in Kaliningrad (€ 0.8 Mio).

For more information on the Tacis Programme:

http://europa.eu.int/comm/external_relations/ceeca/tacis/index.htm

Technical assistance provided by the Environment Directorate-General of the European Commission

- Study on Kaliningrad

DG ENV has launched a study on the environmental situation of Kaliningrad. The aim of this study is to get a clear picture of the environmental problems of the oblast and, on this basis, to be able to target support on relevant projects for Kaliningrad in the field of environment.

- Life-Third Countries Programme

This covers technical assistance for the regions of Kaliningrad and St. Petersburg. Some projects include:

- Comprehensive Action Programme Elaboration for the Conservation of Biodiversity: CAPE Biodiversity
- Systems for establishing effluent limits based on best available technology in accordance with Helcom recommendations as a basis for improved environmental conditions
- LenFauna, for the conservation of wild fauna and natural habitats in the Leningrad region - Nature Protection
- Strengthening of eco-auditing structure in Saint Petersburg

For more information on the activities of the Environment Directorate-General of the Commission in the Northern Dimension region:

http://europa.eu.int/comm/environment/enlarg/index_en.htm

2.2.2. Nuclear Safety

The waste management and spent fuel management problems of Northwest attract the attention of the international community due to the high risk from huge amounts of unconditioned and improperly stored radioactive waste as well as from the spent fuel unloaded from the nuclear submarines. Assistance to Russia in this field is provided by international organisations (EC, IAEA, EBRD and ISTC) and under bilateral agreements with such countries as Finland, Germany, Norway, Sweden, UK, USA, etc.

Russia has adopted a Federal Programme intended to solve many existing problems. However, since this Programme is considerably delayed due to underfunding from the state budget, the technical assistance from the West is vital. The assistance is co-ordinated by the Contact Expert Group (CEG) at its regular meetings. The CEG was established in 1995. The CEG has thirteen members and two observers. The EC is a member of this group and are well informed on all the existing projects and programmes in the region. The IAEA provides the secretariat services to the CEG. The CEG maintains a database where all the co-operative projects are stored with information on their status and highlights. At present, there are about 200 completed and ongoing projects dealing with various environmental and nuclear waste management problems in the Northwest of Russia.

There are not many ongoing individual projects funded by the EC at present. The reason is that the EU channels a major part of support to the region through the EBRD-managed Northern Dimension Environmental Program.

Tacis

Actually there are two distinctive directions in the TACIS programme in this region. A series of projects were aimed at the improvement of radioactive waste management at Kola NPP and another group dealt with radioactive waste and spent fuel, both existing and newly arising from the decommissioning of nuclear submarines. For the latter a sub-programme entitled "Improvement of the Safety of Radioactive Waste Management in the North West Region of Russia" has been ignited.

Four projects composed the sub-programme “Improvement of the Safety of Radioactive Waste Management in the North West Region of Russia”. These projects were aimed at:

- Selecting the most appropriate site(s) to host a repository for low and intermediate waste and developing the conceptual design of such a repository;
- Developing a scheme for the management of spent fuel;
- Improving waste storage conditions;
- Promoting an integrated radioactive waste management at the regional level.

Another objective was to assist Russia in the setting up of an appropriate regional management scheme to deal with the issue. On the basis of these actions and in co-operation with other potential donors, an effort for the establishment of a comprehensive strategy is being made in the framework of the Contact Expert Group (CEG). It is expected that such a strategy will include the completion of the Lepse project, the development of safe spent fuel and waste storage facilities, and the transfer of spent fuel and waste into such facilities. There is an urgent need to identify sites where new storage facilities could be built.

Present Situation

There are three ongoing TACIS projects in the region. All of them are dealing with radioactive waste from nuclear power plants (Kola NPP and Leningrad NPP). The expected output will be the improved safety of radioactive waste management at the power plants. Both NPPs need urgently the waste processing facilities being developed within these projects. The completion of all the three projects has been delayed.

Phare

In June 2002 Lithuania took the very important step of formally confirming that Unit 1 of the Ignalina plant will be closed before 2005 and formally committing to close Unit 2 by 2009. The EU, for its part, recognised that the decommissioning of the Ignalina Nuclear Power Plant will have to continue beyond the current financial perspectives and that this effort represents for Lithuania an exceptional financial burden not commensurate with the size and economic strength of the country. The EU expressed its readiness, on the basis of Community solidarity, to continue to provide adequate additional Community assistance to the decommissioning effort also after Lithuania’s accession to the EU.

At a **donors’ conference** for the support of the decommissioning process of Ignalina NPP, held in June 2000, a total of €216 M was pledged, including assistance from the EU’s Phare programme in an amount of €165 M until 2006. The bulk of the Phare funds is channelled through the EBRD (Ignalina International Decommissioning Support Fund). Furthermore, a **special national Phare programme** was established to support decommissioning and related measures in the Lithuanian energy sector. The following amounts have been committed so far: €10 M in 1999, €35 M in 2000 and €55 M in 2001.

The EU is also assisting Lithuania as regards the **socio-economic consequences** of the closure of the plant.

For more information on Phare and Tacis Nuclear Safety activities:

http://europa.eu.int/comm/external_relations/nuclear_safety/intro/index.htm

2.2.3. The Northern Dimension Environmental Partnership - NDEP

The NDEP, a partnership of the European Commission, Russia, the EBRD, EIB, NIB and the World Bank, has been one of the major breakthroughs of the Northern Dimension in the last months.

