



EASTWEST INSTITUTE

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TRANSFRONTIER COOPERATION

IN THE NORTH-WEST OF RUSSIA: 21ST CENTURY

TRANSFRONTIER COOPERATION IN THE NORTH-WEST OF RUSSIA: 21ST CENTURY

This study has been prepared based on the results of the *Transfrontier Cooperation Donor Forum* held in St. Petersburg on April 25, 2003 under the EastWest Institute's Regional and Transfrontier Cooperation (RTFC) Program.

This publication contains Overview of transfrontier cooperation in the North-Western Federal District of the Russian Federation and Project Ideas Catalogue.

The Overview was prepared by **Vladlena V. Eliseeva**, an independent transfrontier cooperation expert, and covers the legal framework for TFC, brief TFC-related information on the selected regions, TFC instruments available in the North-West of Russia, donors supporting TFC in the area and transfrontier cooperation in the border regions of Russia's North-West. Additionally, Tacis Cross-Border Cooperation Small and Micro Project Facilities (the largest and most developed transfrontier cooperation programs in the North-West of Russia) are examined in more detail.

The Overview is complimented by the Project Ideas Catalogue (an attempt of transfrontier cooperation needs assessment as viewed by local actors), which has been compiled by EWI's Regional and Transfrontier Cooperation Program staff.

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INTRODUCTION

This study has been prepared in conjunction with the *Transfrontier Cooperation Donor Forum* held in St. Petersburg on April 25, 2003 under the EastWest Institute's¹ Regional and Transfrontier Cooperation (RTFC) Program. EWI has over ten years of experience in transfrontier cooperation in various regions of Europe. Long before issues surrounding the upcoming EU enlargement were a top priority on the EU-Russia agenda, EWI's RTFC Program was researching and assessing the impact of enlargement on the Baltic Sea Region in general, and on the Kaliningrad Region (EWI's priority area in the North-West of Russia) in particular. Today, in view of the upcoming European Union enlargement, transfrontier cooperation (TFC) has assumed an increasing importance for the future of a larger Europe.

The 21st Century brought with it new challenges posed by globalisation and European integration. To respond to these challenges and benefit from the integration, an array of local and international actors and donors have intensified their efforts towards transfrontier cooperation. With the Baltic States' accession to the European Union, the North-West of Russia has become the main arena for the evolution of Russia's TFC with a larger Europe. The European Commission's Communication *Paving the Way for a New Neighbourhood Instrument* and Russia's ratification of the *European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities* have opened up new horizons for cooperation.

Bearing in mind these developments, and in addition to local projects in the Kaliningrad and Pskov Regions, the EastWest Institute chose to contribute to coordinating various actors' TFC efforts in the border regions of the North-Western Federal District. This Overview was commissioned, and an independent TFC expert, Vladlena Eliseeva, was given the task of outlining the legal framework for TFC, available instruments, progress to date, and major donors who support transfrontier cooperation. The Overview looks into cooperation in selected border regions of the Federal District and provides a detailed analysis of Tacis Cross-Border Cooperation Small and Micro Project Facilities, the most comprehensive TFC programme in the North-West of Russia. The views expressed in the Overview are the authors' own and do not necessarily reflect those of the EastWest Institute, its Directors, staff, or sponsors.

The Overview is complimented by a transfrontier cooperation needs assessment as viewed by local actors. This is presented in the Project Ideas Catalogue compiled by EWI's Regional and Transfrontier Cooperation Program staff.

We would like to express our gratitude to the Liaison Office of the European Commission in St. Petersburg, the Ministry of Foreign Affairs of Sweden, the Consulate General of Finland in St. Petersburg, the Eurasia Foundation, and the Tacis Local Support Office in St. Petersburg for their contribution to the Overview discussion and their valuable comments on the content. We would also like to thank all those Administra-

tions of the Regions, NGOs, research institutions and other actors of the North-Western Federal District who responded to our requests and contributed to the Project Ideas Catalogue.

Last, but not the least, our immense gratitude goes to the Charles Stewart Mott Foundation and the EastWest Institute's Board of Directors for their financial support which made this initiative possible.

We are pleased to present the results of this consolidated effort in this publication. With the great interest this work has stirred in the donor community and in the regions, the EastWest Institute is seeking expert partnership and financial support to continue our monitoring and analysis along the new external border of the European Union.

We are looking forward to our continued cooperation.

Yours sincerely,

Alexey Ignatiev,
Director for Regional and Transfrontier Cooperation Program
EastWest Institute

¹ EWI is an independent, not-for-profit, international institution working to address the most dangerous fault lines of the 21st Century and to help build fair, prosperous and peaceful civil societies in those areas. Since 1981, we operate long-term projects that create trust and understanding and seek to reduce tensions from Eurasia to the trans-Atlantic region using our unique network of private and public sector leaders in more than 40 nations. Our initial mission was devoted to reducing the hostilities of the Cold War.

TRANSFRONTIER COOPERATION

IN THE NORTH-WESTERN FEDERAL DISTRICT: 21ST CENTURY

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Ms. Eliseeva gained her experience in public administration and international projects during 5 years service as a Chief Expert at the St Petersburg City Administration where she worked on SME development and support. She has considerable experience in developing policies and administering programmes to promote SME development, excellent working knowledge of the Russian business practices and culture. She is an experienced Project Manager, Project Co-ordinator and Member of Steering Committee for a number of international projects. She was involved in direct consultancy advice with SMEs, NGOs and local / regional authorities. As a member of the OECD Baltic Forum on Entrepreneurship and Enterprise Development Working Committee, she participated in elaboration of Policy Guidelines and Recommendations for SME Development in the Baltic Sea Region countries and the Russian Federation.

Ms Eliseeva is familiar with different EU funding instruments (Takis, Phare and INTERREG). She has an experience in monitoring, evaluation and assessment of projects; she participated in the Expert Panel for the assessment of the proposals under the 2002 Tacis CBC Small Project Facility and under the 2003 IBPP – Support to Civil Society and Local Initiatives Programmes.

For two years she worked as a Supervising Officer / Long Term Expert for the Phare / Tacis Cross-Border Cooperation Small Project Facility where her responsibilities included technical assistance including organizing and conducting information campaigns in Russia and Belarus; project generation including advice on applications; project supervision and monitoring; networking and liaison with regional / local authorities in NIS countries and EU programmes; technical assistance to the assessment of the project interim / final reports.

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Chapter 1. TRANSFRONTIER COOPERATION IN THE NORTH-WEST OF RUSSIA

The North-Western Federal District (NWFD) of Russia is the only region where Russia currently shares a land border with the European Union (the 1,500 km long Finnish-Russian border) as well as maritime borders with the Nordic countries, Germany, and the EU candidate countries. These EU land and maritime borders are the reason why TFC activities in the NWFD already abound, and why various donors and actors selected the region as a TFC target area. Intensive cooperation with the Baltic Sea Region (BSR) countries and Barents Euro Arctic Region Cooperation (BEARC), bilateral and multilateral cross-border cooperation (CBC), and well-developed cross-border networks are characteristic features of the region.

Such instruments as the Northern Dimension (ND) concept and ND Action Plan (NDAP) have contributed to the strategic development of CBC in the area. Kaliningrad's increasing importance as a Russian exclave and as a pilot region for EU-Russia cooperation has been of utmost significance for transfrontier cooperation. The upcoming EU enlargement will further widen TFC's importance in the NWFD.

For all these reasons, the European Union has been one of the main donors to support TFC in the region within the EU-Russia partnership cooperation programme (Tacis programme). In 2001-2002 Tacis provided grant support to 68 projects. The budget for TFC projects on economic, regional development and civil society for the same period was 15.5 million EUR¹. The European Commission funds are complemented by the funds of the bilateral donors of EU member States. The largest share is provided by Finland (approximately 15 million EUR per year for Russia), while contribution by the Swedish International Development Cooperation Agency (SIDA) for 2001-2002 may be estimated at approximately 6 million EUR for TFC projects dealing with regional development, economic development and civil society. Denmark granted approximately 1.9 million EUR for the same period. It must be noted that this paper does not cover environmental, social and health care projects.

TFC in the region is also supported by other EU Member States (MS) and non-EU bilateral cooperation, the Nordic Council of Ministers, BEAC, international and Nordic financial institutions, United States Agency for International Development (USAID), Eurasia and Soros Foundations, as well as private foundations that support civil society development in the region (e.g. Charles Stewart Mott and Bertelsmann Foundations). A number of the EU funded Interreg projects also contribute to TFC in the area.

The **Northern Dimension**, initiated by Finland and launched as a European Union initiative in 1999, aims to improve coordination and to increase the consistency of the EU's approach to its northern European external relations and cross-border policies. All the initiatives undertaken within the ND context are implemented through

existing EU assistance programmes. So far, the activities have been focused on three priority areas:

- environment and nuclear safety;
- TFC (including Kaliningrad);
- justice and home affairs (with a special focus on the fight against organised crime).

The Northern Dimension Action Plan (NDAP), proposed by the European Commission, was approved at the European Union Council meeting at Feira in June 2000. The next Action Plan, covering 2004-2006 period, was adopted in June 2003 and will enter into force at the beginning of 2004. The priorities will remain mainly the same whereas health/social affairs are highlighted as a special priority.

The North-Western Federal District and the Constituent Russian Regions. The Presidential Decree reforming the federal system of Russia of May 2000 introduced seven new constituencies of the Russian Federation (the so called Federal Districts). The North-Western Federal District comprises eleven regions, seven of which share Russia's external borders with other states and, therefore, are prime areas for unfolding TFC. St. Petersburg as a mega-polis in the Baltic Sea Region plays the role of the capital of the District.

Strengths of the NWFD include the available industrial complex, highly qualified specialists, especially in the ICT (St. Petersburg), natural resources in the North, and transport infrastructure including the seaports of St. Petersburg, Kaliningrad, Murmansk and Arkhangelsk.

The NWFD total territory is 1,854,600 km², while the population is 14,408,000 people². The population density as well as the economic development of the constituent regions varies significantly. Average annual NWFD GDP per capita is 31,243 RUB compared to the Russian average of 28,707 RUB (34,952 RUB in St. Petersburg, 17,067 RUB in Kaliningrad, and 14,628 RUB in the Pskov Region); gross fixed capital investments per capita are 8,019 RUB – compared to the Russian average of 8,046 RUB, of 7,645 RUB in St Petersburg, 5,082 RUB in Kaliningrad and 2,721 RUB in Pskov)³.

¹ Excluding infrastructure development projects on border crossing points in Svetogorsk, Leningrad Region, Salla, Murmansk Region and the planned border crossing in the Kaliningrad Region with total budget of 15 million EUR.

² Draft Strategy for the North-Western Region, SPb, 2002.

³ Data for 2000-2001. Exchange rate in 2001 making 29.2 RUB/USD.

Chapter 2. TRANSFRONTIER COOPERATION LEGAL FRAMEWORK

According to the Constitution of the Russian Federation, foreign affairs are under the exclusive mandate of the federal authorities. Therefore, TFC in Russia is regulated by a number of federal legal acts. In addition to the RF Constitution those are as listed below:

Concept of Transfrontier Cooperation in the Russian Federation (adopted in February, 2001) spells out the goals, principles and priorities of TFC for authorities at the federal, regional and local levels. TFC is seen as the coordinated activities of all three levels of power aimed at strengthening cooperation of the Russian Federation with the neighbouring states to achieve sustainable development of the border areas. According to the Concept, the federal/regional authorities, local administrations, legal entities and all actors have a role to play in TFC. Thus, the main mandate (to adopt international agreements, to implement the federal programmes for TFC, etc.) is assigned to the federal authorities whilst regional authorities may cooperate within their competence with the regional authorities of the adjacent border regions and, on a case-by-case basis (upon RF Government approval), with the governments of foreign countries.

In July 2002 **European Outline Convention on Transfrontier Cooperation between Territorial Communities or Authorities** was ratified with the Federal Law (FL) of the Russian Federation. The ratification of this Convention (elaborated by the Council of Europe and adopted in Madrid in 1980) opens up new opportunities for TFC between the Russian Federation and other states.

The Federal Law of the Russian Federation “**On Coordination of the Foreign and Foreign Economic Cooperation of the Regions of the Russian Federation**” and the “**Agreement on TFC in the Field of Research, Extraction and Procurement of Natural Resources**” were adopted in May 2001.

All these documents and legal acts have laid the legal foundation for TFC at the regional level. They are in line with the main TFC principles elaborated by the EU and other international organisations.

The Russian-Finnish border in the NWFD accounts for the special focus on the EU and the Nordic countries TFC has assumed in the district. Currently, Finland is the only EU country sharing a land border with Russia, making **Finnish-Russian cooperation** particularly important. The Finnish-Russian Bilateral Agreement of January 1992 established a Finnish-Russian Intergovernmental Committee, and today Finnish-Russian cooperation has developed the best legal framework for TFC. The Committee is chaired by vice ministers responsible for the overall development of this cooperation. Members of the Committee represent several ministries and seven Finnish provinces. The Committee acts as a supervisor for the four Regional Working Groups (RWG) covering the part of Finland that borders Russia,

and four Russian regions: the Murmansk Region, the Republic of Karelia, St. Petersburg and the Leningrad Region.

In 2001, Finland adopted a bilateral plan for cooperation with Russia and North-West Russia in particular.

Chapter 3. TRANSFRONTIER COOPERATION INSTRUMENTS

3.1. Transfrontier Cooperation at the Regional Level

The current Transfrontier Cooperation legal framework and a range of TFC programmes offered by various institutions provide certain TFC opportunities to Russian regions. The type of TFC available varies from participation in international organisations and networks to bilateral cooperation at the regional and local levels:

- **Participation in the network organisations:** Council of the Baltic Sea States (CBSS), the Baltic Sea States Subregional Cooperation (BSSSC), cooperation under the umbrella of the Northern Dimension (ND), including Northern e-Dimension (NeD), ND Environmental Partnership (NDEP), Barents Euro Arctic Region Cooperation (BEAC).
- **Participation in the EU-Russian partnership cooperation programme (Tacis),** in particular the Cross-Border Cooperation (CBC) programme. In 2002 in light of the upcoming EU enlargement a new Liaison Office of the EC Delegation to Russia was opened in St. Petersburg to further develop EU-Russian cooperation in the North-West of Russia within the Tacis programme, the NDAP, the EU Initiative “Co-operation in the Baltic Sea Region” (BL-Baltic Line), projects and programmes targeted for Kaliningrad, small project programmes (SPPs) including the Institution Building Partnership Programme (IBPP), Tacis CBC Small and Micro project facilities (CBC TSPF and CBC TMPF), European Initiative for Democracy and Human Rights Programme (EIDHR) among others.
- Since 2001 regional authorities participate in the Steering Committees (SCs) of the **Interreg III A** (South-East Finland, Karelia, Kolarctic) programmes, which effectively means they have a decisive voice in selecting Interreg proposals. Participating regions are St. Petersburg, the Leningrad, Murmansk, Arkhangelsk Regions, and the Republic of Karelia.
- **Interreg IIIB** programme – all eligible Baltic Sea regions participate in the SC via National Subcommittee. Each year on a rotating basis, two regions represent the NWFD authorities in the SC. In 2002 the representative regions were St Petersburg and the Leningrad Region, in 2003 they are the Arkhangelsk Region and the Republic of Karelia.
- Participation of the four Russian regions in the **RWG for cooperation with Finland.**
- Bilateral cooperation agreements with the adjacent border regions of the neighbouring countries.
- Bilateral and multilateral cooperation agreements at the local level (between the cities).

- Cooperation within the **North-European Initiative (NEI) of the USA**. NEI was launched in 1997 as the US Government's strategy for integrating the Baltic states into the regional cooperation network to foster their accession to the EU and European-Atlantic institutions; to integrate North-West Russia into the same networks by fostering democracy and development of a market economy; and to develop US-Scandinavian and BSR countries cooperation. NEI includes six main strands: business development; reinforcement of the rule of law; civil society; energy; environmental protection and health. They effectively coincide with the priorities of the EU-Russian cooperation as well as the bilateral and multilateral cooperation provided by other donor organisations.

3.2. TFC in the NWFD: International Organisations and Networks

The **Council of Baltic Sea States (CBSS)** was established in March 1992 as a forum to promote cooperation and coordination in the BSR. The inauguration of the CBSS introduced the BSR as a commonly used notion for the new regional dimension in Europe. The Council consists of the ministers for Foreign Affairs of each member state and a member of the European Commission. There are three Working Groups:

- WG on Democratic Institutions (WGDI);
- WG on Economic Cooperation (WGEC);
- WG on Nuclear Safety and Radiation.

WGs consist of specialists from a relevant ministry of the MS. Within CBSS, the Business Advisory Council (BAC) was established in 1997. The BAC members are nominated by national business organisations and appointed by governments. The BAC's task is to advise various CBSS bodies on economic and business matters and participate in the WGEC. Additionally, a CBSS Commissioner from a MS is appointed for the period of three years. The Commissioner's task is to promote and consolidate democracy in the region based upon the respect for human rights. Ms Helle Degn (Denmark) was appointed CBSS Commissioner for 2000-2003.