The NDEP aims at tackling the environmental problems and risks from radioactive waste, arising in Northwest Russia. Its objective is to promote co-ordination between Russia, donors and international financial institutions, making it easier to raise funds for priority projects. The NDEP Support Fund mobilises grant funds from donors, to leverage long-term loans from the IFIs.

The Support Fund of the Northern Dimension Environmental Partnership (NDEP), to be managed by the EBRD, was launched on 9 July 2002 in Brussels, at a pledging conference co-chaired by External Affairs Commissioner Chris Patten, Russia's Vice-Minister of Finance, Sergey Kolotukhin, and the President of the European Bank for Reconstruction and Development (EBRD), Jean Lemierre.

The Russian Federation, the European Commission and five countries announced initial contributions totalling € 110 M to the Support Fund of which € 62 M are earmarked for nuclear projects. The European Commission pledged € 50 M, while Russia, Denmark, Finland, Netherlands, Norway and Sweden each pledged € 10 M. A number of other countries indicated that they may soon be able to come forward with additional contributions.

The Steering Group of the NDEP - the European Commission, Russia, the EBRD, the Nordic Investment Bank (NIB), the European Investment Bank (EIB) and the World Bank - has agreed on 12 priority environmental projects with a total cost estimated at €1.3 billion. In each case, a lead international financial institution (IFI) has been identified. These 12 projects will improve the environment in north-west Russia and the surrounding area, by reducing water and air pollution, protecting in particular the marine environment, and reducing the spread air pollutants in Northern Europe.

The Steering Group has also prepared a priority list of nuclear waste management projects, with an estimated cost of approximately € 500 M. This is a first step towards dealing with the legacy of spent nuclear fuel and radioactive waste in the Barents Sea region, which is the largest repository of such waste in the world.

For more information on the Northern Dimension Environmental Partnership:
http://europa.eu.int/comm/external_relations/north_dim/ndep/index.htm

2.3. Public Health

Tackling the spread of communicable diseases and restructuring the health care systems in Russia and in the candidate countries continue to be among the principal objectives of the Northern Dimension in the Health Sector.

Over the last months attention has been paid to broaden the scope of public health actions to include life-style related factors like tobacco, drug and alcohol abuse, and nutrition as well as initiatives to improve social protection to counteract the decline in life expectancy in the Northern Dimension Area.

In April 2000, the Council of Baltic Sea States decided at the Summit of the Prime Ministers to establish a Task Force (TF) on Communicable Disease Control. The first task of the group, with the help from the experts, was to define the most urgent and appropriate actions to be taken.

The TF came to the conclusion that priority areas to be covered should be the following: tuberculosis, HIV/AIDS, surveillance and vaccine preventable diseases, antibiotic resistance and hospital-acquired infections, and primary health care. Primary health care was chosen because communicable diseases are merely markers of the overall economic and social situation in each country.

During the last months, the Commission has continued to actively participate in the Task Force, whose mandate was extended for three more years in January 2001. The Commission is also closely involved in the work of the group of Senior Health Officials (GSHO) was set up to oversee and offer guidance on the implementation of the projects in each of the five programme areas.

HELTEF Foundation in Norway established a database for the entire Task Force initiative, where all the documents and projects can be found (www.baltichealth.org).

The Task Force initiative was assessed by an Evaluation Steering Committee appointed in 2001 that submitted a report to the St Petersburg Baltic Sea States Summit.

The Prime Minister of Sweden recommended that the Task Force examine how it could contribute to health sector reform, beyond the strengthening of the primary health care systems. In February 2002, a consultation with representatives from participating countries and the GSHO group was held in Tallinn, Estonia. At the 4th Baltic Sea States Summit in St. Petersburg, in June 2002, Prime Ministers pointed out in their Statement, that available resources should be used more efficiently with a larger emphasis on outpatient and primary health care.

On the same occasion, the Heads of Governments also endorsed a special Statement on communicable diseases, which remain a threat to human security and welfare across the region. The Prime Ministers reaffirmed their commitment to efforts in the following fields: HIV/AIDS, prison health, health sector reform, and training in public health.

In the framework of the Task Force, the European Commission's main role has been:

- To encourage all the actions supporting the EU CD Network and its operation - information exchange, twinning projects in surveillance and early warning, etc.
- To provide and share technical-know how on EU matters, including the instruments like PHARE and TACIS. In this context, the Commission, jointly with the Task Force, organised a two-day practical course in October 2001 on 'How to participate in EU funded projects'.
- To insist that the TF will support accession priorities, keeping clearly in mind that those countries joining the EU need collaboration and help also after accession.
- To recognise that relations with Russia must be encouraged, as the frontier becomes close.

In September 2002, the Prime Minister of Finland hosted the ND Forum in Joensuu, Finland. The purpose of the meeting was to launch the Northern Dimension Partnership initiative in social-protection and health, discuss the proposal for Finnish neighbouring area co-operation and discuss the questions relating to the HIV/AIDS epidemic in the Northern Dimension area. There were more than 350 participants, from top level experts to politicians from more than ten countries around Northern Europe. Also many international organisations (e.g. UNAIDS, WHO, UNFDP, ILO, EIB) were present. The Commissioner, **David Byrne**, represented the European Commission in the meeting. All the documents produced for the Forum can be found from <http://finnbarents.urova.fi/>.

Some selected examples of Commission's activities in the Health Sector include:

Tacis

- Improving Public Health in NW Russia: Northwest Health replication project (Tacis funding €1.985 M; 30/04/2001 - 30/04/2003). The objectives of this project are to review the results of previous health reform projects in NW Russia and to develop a comprehensive set of resource materials for health planners at both federal and regional level. Special attention is paid to the implementation of this project in 3 pilot regions: Archangel, Kaliningrad and Murmansk.
- Improving health planning (Turku, St Petersburg) (Tacis funding €100,000; 02/11/00 - 02/05/02).
- Supported Living Services for Persons with Developmental Disabilities in St Petersburg (Tacis funding € 200,000; 31/12/01 to 30/06/2003).

Phare

- Phare support for assisting Lithuania with the transposition and implementation of the acquis in the field of radiation protection.

- Phare also supports the strengthening of public health surveillance both at national and local levels in order to complete with EU public health system.
- Phare support in Latvia for drug abuse control. The project provides support to develop a multidisciplinary approach for drug control and drug prevention with the emphasis on co-ordination of various ministries and state bodies. This includes the revision of the national drug strategy in line with EU standards to focus on the development of a drug policy and reduction of demand and supply of drugs and subsequently to elaborate an action plan. The project also addresses development and strengthening the National Focal Point and is to develop a modern drug intelligence system.

More information on Northern Dimension activities in the health sector can be obtained from the website of the Health and Consumer Protection Directorate-General of the European Commission, at the following address:

http://europa.eu.int/comm/health/index_en.html

2.4. Economic and Business Co-operation, Trade and Investment Promotion

The objectives are to contribute to the creation of conditions for exploiting the potential for economic co-operation in the countries covered by the Northern Dimension, by:

- Encouraging in each partner country the development of a legal and administrative framework that is conducive to business development;
- Removing barriers to trade and investment, notably through the mechanisms of the Europe Agreements (Baltic States and Poland) and the Partnership Co-operation Agreement (Russia) and through support to Russia's accession to the WTO;
- Promoting the development of policies that favour entrepreneurship; and
- Enhancing cross-border/regional co-operation between companies.

Economic and business co-operation, trade and investment promotion feature prominently in EU-Russia relations, notably in the frameworks of the PCA and the Common European Economic Space. Even though initiatives in these fields are best considered in the broader context of bilateral EU-Russia relations, their relevant impact on Northern Dimension economic co-operation must be kept in mind.

On a more general note, over the past year progress has been made in all the areas covered by the Action Plan, although to a lesser extent in the area of cross-border co-operation.

Legal and administrative framework conducive to business development

The development of a predictable legal and administrative environment for business through the implementation of the EU *acquis communautaire* on the Internal Market is a key aspect of the preparations for membership of Poland and the Baltic States. It is as important with a view to creating a common economic space with Russia.

Co-operation and support continue to be offered through a wide range of programmes financed under Phare (twining arrangements involving sister institutions and administrations in EU member countries under the institution building component, TAIEX "one stop shop" facility for obtaining information and advice on internal market issues), and Tacis (institution building partnership programme, SIGMA assistance in public administration reforms).

Removal of barriers to trade and investment

The Sub-committee on Trade and Industry under the Partnership and Co-operation Agreement with Russia and the Europe Agreements provides an appropriate

framework for identifying and eliminating the most obvious barriers to trade and investment.

A powerful instrument for removing barriers to trade and investment in a systematic way (and therefore for fostering industrial co-operation) is the EU-Russia Industrialists' Round Table. It is a business-driven forum that allows EU and Russian industrialists to make joint recommendations to the European Commission and the Russian government. The 4th meeting of the Round Table took place on 15/16 February 2002, in Turin. About 300 participants representing leading European and Russian companies discussed a wide range of problems, including investment policies and conditions and co-operation in different fields (e.g. energy, transport telecommunications, information technologies, space and aircraft industry, forestry). The Commission was represented by Commissioner E. Liikanen.

The Commission also supports the implementation of the recommendations from FIAS (the Foreign Investment Advisory Service, which is part of the World Bank Group's International Finance Corporation) on the removal of the main administrative barriers to investment. In some countries such as Latvia this has led to an efficient mechanism to remove legal and administrative barriers to investment. It takes the form of regular consultations between the government – both at Cabinet and civil servant levels, the Foreign Investors' Council, and local business associations that are reflected in an Action Plan to Improve the Business Environment. The Action Plan constitutes a government's commitment to the business community. Its implementation is monitored by the Latvian Development Agency. The replication of this mechanism to neighbouring countries is under discussion.

Promotion of policies for entrepreneurship

A current priority in the run-up to accession is the integration of Candidate Countries into EU enterprise policy. This is an ongoing process that gained some momentum in 2001 with the preparation of a report on measures taken by candidate countries to promote entrepreneurship and competitiveness. The CC BEST Report and a web-based directory of measures are available on the Enterprise Directorate-General's website:

http://europa.eu.int/comm/enterprise/enterprise_policy/enlargement/best.htm#report.

It covers six priority areas: education and training, access to finance, research and innovation, business support services, public administration and employment and working conditions. The basic idea behind this initiative was to trigger a debate between public authorities and representatives of the business community in each country on the most efficient policy tools and measures to foster business development. The aim of the process is the exchange of best practices between candidate countries and Member States (a similar exercise was conducted with Member States in 2000), and in turn the improvement of their enterprise policies.

The results of CC BEST were discussed with countries of the Northern Dimension in the OECD Baltic Forum for Enterprise Development (Baltic FED) in May 2002. The Commission supports actively the Baltic FED, which is a good complement to the bilateral dialogue on enterprise policy that takes place in the pre-accession context.

The CC BEST had an important political follow-up. On 23 April 2002 in Maribor (Slovenia), all the candidate countries (including Estonia, Lithuania and Latvia) adopted the principles of the European Charter for Small Enterprises as the basis for their action to support enterprises. Bilateral meetings took place in Lithuania on 29 July, in Latvia on 29 August and in Estonia on 30 August. The implementation report will be adopted in January 2003 and presented at the Spring Council.