Priority areas for CBSS activities are BSR energy cooperation, development of the information society, Baltic-21, Task Force on Communicable Diseases Control in the BSR, and Task Force on Organised Crime in the BSR. Assistance to new democratic institutions; economic and technological assistance and cooperation; transport and communications as well as health and culture issues are prioritised by the CBSS member states.

Baltic Sea States Sub-regional Cooperation (BSSSC) was established in 1993 in response to the CBSS's desire to improve sub-regional cooperation in the BSR. The BSSSC is open to all 162 sub-regions in the MS. Within BSSSC, over 100 sub-regions actively cooperate and meet at an annual conference. The BSSSC objectives are to

promote sub-regional cooperation; to fashion a coherent BSR policy at the regional level; and to represent the interests of the sub-regions towards the national governments and European and international organisations. The BSSSC activities are coordinated by the Secretariat, which is presently located in Gdansk, Poland.

The Nordic Council of Ministers (NCM) was formed in 1971 to serve as the executive body charged with supervising the intergovernmental cooperation of the Nordic countries. Cooperation is coordinated by the Ministers for Cooperation of the national governments of the MS (Denmark, Iceland, Norway, Sweden and Finland). The main aim is to foster secure and sustainable development of the adjacent border areas. Cooperation with Russia was launched in 1995.

Priorities for cooperation: democracy and politics aimed at fostering social well-being (including culture); support to the market economy; promoting effective utilisation of resources; and Arctic cooperation.

NCM instruments: exchange of civil servants (the Nordic Scholarship Scheme); the Nordic Grant scheme aimed at developing projects intended at long term collaboration between the Baltic countries and North-West Russia to promote development throughout the region and to strengthen democratic processes in the neighbouring states; and gender equality projects (since 2000). To develop and consolidate contacts, NCM Information Offices were opened in selected border regions of the NWFD. In addition to the Offices in St. Petersburg (1995), Arkhangelsk and Petrozavodsk (1998), an additional informational contact point in Kaliningrad is being considered. NW Russian regions eligible for cooperation are St. Petersburg, the Leningrad and Kaliningrad Regions, as well as the Arkhangelsk and Murmansk Regions involved the Barents area cooperation.

In view of the upcoming EU enlargement and with regard to the Northern Dimension Action Plan, NCM elaborated a strategy; one of the planning instruments being a three-year programme (2000-2002). Future cooperation is expected to focus on North-West Russia, in particular on the Leningrad, Pskov and Kaliningrad Regions. Cooperation priorities in 2002 included training journalists, democracy and leadership promotion among NGOs in North-West Russia, and adult education. Additionally, the NOPEF facility, which provides funding support for the establishment of SMEs in the region, was launched for Russia.

Nordic Funding Institutions (NFI) includes three formalised structures: the Nordic Investment Bank (NIB), the Nordic Environmental Financing Corporation (NEFCO) and the Nordic Project Fund (NOPEF). These institutes play an important role in channelling finances for cooperation in the adjacent border areas.

To coordinate the activities by various institutions and programmes, a framework agreement "Memorandum of understanding between The European Commission, The European Bank for Reconstruction and Development, The Nordic Investment Bank, The Nordic Environment Finance Corporation and the Council of Europe Development Bank on Cooperation for Pre-accession Preparation of Central and Eastern-European Countries" was signed in March 2000.

Barents Euro Arctic Cooperation (BEAC) was established in January 1993 with the “Kirkenes Declaration”. The BEAC brings together the foreign ministers of the five Nordic countries and Russia, with a representative from the European Commission. Canada, France, Germany, Italy, Japan, the Netherlands, Poland, the UK and the USA are observers. The chairmanship has been held by Norway, Finland and Russia for periods of one year.

Within the BEAC the **Regional Council** was established for cooperation at the regional level. A local representative (indigenous people) and a representative from each county/province participating are represented in the Council. The Swedish counties of Norrbotten and Vasterbotten are represented by their County Governors. The Regional Committee, which functions as the executive committee to the Regional Council, includes one official from each county/province, and is responsible for the planning, implementation and coordination of ongoing cooperation.

Within the **Barents programme**, there are two levels of cooperation – central and regional. Cooperation at the central level is based on the Kirkenes Declaration, while regional activities build on the respective Declaration of Intent signed by the counties, or the equivalent areas, and a representative of the indigenous people. This cooperation is mainly aimed at supporting the transition in the Russian sector, and particularly relates to public institutions, the market economy and environmental protection.

Chapter 4. NWFD REGIONS AND TFC: BRIEF

4.1. St. Petersburg and the Leningrad Region

Saint-Petersburg (SPb) and the Leningrad Region (LR) are the most active Russian regions in the RWG on cooperation with Finland. In addition, each region has cooperation agreements on bilateral or multilateral cooperation with the twin cities or regions. For example, in 2002 alone, the St. Petersburg authorities signed bilateral cooperation agreements with Turku and Tampere, Finland.

Both regions actively participate in the Council of Baltic Sea States (CBSS), Baltic Sea States Subregional Cooperation (BSSSC) and other network organisations. They are also involved in the Nordic Council of Ministers (NCM) and bilateral cooperation. St. Petersburg is particularly active in the NeD cooperation (promoting e-commerce is the NeDAP priority for North-West Russia). The Leningrad Region, though uneven in the municipal development, leads the investment growth and has the most attractive investment climate among the NWFD regions. Both regions, as well as the Republic of Karelia are the leaders in the Tacis CBC. While RK is more focused towards Finnish-Russian cooperation, St. Petersburg and LR are key actors within the whole range of the BSR cooperation networks.

St. Petersburg as well as Kaliningrad was selected as a target region for bilateral Danish-Russian cooperation. However, recent developments have tended to expand the geography of this bilateral cooperation to LR and to increase cooperation with Pskov.

With its population of over 4.6 million, **St. Petersburg** is the biggest mega-polis in the Baltic region, and it has the best developed industrial complex among the NWFD constituent regions. The city enjoys stable economic growth: 5.7% growth as compared to the Russian average of 4.1%. The City Administration report for 2002 lists Germany, Finland, USA, and Sweden as St. Petersburg's main trade partners. TFC is most developed within the EU Tacis programme, as well as within bilateral cooperation with Finland, Denmark, Sweden and the Netherlands. The city welcomed coordination of various TFC instruments, in particular Tacis-Interreg coordination. Cooperation with Scandinavian countries is primarily focused on environmental and social protection projects, while cooperation with the United Kingdom (DFID), Germany (Transform), and the Netherlands positions economic development as the top priority. Civil society issues are developed within the Soros (OSI) and Eurasia Foundation projects.

The **Tacis** programme has been active in the city since 1991, the year it commenced activities in Russia. Over 220 projects with a total budget exceeding 300 million EUR have been implemented in the city. Big projects with a budget of 1-3 million EUR were funded under the Tacis national programme and Tacis regional cooperation programmes (CBC and Baltic Line projects). Tacis small project programmes include Bistro, Tacis City Twin-

ning, IBPP, CBC, Tacis Democracy and the following European Initiative for Democracy and Human Rights Programme (EIDHR). The projects focused on enterprise restructuring, strategic planning and regional development, transport and energy, environmental cooperation, human resources development and education (including universities' cooperation); and public administration and legal reform support.

Big Tacis projects with budgets of 1.5-3 million EUR per project tended to target infrastructure development. These projects included "Technical Assistance for Izhorsky enterprise", "Restructuring of the "Leninets" holding", and "Technical assistance to the St. Petersburg Port". The EU Energy Centre and Foundation for SME Development were also established within the Tacis programme.

Another big Tacis project "Enhancing Synergy: Integration of Strategic Policies of SPb and LR in the context of the Northwest Region of Russia" implemented in 1998-2001 focused on regional cooperation, elaborating joint priorities and a strategy for coordinating the development of St. Petersburg and the Leningrad Region.

The main focus for TFC has been economic development. Tacis's contribution to the South Waste Water Treatment Plant is expected to amount to 24 million EUR, an important economic contribution. A key priority for the future will be cooperation in the ICT area.