In addition to the implementation of the European Charter, Enterprise Directorate-General of the Commission is opening its instruments to the full participation of candidate countries. In particular, the Multi-annual Programme for Enterprise and Entrepreneurship, and in particular SMEs that will be opened to candidate countries before September 2002, the analysis instruments such as the innovation and the enterprise scoreboards, the competitiveness report and the SMEs observatory.

Important support continues to be given for privatisation, enterprise restructuring, SME development and financial sector reform under Phare and Tacis.

Cross-border/regional co-operation

Less visible progress was achieved in this area, especially with regard to encouraging co-operation between companies, including supplier linkage programmes and public procurement opportunities.

Instruments exist, in particular the economic and social cohesion component of the Phare programme and the Small Project Funds under Phare and Tacis Cross-Border Co-operation Programmes, but very few project proposals have focused so far on this priority. Encouraging examples include:

- Support to the Baltic Sea Partenariat that took place in Riga on 17-18 May 2001;
- A project associating municipalities from Latvia, Russia and Sweden to set up an information system for SMEs in the Baltic Sea Region; and
- A project associating municipalities from Estonia, Latvia, Finland and Germany to stimulate the networking of SMEs around the Baltic Sea.

The Commission also supports business co-operation under the multi-annual programme for enterprise and entrepreneurship 2001-2006, through the network of Euro Info Centres. 68 centres presently cover the Northern Dimension region. It is expected that the network should be extended to Russia in the near future. New openings are also planned in Latvia, Lithuania and Poland.

Partner search is a typical activity of the EICs. There are success stories involving companies from the Northern Dimension region. For example, a long-term co-operation agreement was concluded between a German construction company dealing with yacht harbour systems and a Polish building materials company, following the organisation of the 2001 'Hanse Sail Business Forum'.

Community assistance

Cooperation and support are offered through a range of programmes financed under PHARE and TACIS. With specific reference to trade, investment and business-cooperation the following activities can be mentioned:

- Technical assistance in strengthening the legal and regulatory framework in such domains as commercial law, legislation and processes regulating or influencing foreign investment, incl. technical assistance aimed at improving the Russian tax system;
- Provision of legal advice on designing and drafting other appropriate legislation and idem for institution-building and strengthening of public administration;
- Technical assistance on matters related to standardisation and conformity assessment and, in the case of the associated countries, investment grants for the adaptation of production to the health and safety requirements of the internal market, with a view to encouraging approximation to EU legislation, facilitating trade, and assisting WTO accession;
- Training of experts including organisation of, for instance, seminars and study visits and, in the case of associated countries, twinning arrangements involving sister institutions/administrations in EU member countries;
- Technical assistance on industrial and intellectual property rights with a view to improving both the legislation and its enforcement;
- Provision of investment grants in associated countries to foster business development, including the promotion of cooperation between enterprises (at regional, national and international levels) in the context of Phare progressive move towards structural funds' approach.

In addition, a number of specific programmes were set up to address issues common to all associated countries:

- The Technical Assistance Information Exchange Office (TAIEX), which i.a. provides to the associated countries a “one stop shop” for obtaining information, advise or assistance concerning Internal Market matters; and which is being extended to cover all parts of the *acquis communautaire*;
- The SIGMA programme providing assistance to the associated countries in public administration reforms.

Furthermore, important support is given to privatisation, enterprise restructuring, including SME development and the financial sector.

Trade and business relations between the Nordic countries and Russia and the Baltic States and in the rest of the Baltic Sea area including Germany and Poland are also being promoted through INTERREG. At this stage of the transition process, especially in Russia, activity is concentrated on training, building of networks and establishing relations rather than direct investment, but vigorous trade and tourism activity is growing fast already.

For more information on Economic and Business Co-operation, Trade and Investment Promotion in the European Commission:

http://europa.eu.int/comm/enterprise/enterprise_policy/enlargement/index.htm

http://europa.eu.int/comm/enterprise/enterprise_policy/business_dialogues/russia/russiaoverview.htm

2.5. Research and Technological Development – RTD

Both the Joint Research Centre (JRC) and the Research Directorate-General of the Commission carried out several activities relevant to the Northern Dimension during the last months. Special attention was paid to Arctic themes, soil protection and mapping, forest monitoring and natural resources.

The recently adopted 6th Framework Programme for Research and Technological Development (2002-2006) foresees specific measures in support of international co-operation, including with Russia and Candidate Countries.

On 25-27 October 2001, the JRC organised an EU-Russia-Canada-US Workshop in Brussels entitled: *A Common Approach to Collaborative Technological Research for Arctic Development* with the support of the External Relations Directorate-General of the Commission. Three themes were dealt with: Natural Resources and Transport; Earth Observation and Environment; Civil and Research Infrastructures. The main objectives were to identify problems and needs of the circumpolar Arctic and to evolve a collaborative approach for scientific and technological support. The workshop was attended by participants from the Russian Federation, the EU, Norway, Iceland, Canada and the USA.

Together with DG Research, JRC is following the developments around the organisation of the 4th International Polar Year (IPY) in 2007. Dr. Artur Chilingarov, Vice-Chairman of the Russian Duma, launched the idea for the 4th IPY at the occasion of the Arctic Workshop in Brussels. The IPY is aimed at stimulating international co-operation in Arctic-related research and development. Subsequently, in formal exchanges with the Russian side, the Commission expressed the intention to follow this proposal constructively. The formal approval of the Russian Government to provide a leadership role to the IPY is currently awaited.