In the **Leningrad Region**, the main industrial sectors are fuel, oil refining, forestry, lumber, pulp and paper, chemical production, and engineering. There are 300 basic industrial enterprises, most of which are corporations. The region's economy is close to St. Petersburg, and many regional enterprises were established as branches of the city enterprises. Transmash, a former Kirovsky Zavod's plant in Tikhvin is a prime example. The region has substantial reserves of wood, rock products, turf, bauxites, oil shale, and phosphate rock. Attracting investment in the production sector is one of the priorities for the social and economic development of the Leningrad Region. For this purpose, in 1994 and in 1997-1999, the Region adopted a number of laws on state support and protection for the investors. These include "The Law on Privileged Taxation for Enterprises and Organisations in the Leningrad Region"; "The Law on Investment Activities in the Leningrad Region" (with amendments); "The Law on Tax Credits and Investment Tax Credits". In addition to these laws, "The Law on Leasing Activities" is currently under consideration.

The **Tacis** programme has been active in the Region since 1994. The main focus for TFC is infrastructure development (border crossings) and regional/ local economic development. Under Tacis's CBC programme, Svetogorsk - Imatra Border Crossing (8 million EUR) was constructed. In 1994-2002, approximately 50 projects for a total of 33 million EUR (including environmental and social protection projects) were implemented in the Region. One of the most interesting projects was the Tacis Bistro project "Strategic Planning in the 29 municipalities of the Leningrad Region" implemented in 2001. Within this project 25 out of 29 municipalities designed municipal strategic plans;

working groups and Coordination Councils were established in 24 municipalities of the Region.

Cooperation with the Nordic countries primarily focuses on environmental protection and social affairs, while cooperation with the Netherlands and Germany (Transform programme) also covers economic development and transport cooperation. The Netherlands supported construction of a port in Primorsk and a bridge in Kirishi. Total funding from the Netherlands between 1995 and 2002 was 10 million guilders.

Bilateral cooperation with Finland (Cooperation programme for 2001-2003) includes the priority areas of forestry, transport and customs procedures, SME support and economic development.

DFID (previously the Know-How Foundation, UK) has been active since 1995 and originally was focused on rural development (since 1995) and then SME support (since 1997). About 1 million EUR was earmarked for the creation of nine business centres in the Region. In 2001 the Leningrad Region won the tender for the programme for the struggle against poverty (a total budget of 20 million GBP for five years). The priorities of the programme include strategic planning and development of the depressed districts.

Cooperation with Germany (Transform) was launched in 1995 with the main focus on enterprise restructuring and economic development including SME support. The latest projects tend to focus on development of the municipal economy.

Civil society projects are chiefly supported by the EIDHR, the OSI and the Eurasia Foundation.

4.2. Pskov Region

The Pskov Region is one of the least developed NWFD regions in terms of economic growth, investment and SME development. The rural areas of the region have been hit especially hard. In view of the upcoming EU enlargement and the expected growth of the gap in living standards of the adjacent border regions of the neighbouring countries, the Pskov Region TFC with Latvia and Estonia assumes particular importance. The Administration of the Pskov Region has supported TFC at the local level, and in December 1995, created the Association of Border Areas to bring together representatives from nine border municipalities of the Pskov Region. Its goal was to promote the social and economic development of the border areas by taking advantage of their prime position on Russia's external borders. The Association was registered as a non-profit organisation. The Association of Border Areas was shut down due to failing to re-register under the new Russian legislation. However, the Association of Municipalities of the Pskov Region, which was established later, continues the activities. However, it is not very active due to a lack of funding. Funding was expected to come from membership fees (i.e. from the budgets of the regional and local governments), but an overall

shortage of funding within the local budgets does not allow the local governments to pay their membership fees.

In 1996, the Council for Cooperation of the Border Regions of Estonia, Latvia and Russia was established by the heads of five border regions and districts of Estonia, Latvia and Russia, and the Governor of the Pskov Region. However, so far most of the Council's activities have been focused on the Estonian-Latvian border, due to a lack of funding and the need for experienced and professional staff.

The Pskov Region finds it rather difficult to attract multilateral and bilateral donors, as the major part of international cooperation projects fall into the environmental protection area. Tourism development is a priority of the Regional Administration as are investment projects and conferences, which include the celebration of Pskov City's 1100th year anniversary this July. The latest developments in TFC in the Pskov Region have served to launch active discussions on the Euroregion between the Administration of the Pskov Region and interested actors. Two main concepts prevail: creation of the Euroregion on a bilateral basis (Pskov-Latvia; Pskov-Estonia) and trilateral cooperation based on the previous experience of the Council for Cooperation of the Border Regions of Estonia, Latvia and Russia.

The Administration of the Region, three municipalities (Pskov (City), Pechory and Gdov municipalities), the Association of Municipalities of the Pskov Region, Pskov-Estonian NGO "Peipus Project", Centre for Sustainable Development of Pskov Region, Chamber of Industry and Commerce of Pskov Region, Centre for Social Projecting "Vozrozhdenie" and the "Open University" are the most active TFC actors in the region.

In 2003, two more interesting TFC projects are implemented in the Region. With the support of the Ministry of Foreign Affairs (Sweden) research of the impact of European TFC on the regional economic development in the adjacent border areas of the Pskov Region, Estonia and Latvia was launched. The research aims to identify TFC institutional barriers and motivating factors as well as to assess the TFC potential of the Region. The research is done by three groups of experts in the three countries. It is expected that the results of the study (in shape of concrete recommendations for policy-makers) will be presented by the end of 2003.

The other project is supported by the government of Denmark and aims to establish, administer and test a microgrant fund to encourage TFC between NGOs and local authorities of three municipalities of the Pskov Region (Gdov, Pskov and Palkino) and the adjacent municipalities of Estonia and Latvia.

Within the Tacis programme, the Region has mainly benefited from small projects (Bistro, CBC SPF, etc.). In 2001, Pskov was the only Russian region targeted for the multi-country CBC Regional Capacity Building Initiative aimed at the promotion of TFC in the area (other target regions were border areas in Ukraine, Moldova and Belarus).

Civil society projects are chiefly supported by the EIDHR, the OSI and the Eurasia Foundation.

4.3. Republic of Karelia

The Republic of Karelia (RK) is one of the most active NWFD regions in regards to TFC. Due to its geography, Karelia's key priority is cooperation with Finland and Norway, while Karelian-Swedish cooperation is mainly focused on social protection areas, and some SME support projects.

Karelia is the only NWFD region that has adopted the regional Programme of Cross-Border Cooperation for 2001-2006 (October, 2000). This programme is a response to the EU CBC programmes, in particular Interreg IIIB BSR and Interreg IIIA (including sub-programme Interreg – IIIA-Karelia) and is targeted on cooperation with the adjacent border regions of Finland. The Programme provides a SWOT analysis of TFC in the Republic, and also spells out priorities for further TFC activities, lists project initiatives and identifies funding sources.

NDAP implementation is another priority for TFC in Karelia, as is infrastructure development (border crossing points), environmental protection and, to some extent, social affairs.

Additionally, RK signed cooperation agreements with the Oulu region, Finland (1993) and three Regional councils in Finland (South Savo – 1993; Central Finland – 1995; South Karelia – 1999). Since 1993, RK has been a full member of the Barents Euro-Arctic Regional Council (BEARC). During the last five years, more than 40 projects with Finnish partners were approved by BEARC.

In February 2000, an Agreement and a Charter of the **Euroregion Karelia** between the RK, Russia, and the three regions of Finland (North Karelia, Kainuu and Northern Ostrobothnia) were signed. Euroregion Karelia is focused on coordinating different financing instruments (e.g. Interreg and Tacis) fostering subregional transfrontier co-operation. Priority areas are economic development, environmental protection, tourism and culture.

Tacis has been active in the region since 1995. Within this period, over 60 projects have been implemented in the region. One of the priorities for future cooperation is ICT cooperation (the e-Karelia project).

4.4. Kaliningrad Region

Due to its geography, and its possible status of the 'pilot region'⁴ and the 'bridge between Russia and the EU'⁵ Kaliningrad is particularly important for TFC, especially in view of the upcoming enlargement, when Kaliningrad will be totally surrounded by EU Member States. The regime of the free customs zone was established in Kaliningrad according to the Federal Law "On Special Economic Zone" adopted in January 1996. This shifted the regional economy towards foreign trade and con-

tributed to the development of businesses oriented on production to substitute for imports to the region.

In 2001, Kaliningrad intensified cooperation with Lithuania, Poland and Belarus via bilateral councils for long-term economic cooperation, namely:

- “Lithuanian-Russian Council for Long-term Cooperation between Regional and Local Authorities of the Republic of Lithuania and the Kaliningrad Region”;
- “Polish-Russian Council for Long-term Cooperation between the Regions of Poland and the Kaliningrad Region”.

Intensive cooperation with Germany is decentralised and carried out by various actors (private and governmental bodies – municipalities, private companies, etc.).

The Federal Target Programme for the Development of the Kaliningrad Region through 2010 was approved by the Russian Government in October 2001. It identifies trans-European autobahns Via-Baltica and Via-Hanseatica and construction of the power station as priorities for the Region’s development. The Russian Federation State Duma Committees are expected to consider the drafts of the federal laws on improvement of the mechanisms of the Kaliningrad Free Economic Zone in the near future.

The intense EU-Russia negotiations on the movement of people and other transit issues were accompanied by a number of events held jointly by the parties concerned, including the Forum of the Kaliningrad and Lithuanian parliamentarians held in November 2001.

Additionally, several joint documents have been elaborated for the negotiations which spell out the future of EU-Russian relations in general and cooperation on Kaliningrad in particular. Contributions by experts have also been important for elaboration of the official documents and for independent research. The Kiel Ad-hoc Expert Group set up by the Schleswig-Holstein Institute for Peace Research (SHIP) and supported by the EastWest Institute, elaborated a Policy Paper “Kaliningrad in Focus”⁶ which included a wide range of practical recommendations on Kaliningrad-related issues.

In July 2002 **EU-Russia partnership on Kaliningrad** was adopted; this document effectively links cooperation with Kaliningrad to the broader EU-Russia partnership. The document identifies the main focus for this cooperation as transit issues, economic and social development of the region. The EU has already committed 40 million EUR in recent years (25 million EUR has already been spent and 15 million EUR is in the pipeline). The EU is prepared to go further and to provide an additional 25 million EUR under a special sub-programme within the Tacis programme to promote economic and social development through investment in enterprise development and in small-scale infrastructure. It is expected that at least 5 million EUR will be spent on small CBC projects. Where

⁴ Russia’s Medium-Term Strategy towards the European Union (2000-2010).

⁵ Resolution by the Russian Federation State Duma “On State Policy towards the Kaliningrad Region” of December 13, 2001.

⁶ The Kiel International Ad-Hoc Group of Experts on Kaliningrad. Kaliningrad in Focus. Policy Recommendations in the Perspective of Problem-Solving. Kiel, 2002.

relevant, the projects will be pursued in co-operation with other donors, including the IFIs. The presentation of this special programme will be the subject of a separate document. The EU should also consider the creation of a new Kaliningrad Fund, using the contribution from the EU and inviting EU MS and other interested participants to contribute.

Main priorities for TFC in Kaliningrad will largely remain the same: infrastructure development (border crossings); private sector support and regional development; border management and port development; environment; health (especially communicable diseases control) and education. Kaliningrad receives a specific mention in the 2002-2003 Tacis Indicative Programme (IP) for Russia and in the CBC IP. Specific focus under the Russian National Action Programme (NAP) will be to improve the capacity of municipal authorities to deliver essential public services and wastewater treatment including small-scale investment.

4.5. Murmansk Region

The Murmansk Region is quite active in international and external economic cooperation. Due to its location (the border with Norway is 185 km; the border with Finland is 365 km) the most intensive cooperation has been with Norway, Sweden and Finland.

The main TFC instruments in Murmansk are:

- BEARC ⁷;
- bilateral agreements with Norwegian regions;
- EU Tacis programme (border crossings, energy, environmental protection, CBC TSPF);
- Interreg IIIA Kolarctic programme.

Since 1995 the Region has been involved in the trilateral project “The Ski-Way of Friendship” in which the participants – citizens of any state – may go visa-free across the borders of the three states (Russia, Finland and Norway).

Cooperation with Finland is within the intergovernmental agreement and RWG activities ⁸. In addition to those, since 1988, the Region has been concluding bilateral agreements with the adjacent regions of Finland, Norway and Sweden to boost TFC.

From 2001 to 2002, the draft Concept of TFC between the Murmansk Region and Lapland (Finland) was elaborated. Based on this paper, an Agreement TFC between the Murmansk and Lapland Regions was prepared and signed in June 2002.

The Region's main priorities for TFC are infrastructure development (Salla Border Crossing was opened in 2002), energy and environmental protection.

4.6. Arkhangelsk Region

The Arkhangelsk Region is involved in the BEARC, NCM cooperation and bilateral cooperation with the Nordic countries (mainly Norway and Sweden). The main areas of cooperation are health, the development of technical parks, SME support, tourism, environment and social protection. Participation in the Tacis CBC SPF is rather limited, because the Arkhangelsk Region is eligible for CBC SPF only as additional Russian partner region or if the project is linked to Interreg.

The Arkhangelsk Region also includes Nenets Autonomous District (despite the fact that it is a separate subject of the Russian Federation) and thus is also focused on issues affecting the indigenous people. The Regions' population is approximately 1.4 million. Natural resources provide main sources of production, including oil, forestry, pulp and paper, chemical production, and engineering. The Region's priorities for international cooperation have thus far been forestry, energy, transport and tourism development.

⁷ BEARC has been working in the Murmansk Region since 1993 when the Council started its activities.

⁸ see above.

Chapter 5. TFC TRENDS FOR THE AREAS OF COOPERATION AND REGIONS.

CASE STUDY: EU COOPERATION TACIS PROGRAMME

To track TFC trends in 2001-2002 Tacis (including Cross-Border Cooperation Facilities), which comprises the largest and most elaborated TFC programmes in the region, has been selected as a case study.

Through the **Tacis** programme which supports the economic and democratic reform process in Russia, the EU has been the largest donor of economic and technical assistance. Between 1991 and 2001, Russia has received 2.46 billion EUR in **Tacis** assistance whereof 1,483 million EUR have been allocated within the framework of the **Tacis** National Action Programmes (NAP), and 981 million EUR came from other regional programmes (since 1996 including CBC).

The European Commission launched the **Tacis** programme in 1991. The Tacis Programme is a European Union initiative for the 13 countries of Eastern Europe and Central Asia. Its aim is to support the efforts of its Partner States to develop societies based on political freedoms and economic prosperity. Tacis provides grant financing for the transfer of know-how to support the process of transition towards democratic societies and market economies.

In January 2000, the new Tacis Regulation covering the years 2000-2006 was adopted. In contrast to the previous 'demand-driven' approach, it is based on 'dialogue-driven' programming.

Indicative programmes (IP) covering three to four years' periods define the principal objectives for Tacis in the selected areas of cooperation for each Partner State. **Action Programmes** (AP), based on the Indicative Programmes, are adopted on annual basis jointly with the Partner States Governments and include a list of **projects** to be implemented. Action Programmes are reflected in a financing memorandum signed between the European Commission and each Partner State.

For the National Programme for the Russian Federation the main areas of cooperation are the following:

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

In 1998, at the initiative of the European Parliament **A Special Action in Favour of the Baltic Region** was created. The general objective of this programme is to support the development of transfrontier cooperation at the local, regional and NGO

levels in the Baltic Sea Region, including the Barents Sea and Arctic Regions. Most recently, cooperation was continued under the **Co-operation Programme in the Baltic Sea Region** (the budget is approximately 6-8 million EUR per year). The Cooperation Programme in the Baltic Sea Region shared the Indicative Programme and priorities of the Tacis CBC Programme. Since 2002 the Tacis National Programme and the Cooperation Programme in the Baltic Sea Region have been managed by the EC Delegation in Russia.

Tacis CBC programme promote cooperation at the local and regional levels between beneficiary countries, the EU and the candidate countries. The programme addresses the specific problems of border regions and builds networks across borders.

The Tacis CBC programme was initiated in 1996 both by the European Parliament, which created a separate budget line, and the European Council. The European Council adapted the Tacis regulation, which forms the legal framework for cross-border cooperation. This decision was in response to the accession of Finland to the European Union; Finland's accession gave the European Union a 1500 km long direct border with Russia. Furthermore, the BSR was gaining importance due to the significance of the eastern border regions of the candidate countries in Central and Eastern Europe in view of the upcoming enlargement.

The programme is geographically limited to the western border regions of Russia, Belarus, Ukraine and Moldova. Sharing a land or maritime border is a criterion for participation in the projects of the CBC Programme. The partners from the above countries in cooperation with the EU or the neighbouring candidate country may apply for funding.

The Tacis CBC programme is based on a separate budget line and funding has been allocated from the Tacis budget since 1996 (each year 20 to 30 million EUR). CBC includes measures in the fields of both technical assistance and infrastructure development. According to the new regulation, a maximum of 20% of the annual budget could be allocated to investment funding.

From 1996 to 2000, 110 million EUR was committed to the CBC programme. More than 50% of this allocation was spent on projects in NW Russia, including Kaliningrad.