A joint project proposal called SAPITS (Safety of Arctic Pipeline and Transport Systems), associating 18 partners from the EU and Russia, is currently being considered for inclusion in the TACIS Action Programme for Russia (2003).

The Joint Research Centre's Institute for Environment and Sustainability, in partnership with the Russian Academy of Science's Centre for Forest Ecology and Productivity, has created a new 1 km-resolution land cover map of the Northern Dimension geographical area (and indeed the full Russian territory) using satellite imagery from the years 1999 and 2000. The land cover classes documented in the map have been selected to serve users from the national forest service, environmental convention secretariats, non-governmental organisations, development-aid projects and global change science programmes. Maps and statistics documenting areas affected by fire on a month-by-month basis accompany the land cover information.

These databases produced during the period June 2001 to June 2002 form a baseline for research at the JRC and Centre for Forest Ecology and Productivity dealing with the development of forest resource monitoring methods using data from Earth observing satellites. Disturbance due to fire (and the associated atmospheric pollution

effects) and logging (including illegal logging monitoring) will be addressed as part of the JRC's 6th RTD Framework Programme activities.

- **INCO-Copernicus:**

Thirteen environmental projects concerning the Northern Dimension are actually ongoing with a global EU financial support of around seven million Euros.

These projects focus on problematics of the arctic regions such as the environmental protection from ionising contamination in the Arctic, simulation scenarios for potential radioactive spreading from rivers and external sources in the Russian arctic coastal zone, satellite hydrographic monitoring and assessment of environmental trends along the Russian arctic coast.

They focus also on specific areas problems with wider implications such as: pathways of organic matter and its implication for biodiversity and sustainable use in the White Sea, sustainable development in the Pechora region in a changing environment and society, the formation of phytotoxic substances in semiarid and arid zones and its influence on the natural resources of Arctic regions in northern Russia.

The projects are actually at an advanced stage of implementation, some preliminary results should be available by the beginning of next year.

- **International Association for Co-operation with the Scientists of the New Independent States of the former Soviet Union (INTAS):**

Because of its bottom-up approach, the calls for proposals of INTAS have to date not specifically sought to coincide with the activities under the "Northern Dimension".

INTAS calls have, however, resulted in a number of research projects which are or could be relevant to the Northern dimension. They mostly involve participants from Northern Europe and Russia. Here it should be noted that all Baltic and Scandinavian countries, including the non-EU members Estonia, Iceland, Latvia, Lithuania, and Norway, are members of INTAS. The project consortia have, amongst others, concentrated on climate patterns and change, the ecosystem and the seas and coasts of the Baltic region. Research is also being undertaken into the effects of Russian nuclear activities on the northern regions and organic pollutants. There are 17 recently completed or ongoing INTAS projects that are considered most relevant to the Northern Dimension concept.

Other selected activities include:

- **Quantification of Nutrient Losses of Agricultural Origin in Nordic Catchments**

This activity has focused on the estimation of nutrient losses of agricultural origin for Nordic catchments. In particular, a study has been conducted to estimate the retention processes (both soil and in-stream retention) occurring in Finnish catchments. The final results of a similar research project (RANR) have been provided on investigations of the nutrient retention in Swedish catchments which are draining into the Baltic Sea. Both case studies are of particular importance with regards to the implementation of the EU Nitrate Directive as very high values for nitrate retention

are often claimed and reported to occur in Nordic countries. A related issue that has been investigated is the impact of potential climate change on nutrient losses of agricultural origin. The work has been carried out in co-operation with the Finnish Environment Institute and the jointly developed report delivered to DG Environment.

As part of the Water Key Action of DG RTD, a new project initiated in 2002 (EUROHARP) includes the testing of nine quantification tools used by Member States to estimate nutrient losses in 17 catchments, four of which are located in Denmark, Finland, Sweden, and Norway. The assessments of nutrient sources, transport and eutrophication effects by international governmental organisations, such as OSPAR, will benefit from increased reliability of quantification tools for diffuse losses of nutrients.

- **Northern Circumpolar Soil Database and Derived Soil Maps in Different Classification Systems**

One of the largest projects on compiling of a soil database and map of the Eastern and Western Hemispheres since the publication of the FAO-UNESCO Soil Map (1977) has been completed. This database is named “The Northern Circumpolar Soil Database” (NCSD) and encompasses territories of the USA, Canada, Greenland, Northern Europe, Russia, Mongolia and East Kazakhstan. The Cryosol Working Group of the International Union of Soil Science developed this database in cooperation with soil scientists from many countries and international organisations such as European Soil Bureau, International Institute for Applied Systems Analysis (IIASA).

Using this database a set of four 1:10 million scale Northern Circumpolar Soil Maps was generated – in WRB, Soil Taxonomy, Canadian and Russian classification systems. These maps are a solid basis for exchange of information on use of soil resources, on management of environmental problems, global modeling etc. The large number of users not involved in problems of soil classifications can use any of this map and the data from Northern Circumpolar Soil Database.

For more information on EU-funded RTD activities in the Northern Dimension region:

http://europa.eu.int/comm/research/index_en.html

<http://www.jrc.cec.eu.int/index.asp>

2.6. Justice and Home Affairs

Russia, Poland and the Baltic States are to a varying degree confronted with the challenges of the fight against organised crime, terrorism, trafficking in women and drugs. The control of external frontiers and respect for international norms in fields such as asylum, visas and immigration brings an added dimension.

The Russian Oblast of Kaliningrad presents particular challenges. Some 50 % of the region's population are estimated to live below the poverty line with real unemployment being an average 25 % across the Oblast. The region's military status plays a key role in Kaliningrad's situation. Kaliningrad is currently facing a number of serious security problems that should be urgently addressed.

In line with the conclusions of the Tampere, Feira and Seville summits, more attention is being paid to migration issues, such as readmission, visa and asylum matters, and to the financing of border crossings at the border of the (enlarged) EU and assistance to improve border management.

At present, however, the most important JHA-progress in the Northern Dimension area is taking place in the *candidate countries*. The JHA-situation of Poland and the three Baltic States is constantly being reviewed and improved. The integration of the candidate countries into the international judicial co-operation regime is also part of this process.

The Baltic Sea Task Force on Organised Crime

Important developments in this sector have been taking place in the framework of the Baltic Sea Task Force on Organised Crime, created in 1996 at the Visby Baltic Sea States Summit to elaborate measures for immediate implementation and other concrete proposals to reinforce the regional cooperation in this field.

Russia has from the start been an active member in the Task Force on Organised Crime by participating in projects against drugs, stolen cars and illegal migration and money laundering. Moreover, Russia has organised joint operations on car trafficking and illegal migration also in the Kaliningrad area. This has contributed to confidence in the Baltic Sea area.

Russia and the Commission have both stressed the links in practical terms between the Baltic Sea Task Force cooperation and the work of the EU-Russia PCA Sub-Committee. In many ways the work of the Baltic Sea Task Force has served as model for the EU-Russia cooperation when it comes to practical aspects, for example, joint law enforcement cooperation.

Relevant political events: Meeting of the Task-Force on Organised Crime 14-15 March 2002 in Tallinn, Estonia, and the Conference of CBSS Ministers responsible for Police Co-operation, 6 – 7 May 2002, Lübeck, Germany.

For more information on the BSS Task Force on Organised Crime:
<http://www.balticseatactforce.dk/>

Kaliningrad

A Tacis Project on Combating Organised Crime in Kaliningrad has been offered to Russia in order to foster cross-border co-operation between the neighbouring accession candidate countries and the relevant authorities in the Kaliningrad in the area of Justice and Home Affairs. This project will also promote the multi-disciplinary approach to combating organised crime that emphasises cross-border, including a national inter-service co-operation between different ministries and law enforcement agencies.

The EU has discussed Kaliningrad and the movement of persons in the context of the PCA structures together with other JHA issues (the PCA JHA Sub-Committees of 20 November 2001 and of 5 April 2002 and the Cooperation Committees of 30 November 2001 and of 15 May 2002). During these discussions COM explained the contents of the acquis and reminded Russia that movement of persons is only one aspect of the Kaliningrad problematic which include a wide range of questions to be solved (organised crime, environment, health, transport etc.).

The Baltic Sea Customs Conference (BSCC) in 2001/2002

On 21 and 22 June 2001, the Fourth Baltic Sea Customs Conference (BSCC), took place in Vilnius, Lithuania.

The conference continued the work that had been started at the Third Baltic Sea Customs Conference in Gdansk, in September 1999, by agreeing on concrete measures to promote the regional co-operation between authorities as well as between authorities and economic operators. A website of the Baltic Sea Customs Conference has been created, providing valuable information and links on customs in the region.

At the occasion of the 4th Baltic Sea States Summit in St. Petersburg on 10 June 2002, Heads of Government requested a special report to the next summit meeting on achievements with regard reaching the objective of maximum 2 hours for border crossing of goods.

A report on this will be presented at the 5th BSCC in Riga in 2003.

More information on the BSCC at: <http://www.toldskat.dk/balticsea/>

Tacis

The fight against crime has been identified as a priority of the TACIS Indicative Justice and Home Affairs-Programme 2000-2003. The Regional Justice and Home Affairs programme has increased considerably from 1997 (€ 3 million) to 2003 (€ 11 million). On the basis of a feasibility study, an anti-money laundering project is under implementation aiming at supporting Russia to be withdrawn from the FATF's blacklist of non-co-operative countries.

The Commission co-operates closely with the Council of Europe who is implementing the project. Furthermore, the law enforcement academy in Dodomedovo receives Tacis assistance. The project is implemented by UNDCP and provides equipment to the academy and training to law enforcement officials from all the CIS countries. Within the trans-Atlantic dialogue and in cooperation with the U.S., an anti-trafficking in women project is under preparation in Russia. Additionally, a specific programme aims to combating organised crime in the Kaliningrad region, and a programme to enhance border management capacities. In addition, the TACIS customs and cross-border programmes also contribute to the fight against crime by combating drugs trafficking, commercial fraud and corruption.

Phare

Some examples of recent activities financed by the Phare Programme in the Baltic Countries and in Poland include:

- Strengthening of administrative capacity: Phare project to strengthen Lithuanian judges and courts operational capacities
- Organised Crime: Phare support to Lithuania for establishing the National Europol Bureau and for upgrading the forensic science service central laboratory.
- Drugs: Phare project to help Lithuanian authorities to apply the “EU Action Plan to combat drugs”
- Border Management: Supplementary Investment facility to enhance the abilities of the border police to combat cross-border crimes and traffics. Phare has also provided financing for the construction of guard and border police stations
- Schengen acquis: Phare support to adopt and implement the Schengen acquis by establishing a National Schengen Information System.
- Judicial co-operation support by twinning: Twinners financed from Phare are active on various justice and home affairs subject areas in all candidate countries.
- Organised Crime: Phare support to Latvia for establishing an effective organised crime prevention framework taking into account the recommendations of the EU action plan against organised crime and the European Strategy – Prevention and Control of organised Crime. The project assists in developing a long-term strategy and an action plan. It includes the preparation of training programmes on subjects of corruption prevention, money laundering prevention, financial crimes and the development, and also specific training programmes for each involved institution. The project also addresses the issue of cross-border surveillance
- Border Management: Phare support to Latvia for establishing an integrated border management system involving all the border services, such as customs, police, border guards, phyto and veterinary services, coast guard, immigration police. The project will also submit proposals to the government to step up efforts to improve staffing, status, remuneration, and living condition. Phare has also provided, co-financing for the construction of several border guard stations and the building of a veterinary and phytosanitary control post at the Latvian – Russia border.