The Tacis CBC IP for 2000-2003 provides funding for the three main areas of cooperation for both big and small project facilities as follows:

- 40-50% for development of infrastructure networks (border crossings and other border infrastructure such as border demarcations, bridges, roads, etc.);
- 15-25% for promotion of environmental protection and the management of natural resources;
- 15-25% for support to the private sector and assistance for economic development;
- 10-25% for small projects.

There are two different types of Tacis CBC projects; they are differentiated on the basis of the project costs.

1. Large-scale projects. These are mostly border crossings, environment, and economic development projects, with a budget exceeding 2 million EUR. Overall responsibility for programming lies with the Commission Directorate-General for External Relations in Brussels, and responsibility for final identification of projects lies with the EuropeAid service of the European Commission.

2. Small projects facility (SPF). The small project facility is targeted for regional and local authorities of the border regions to participate directly in CBC.

Table 1. Tacis CBC SPF funding 1997-2002 (in thousands EUR) ⁹

SUBMISSION	1997	1998	2000	2001	2002	TOTAL
Budget total	2 737	4 428	4 071	2 910	6 975	21 121
incl. equipment/ infrastructure	417	645	385	302	638	2 387

The projects, which are between 100,000 and 200,000 EUR, are identified on a call for proposals basis. Local and regional authorities as the main target groups may apply to the programme in partnership with local and regional authorities of the EU or CEE countries. Project proposals are submitted directly to the EuropeAid service of the European Commission, which, with the assistance of an independent expert panel, selects the best projects once a year. In general, the SPF funds projects that address a common problem or help to develop the partners' competencies in the areas of administrative reforms, local economic development, social affairs, environment and energy efficiency. Tacis grant cannot exceed 80% of the project budget. To ensure local ownership and the partners' commitment, the partners must co-finance at least 20%.

CBC SPF has had five submission rounds (1997, 1998, 2000, 2001 and 2002); 21.1 million EUR (of which 16.6 million EUR is Tacis grant) has been funded. The "hard" project share (equipment and infrastructure) may be up to 20-25% of the project's direct costs.

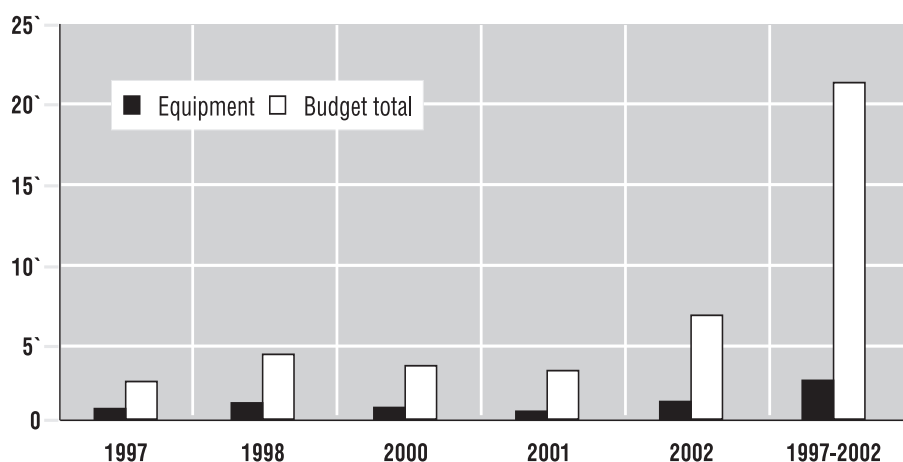
The most active regions in CBC are St. Petersburg, the Leningrad Region, the Republic of Karelia and Kaliningrad (as specially targeted for the EU-Russia cooperation). Murmansk, Arkhangelsk and Pskov are less active; Arkhangelsk is the least active due to the requirement that the Region may only participate under special circumstances (as additional Russian partner region or if the project is linked to Interreg).

The major portion of CBC SPF projects fall under the local economic development priority (45-60%); environment and energy are covered by 25-30% of the total number

of projects while social protection and administrative reform share the rest of the allocated funding.

In addition to the SPF, a Micro Project Facility (MPF) has been established with a grant of 10,000 – 50,000 EUR per project (the partners are to provide at least 20% co-financing to the project budget). MPF has the same eligibility criteria, however, applications may be submitted throughout the year. MPF has proved to be valuable initiative for establishing new partnerships, preparing a larger scale project and for grass root initiatives from small municipalities, for example in rural areas.

Chart 1. CBC SPF: “soft” and “hard” project components – allocated funding (budget total) compared to the equipment budget share (in millions EUR)



SPF aims to provide better coordination between Tacis CBC SPF, INTERREG and PHARE, and to allow for more integrated projects at the western borders of Russia, Ukraine, Moldova and Belarus.

Further SPF development also includes measures against poverty and CEEC-NIS cooperation. The new priority for the March 2003 submission round is also to fight against human trafficking.

The CBC programme was audited by the European Court of Auditors in 2000, with a follow-up mission in 2003. Recommendations from the ECoA report (2000) stated that the SPF proved to be a valuable initiative for grass root level cooperation and ensured possibilities for increasing funding. One of the possible developments for CBC is that it will focus mainly on infrastructure development (border crossings) and SPF.

The **INTERREG** Community Initiative is part of the European Union's regional policy. The funding for INTERREG III (the latest phase of INTERREG) comes from the European Regional

⁹ In 1999 there was no Call for Proposal.

Development Fund, one of the Structural Funds. A total of 4.875 billion EUR is available for the period 2000-2006. INTERREG III is split into three strands, namely cross-border (A), transnational (B) and interregional cooperation (C). The relevant Russian regional authorities participate in the Steering Committees of the Interreg programmes as mentioned below.

- **Cross-border** cooperation mostly concerns those regions which are located on the land borders of the European Union. A limited number of maritime borders in close proximity are also included.
- **Transnational** cooperation seeks to promote wider scale cooperation across national frontiers and as such it is not limited to contiguous border areas. The aim is to overcome the fragmentation of space caused by national borders, supporting a broadly-based strategic approach to the development of areas with common characteristics, such as the Baltic Sea Region.
- **Interregional** cooperation promotes common projects between regions that are not necessarily geographically contiguous. Any region within the Union can potentially cooperate with any other on a range of subjects.

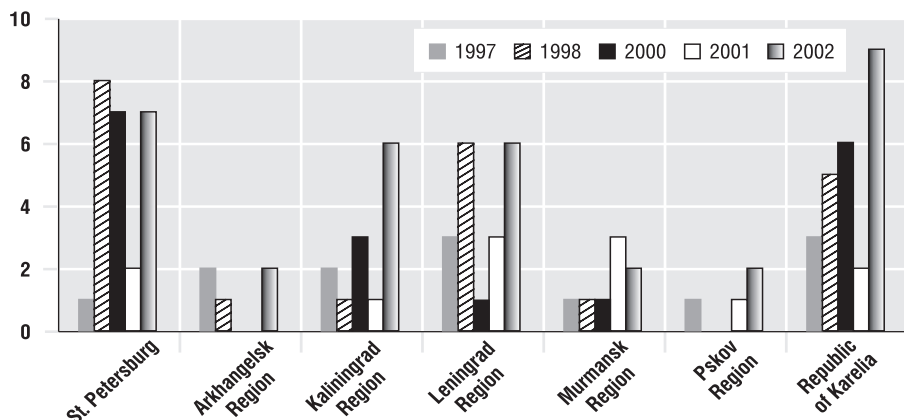
Under **strand A of INTERREG**, there are three cross-border programmes in operation on the EU side of the EU-Russian border: **South-East Finland, Karelia** (both Finnish-Russian programmes) and **North Calotte/Kolarctic** (this includes northern Sweden, northern Finland and northern Norway).

**Table 2. CBC SPF projects per region
(number of projects – all areas of cooperation)**

REGION	1997	1998	2000	2001	2002	TOTAL ¹⁰
St. Petersburg	1+1 ¹¹	8	7	2	7	25+1=26
The Arkhangelsk Region	2	1			2	5
The Kaliningrad Region	2	1	3	1	6	13
The Leningrad Region	3	6	1	3	6	19
The Murmansk Region	1	1	1	3	2	8
The Pskov Region	1+2 ¹²		1	2		4+2=6
The Republic of Karelia	3	5	6	2	9	25

Under **INTERREG IIIB**, actions are supported on the EU side of the border in the context of the **Baltic Sea Region** which covers all of the Nordic countries, and North-East Germany as well as North-West Russia and Kaliningrad.