2.7. Cross-border Co-operation

The EU's economic and social cohesion policies aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas (Art. 158 of the TEC).

The ensuing development of zones of economic integration is of particular interest for the Baltic Sea Region and the development of its economic potential.

TACIS Cross Border Cooperation (CBC) Programme

The Tacis Cross-border Cooperation Programme (CBC) started in 1996. It supports actions on the borders between the Western NIS (NW Russia, Belarus, Ukraine and Moldova) and the EU and the candidate countries. Around 60 projects with a total value of € 156 M were financed between 1996-2001. Since 1999, the programme has two components: the special line for the Baltic Sea Region created by the European Parliament, and the Tacis CBC Programme. Networks (mainly border crossings) and environment have been the main concentration areas (more than 70% of the budget) together with private sector and economic development and the Small Project Facility (SPF). Assistance was also provided to human resources development and energy efficiency together with regional capacity building. The Baltic Budget Line has supported projects in the field of health, economic development, environment and transport.

The total assistance to the NW Russia of CBC programme and Baltic Budget line 1996-2003 amounts to some € 112 M, about half of which to border crossings. The most important individual ND project apart from these is the Northern eDimension, for which the Commission has programmed some € 10 M for 2002-2003.

It has to be born in mind that in addition to this many ND projects have been programmed and financed through other Tacis programmes, notably the Tacis national programme for Russia. The most important of these is the St Petersburg South West Wastewater Treatment Plant.

Progress during the period 2001-2002

Russian borders (Kaliningrad)

Bagrationovsk road border crossing is the main crossing between Kaliningrad and Poland. This is the major route between Kaliningrad and Warsaw, via Olsztyn, and is also used as a connection through to Transport Corridor No 9 – Branch "D" between Kaliningrad and Vilnius through to Minsk. The EC Tacis CBC programme supports this project with up to € 2.6 M. The part of the construction works at Bagrationovsk started in June 2002.

- Chernyshevskoe road border crossing is the main crossing between Kaliningrad and Lithuania. It is located on Transport Corridor No. 9 Branch "D" connecting Kaliningrad to the rest of Russia through Lithuania and Belarus. Funds committed for that crossing amount to € 8 M.

Russian border with Finland

- The Svetogorsk road border crossing, located the Transport Corridor 9 at the Finnish Russian border is the third biggest Finnish-Russian crossing. It was opened in July 2002. The area's regional roads connect Svetogorsk with Vyborg on the Baltic Sea and with Priozersk on Lake Lagoda. On the Finnish side the crossing point connects the city of Imatra. The EC Tacis CBC programme supported this project with € 10 M.
- The Salla border crossing is located within the Arctic Circle on the newly completed extension of Kandalaksha - Alakurti road, which leads to the border of Russia and Finland. On the Finnish side, Route 82, part of the Trans European Route Network (TERN) system in Finland terminates at this border crossing. The Salla/Kelloselka border crossing is one of the pivotal points within the evolving Barents Euro-Arctic Transport Area. The new post will allow international traffic to pass between the two countries. Its construction will also assist tourist development and timber industry in the crossing. The crossing was opened in September 2002. The EC Tacis CBC programme supported this project with € 6 M.
- A further project which gets support is the Suoperä-Kortesalmi border crossing. This crossing was opened to road traffic by the Russian authorities in 1992. It is one of the most important points for the transport of timber and forest products between Karelia and Finland, tourism being the other main potential source of income. Funds committed for that crossing amount to € 6 M.

Russian border with Latvia

- Burachki border crossing at the Latvian Russian border was opened in 1995 and is by far the most important international road link between Latvia and Russia. It is located on the A 12 Riga-Jekabpils-Rezekne-Moscow road, the shortest route between Moscow and Western Europe and the Baltic States (TINA East/West link). The indicative amount, foreseen in the Tacis CBC 2003 programme for the construction of that border crossing is € 4.1 M.

More information on the Tacis Cross-Border Programme can be obtained at:
http://europa.eu.int/comm/external_relations/ceeca/tacis/ind_act_prog.htm.

Phare Cross-Border Co-operation (CBC) Programme

Several projects have been carried out in the last months in the framework of the Phare-CBC programme. A non-exhaustive list of such initiatives include¹¹:

- Water management on the borders of the Baltic states with Russia along the rivers Nemunas, Daugava and Velikaja/Lake Peipsi, including water management particularly in coastal areas of Estonia and in Pandivere upper land where almost all of the Estonian rivers start, in order improve the water quality of the Baltic Sea and Lake Peipus.

¹¹ More details on Phare CBC projects can be found on the websites of the Commission's delegations in the four candidate countries: <http://www.eiropainfo.lv/indexfla.htm> (Latvia), <http://www.eudel.lt/> (Lithuania), <http://www.europa.delpol.pl> (Poland) and <http://www.euroopaliit.ee> (Estonia).