**Chart 2. Number of the CBC SPF projects per region
(all areas of cooperation)**



The **Karelian INTERREG IIIA Programme** (28 million EUR in EU funds) has identified three main priorities for action over the next six years. These are: business activity; expertise and regional cooperation; and transport and communication.

The **South-East Finland INTERREG IIIA Programme** (22 million EUR) focuses on:

- the development of transport links and the state of the environment;
- the development of business and the business environment;
- expertise and improving conditions for co-operation.

In the North Calotte/Kolarctic INTERREG IIIA programme (47 million EUR), the Kolarctic piece of the programme focuses on cooperation with Russia (the Nordkalotten portion deals with intra-Scandinavian co-operation). Again, there are three priorities proposed within the Kolarctic part of the programme: business cooperation, competences and welfare, infrastructure.

The **Baltic Sea INTERREG IIIB Programme** (97 million EUR) has the following priorities:

- promotion of spatial development approaches and actions for specific territories and sectors,
- promotion of territorial structures supporting sustainable Baltic Sea Region development,
- promotion of institution building, strengthening transnational spatial development.

PHARE CBC programmes support cross-border cooperation (CBC) with Member States and between candidate countries. So far, CBC on candidate coun-

¹⁰ In some projects, several Regions were involved as partners. In such cases total for the projects in all regions under consideration exceeds the total of the funded projects.

¹¹ One project under CBC SPF and 1 project under Phare CBC programme.

¹² One project under CBC SPF and 2 projects under Phare CBC programme.

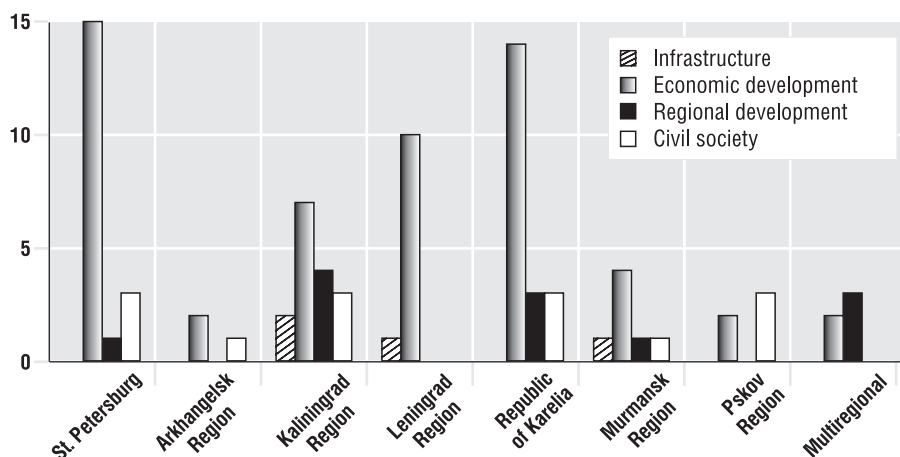
tries' external borders has been financed through national PHARE programmes. One of the problems for the cooperation with Russian regions was that PHARE might support only western borders of the candidate countries. Since 2001 the eastern proximity regions of candidate countries may benefit from Tacis CBC SPF (while, of course, the whole project should be for the benefit of the Russian partner).

The **Institution Building Partnership Programme (IBPP)** is another Tacis programme that provides support to institution building through partnership cooperation between non-governmental organisations and local/regional authorities from Russia and EU or CEE countries. The programme is part of the Tacis National Programme. The programme is a follow-up of the previous Tacis Lien and City Twinning Programmes and has supported government services co-operation as well as local and regional initiatives and grass-roots organisations. The close involvement of the actors in the definition of the project objectives, which enhances their sense of ownership, has been a key success factor. The size of the grant is up to 200,000 EUR. Projects are identified through yearly submissions and partners should co-finance 20% to the project budget. For the 2003 submission round the budget for Russia was 5.4 million EUR.

5.1. Tacis TFC projects in the NWFD: economic development, civil society (2001-2002)

In 2001-2002, 74 TFC projects having a budget of over 36.6 million EUR were implemented in North West Russia. Infrastructure projects, i.e. border crossings are not included in this survey, while two TFC projects which started in 2003 are also considered.

**Chart 3. Number of Tacis CBC SPF 2001-2002 projects per region
(all areas of cooperation)**



Examining the projects on a regional basis shows that the Republic of Karelia had most projects: 20 projects. St. Petersburg had 19 projects; Kaliningrad had 16 projects; and the Leningrad Region had 12 projects. Pskov with 5 projects and Arkhangelsk with 2 projects had the fewest Tacis TFC projects. As mentioned above, Arkhangelsk participates in the BEAC health cooperation and bilaterally funded projects (SIDA, etc.) and has less active involvement in the regional and economic development Tacis projects. A number of projects had multi-regional dimension.

Apart from the projects presented in the chart above, the development of border-crossings' infrastructure is the top priority in terms of TFC Tacis programme funding. This area of cooperation is targeted under the Tacis regional cooperation and CBC programmes in order to avoid the new dividing lines on the eastern EU borders. Two new border crossings were opened in 2002: Svetogorsk in the Leningrad Region (8 million EUR) and Salla in the Murmansk Region (5.93 million EUR). The border crossing point in Bagrationovsk (the Kaliningrad Region) was expected to open in summer 2003 (Tacis budget of 2.6 million EUR). Three more projects with a total budget of 16 million EUR are in the pipeline:

- border crossing on the Russian-Lithuanian border in Chernyshevskoe (the Kaliningrad Region);
- two border crossings on the Russian-Finnish border in Suopera (the Republic of Karelia) and Brusnichnoe (the Leningrad Region).

Table 3. Tacis funding for TFC projects in 2001-2002
(economic and regional development, civil society) - per region (in thousands EUR)

REGION/ AREA OR COOPERATION	Economic development	Regional development	Civil society	Total per region
St. Petersburg	2 920		548	3 468
The Arkhangelsk Region	430		24	454
The Kaliningrad Region	1 788	3 706	537	6 031
The Leningrad Region	1 607			1 607
The Murmansk Region	498	234	17	749
The Pskov Region	437		104	541
The Republic of Karelia	2 494	449	704	3 647
Multi-regional projects	2 983	2 000		
Total per area of cooperation	13 157	6 389	1 934	

5.2. Development of the Tacis CBC programme

As mentioned above, the long-term objective of the CBC programme development is to establish coherence between various TFC instruments. A possible future trend could be to focus mainly on infrastructure development and the SPF. Interreg committees are planning to increase the number of joint projects with Tacis.

Prospective big CBC projects in the pipeline for 2002-2003 also deserve a mention; under the CBC priority "Support for the private sector and assistance for economic development", 12 million EUR has been allocated for 2002-2003 under the Northern e-Dimension Action Plan (NeDAP).

NeDAP was launched by the Council of Baltic Sea States in 2001 and focuses on the development of the information society in the Northern Europe with the special aim to bridge the East-West digital divide in the BSR. Three projects that support the implementation of the NeDAP are planned so far:

- e-skills for Russian SMEs;
- e-Karelia ¹³;
- "New information society indicators for Russia".

This paper was nearly finalised when a new milestone marked the TFC development – on July 1, 2003 the European Commission adopted Communication **"Paving the Way for a New Neighbourhood Instrument"**. This will significantly boost cooperation along 10,000 km of the new EU borders shared with Russia, Ukraine, Belarus, Moldova, the Western Balkans and in the Mediterranean. This document is a follow-up to the Commission's Communication on "Wider Europe Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours" (adopted by the European Council on June 16, 2003).

Between 2004 and 2006 existing instruments for TFC such as INTERREG, Tacis and PHARE – CBC will be better coordinated through the creation of "Neighbourhood Programmes" to be launched in 2004. This will enhance the efficiency of implementation of joint projects on the EU external borders as the EC envisages that 95 million EUR could be re-allocated for this purpose. For the period after 2007 the Commission highlights a number of options including the creation of a single New Neighbourhood Instrument in the next financial perspectives.

Four key objectives have been identified for future cross-border cooperation:

- promoting economic and social development in the border areas;
- working together to address common challenges, in such areas as environment, public health, and the fight against organised crime;
- ensuring efficient and secure borders;

- promoting local, “people-to-people” type actions.

In the nearest two years the Finnish-Russian border will be a model for elaboration of the new TFC instruments. In addition to the existing programmes, a set of new INTERREG programmes will be launched, two of which will have significance for North-West Russia:

- Lithuania – Poland – Kaliningrad;
- Latvia-Estonia – Russia (Pskov and Leningrad Oblast).