- Projects promoting sub-regional co-operation with the Kaliningrad oblast and other Russian sub-regions: Assisting the Kaliningrad Regional Authorities in developing strategies for spatial development of the oblast in harmony with Baltic Sea region neighbours.
- The construction of a wastewater treatment plant in Ploty - Poland (€ 1.95 M) that will be completed in October 2002.
- The Small Project Fund PL9917 & PL0014 managed by the Euroregions Pomerania, Baltic and Niemen proves to operate successfully - so far 108 (PL9917) & 30 (PL0014) grant contracts have been signed.

INTERREG

INTERREG III is one of the European Commission's Community Initiatives and is funded under the European Regional Development Fund. It supports cross-border, transnational and interregional co-operation across Europe, and, consequently, has a key role to play in the implementation of the Northern Dimension process.

All of the INTERREG III programmes in the Northern Dimension area have now been approved and the selection of projects in all programmes is underway. 5 programmes involve Russia in their co-operation, with over half a billion euro in total funding available to support co-operation activities. The programmes will run until the end of 2008.

INTERREG is a decentralised initiative, and the preparation, presentation and selection of projects is undertaken at the national and regional levels as appropriate. Around 190 projects have already been selected, covering a wide range of activities.

The table below sets out the funding available under the relevant INTERREG programmes.

Programme	Participating Countries	Total Funds	Total Public Funds	EU funds	National public funds	Other
INTERREG IIIA						
Nord	Fin, S, N, Rus	129	80	47	33	49
Karelia	Fin, Rus	69	56	28	28	13
S-E Finland/Rus	Fin, Rus	83	56	22	34	27
Cross-border		281	192	97	95	89
INTERREG IIIB						
Baltic Sea Region	DK, D, Fin, S, Bel, EE, Lat, Lit, N, PL, Rus	218	182	97	85	36
Northern Periphery	Fin, S, UK, Fae, Green, N, ISL, (Rus)	50	35	21	14	15
Transnational		268	217	118	99	51
Total		549	409	215	194	140

All figures in Meuro

Project examples

The “*Northern Dimension ICT Development Network*” project plans to create an ICT Centre in St Petersburg which will become a focus point for expertise and advice on ICT issues in Northwest Russia and Southeast Finland. This project is to be funded both from INTERREG and Tacis. A full cross-border partnership is already in place.

The project “*Development of an environment platform for the Northern Calotte and North West Russia*” has just been approved under the Nord cross-border programme. It will create a platform for knowledge about environmental issues with the intention of promoting the sustainable environmental and socio-economic development of the far north of Europe. A network of environmental experts will be created and a common research programme across the borders in the area will be set up. The project will focus in particular on increasing knowledge about the Russian parts of the project through the active involvement of partners from Murmansk and Archangelsk.

For more information on the INTERREG III Programme:

http://europa.eu.int/comm/regional_policy/interreg3/index_fr.htm.

In the past months, the Commission has been further enhancing the co-ordination between the different instruments (Tacis, Phare and INTERREG) in order to facilitate the implementation of joint projects on the ND area. The preliminary figures show that the 2001-02 call of proposal for the Tacis Small Project Fund resulted in many project proposals being adopted that were linked to parallel INTERREG or Phare projects on the other side of the border.

- Co-ordination between INTERREG and Tacis

Since INTERREG funding can only be spent inside the European Union, and Tacis only in the NIS countries, the Commission has, over the past year, taken major steps to improve co-ordination between these two instruments. A Practical Guide to bringing INTERREG and Tacis funding together was issued by the Commission in April 2001, and this has led to a significant increase in linked projects, i.e. projects receiving funding from both INTERREG and Tacis.

An enhanced publicity campaign has been launched to ensure local actors are aware of funding opportunities and European, national and regional authorities are working closely together to that priorities on both sides of the European Union/Russia border are harmonised and the selection processes for both instruments are well co-ordinated.

In November 2001 a Seminar on Interoperability was organised by the European Commission in St Petersburg. More details and documents on this initiative can be found at:

http://europa.eu.int/comm/external_relations/north_dim/conf/sem11_01.htm.

3. Conclusions

As described in the present Progress Report, the last months have witnessed significant developments in virtually all sectors of the Northern Dimension initiative.

From a political point of view, the Northern Dimension is a well-recognised and solidly established framework for the dialogue between the Commission, EU Member States, Northwest Russia and Candidate countries. During this year, the Commission has been playing a crucial role in encouraging this dialogue both a bilateral and multilateral level, as recommended by the *Full Report on the Northern Dimension Policies* endorsed by the Gothenburg European Council in June 2001.

At the same time, the Commission has devoted considerable attention to the implementation of key sectoral activities. The extent of this commitment has been several times recognised by all the actors involved, most recently at the High-Level Conference on the Northern Dimension that took place in Greenland on 28 August 2002.

However, much remains to do. The Northern Dimension region is still confronted with several challenges, ranging from its environmental situation to the spread of communicable diseases, from the economic development of some regions to the fight against organised crime. As to the co-ordination between Community programmes, several steps have been taken to improve their joint effectiveness, but more has to be done.

At the same time, it is necessary to strengthen the co-ordination and the synergies between Community's and other actors' projects, in order to achieve a higher degree of subsidiarity in the region. An efficient information flow on such activities would ideally complete the system, increasing its overall effectiveness.

These issues will be addressed, in the continuation of the Northern Dimension initiative, by the new Action Plan that should come into force in 2004, on the expiry of the present Action Plan. In this context, the present Progress Report should make a useful contribution to the further development of this essential initiative.