As a first step, for the period 2004-2006, new **Neighbourhood Programmes** will be established. Based on current legislation but offering new solutions in view of the upcoming enlargement, they will build on current INTERREG programmes on the EU external borders. At this stage it should be possible within the existing instruments and financial perspectives, to propose a total volume for these programmes over 955 million EUR, representing 700 million EUR from INTERREG, 75 million EUR from Tacis, 45 million EUR from CARDS, 45 million EUR from MEDA and 90 million EUR from PHARE. Existing funding will partly be re-allocated to the border regions and regional cooperation.

The Neighbourhood Programmes will comprise the following key features:

- the programme will enable funding to be allocated on both sides of the external border;
- the programme's priorities will take account of necessary objectives and activities on both sides of the border and the aims and objectives of the Wider Europe Communication;
- a single application procedure and joint decision making for project selection will be established to cover both sides of the border;
- the rules governing the programmes' management and committee structures will ensure a balanced membership from both sides of the border, and include appropriate Commission representation;
- the procedures that govern the operation of the existing instruments will be streamlined to meet the needs of the Neighbourhood Programmes.

The second stage, beyond 2006, envisages the creation of a **New Neighbourhood Instrument** (NNI), applicable to all areas covered by the Union's existing cooperation programmes in the border areas. Such an Instrument will allow for a mix of cross-border and regional cooperation activities to be developed around the external border of the enlarged EU. The Instrument will combine both external policy objectives and social cohesion. Orientations for the next financial perspectives will be presented by the end of 2003. More detailed proposals for the NNI may be expected in the Third Cohesion Report.

¹³ Project targeting the forestry and wood processing industries in Karelia.

Chapter 6. OTHER DONORS SUPPORTING TRANSFRONTIER COOPERATION IN THE NWFD

6.1. Member States Bilateral Cooperation

Member States bilateral assistance programmes have a clear regional approach. All bilateral programmes target the support of economic reforms. Finland, Sweden, Denmark and the Netherlands to a high degree focus on environmental protection, including nuclear safety and energy efficiency. In the area of TFC, transport and communication have also become key areas for cooperation. The British (DFID – the former Know-How Fund), German (Transform Programme) and Dutch (MATRA – PSO) Governments have comprehensive assistance programmes.

Denmark

Danish technical assistance focuses on the North-West of Russia, mostly on St. Petersburg, the Kaliningrad and Novgorod Regions. Since 1991 this assistance has been coordinated by the Ministry of Foreign Affairs. The Ministry for Finance and the Ministry for Environmental Protection of Denmark also provide grants for TFC in the relevant areas.

Until 2000, the projects were implemented mainly in the areas of energy, environmental management, social and human rights; the total funds allocated in 1991-2000 amount to approximately 1.33 billion DKK. In addition, democracy and environmental protection funds provided support to over 130 projects. The top priority areas for the Danish bilateral programmes were environmental protection and energy.

In 1998, a Danish Environmental Soft Loan Programme was established in order to promote investments in environmental projects in Eastern Europe by means of long-term subsidised credits (soft loans). This programme aims at projects within the following areas:

- renewable energy;
- waste water treatment and drinking water supply;
- waste management and treatment;
- air purification and district heating.

The latest developments in Danish bilateral assistance have marked a shifting of focus away from environmental protection to social and democracy projects, and away from the Baltic States towards increased attention to the Leningrad and Pskov Regions (Danish Democracy Fund).

In 2001-2002, Denmark funded five projects in the TFC areas under consideration (economic and regional development, civil society) with the total budget of 14.4 million DKK or 1.9 million EUR. In addition to a multi-regional project covering St. Petersburg

and Kaliningrad, two of these projects were implemented in St. Petersburg, one project in the Leningrad Region, and two in Kaliningrad. A number of environmental and social projects were also implemented, but they are not covered in this paper.

Sweden

In 2002 the government development co-operation with Russia reached nearly 30 million EUR. The main part of cooperation is implemented through SIDA, but there are also cooperation projects implemented by the Swedish Institute and the Ministry of Foreign Affairs of Sweden.

Swedish International Development Cooperation Agency (SIDA) is the Swedish government agency for bilateral international development cooperation and most of Sweden's cooperation with Central and Eastern Europe. Parliament and the Government determine SIDA's budget, the countries with which Sweden will have programmes of development cooperation, and the focus of this cooperation.

The overall goal of Swedish development cooperation with the Countries of Central and Eastern Europe is to promote sustainable development, closer integration and partnership in the Baltic Sea Region and its vicinity, based on the needs of the partner countries and utilisation of the Swedish resource base. The Swedish development cooperation is directed by three guidelines:

- to promote systemic change and integration with European cooperative structures;
- to promote the development of relations with Sweden;
- the need to adopt a gender equality perspective in all development cooperation.

The Swedish Parliament has established four specific goals for cooperation with countries in Central and Eastern Europe. These are to:

- promote common security;
- deepen the culture of democracy;
- support a socially sustainable economic transition;
- support environmentally sustainable development.

SIDA supports development cooperation activities in Central and Eastern Europe and in Central Asia. SIDA's support for 2002 amounts to approximately 1.4 billion SEK, which is allocated to three different programmes in different geographical areas. One of the areas is the BSR, where the Swedish Parliament has given priority to Estonia, Latvia, Lithuania, Russia, Ukraine and Belarus. Cooperation with Russia is provided in support of long-term reform efforts. Major support is provided for investments in environmental improvements to reduce Baltic Sea pollution.

Also relevant for TFC organisations are the State Inspection for Nuclear Energy (SINE) and the Swedish Government, which also provides direct grants.

SIDA's main priority is to support reforms and integration in Europe. BSR and Barents co-operation are also important. In Russia, SIDA focuses on St. Petersburg, Arkhangelsk, Murmansk, Pskov Novgorod, Kaliningrad and the Republic of Karelia. The goal is to strengthen local capacity through transfer of Swedish know-how and experience. In 2000, SIDA assistance to Russia amounted to 158 million SEK. Swedish assistance is co-ordinated with World Bank, EBRD and Tacis projects.

SIDA's cooperation strategy for 2002-2004 identifies six areas of co-operation:

- common security;
- deepening of democracy (judicial collaboration, local and regional self-governance, mass-media, training for politicians, NGOs, exchange and collaboration in the fields of culture and public life);
- economic re-conversion (assistance to economic development, administration);
- social protection of the population;
- environmental protection;
- education and science (higher education and scientific work, education for adults, school exchanges, Swedish language).

SIDA focuses mainly on long-term cooperation and provides support for projects having 5-8-10 years duration.

In 2001-2002 SIDA funded over 30 projects in the TFC areas under consideration (economic and regional development, civil society) with a total budget estimated at 54.85 million SEK (6.01 million EUR). Of these, five projects have been implemented in St. Petersburg, two projects in the Leningrad Region, three in Arkhangelsk, six in Kaliningrad, four in Murmansk, five in Pskov, and four in Karelia. These were complimented by four multi-regional projects (it should be noted that environmental and social projects are not covered in this paper).

Apart from the funding SIDA provided to TFC, two regional development projects in the Kaliningrad Region and one project for the NWFD were funded directly by the Ministry for Foreign Affairs of Sweden (44,612 EUR or 48,279 USD).

Finland

In May 2000, Finland adopted a Strategy for Cooperation with the Proximity Regions that forms the framework for TFC. Finland's active participation in the EU strategies development, especially the ND, is an important input to the Nordic proximity areas cooperation.

The overall objective for this cooperation is political and economic support for the development of civil society, promoting democracy and a market economy. The Strategy identifies the following main priorities of the horizontal proximity cooperation.

They are:

- legislative development and the strengthening of good governance and the rule of law;
- environmental protection and control including nuclear safety;
- gender equality projects;
- joint projects for realization of the Kyoto protocol;
- regional cross-border cooperation and fight against corruption. This in turn will foster the development of trade and economic cooperation.

Transport, trade and industry are also included in the cooperation programmes.

In 1990-2000 the Finnish aid to Russia was 137 million EUR. The annual budget for the Finnish Co-operation Programme with Russia is about 15 million EUR. Currently 191 projects are being implemented in Russia. Humanitarian assistance has also been provided to Karelia and Murmansk.

In 2000, the share allocated for environmental protection amounted to approximately 30%. Agriculture and forestry received 14%, and economic cooperation and investments 11%.

Finland supports the activities of the NIB, NOPEF and NEFCO. Fifty-percent of the budget will be channelled to cooperation with the IFIs, as well as OSCE and UN entrepreneurship support programmes.

In North-West Russia the geographical priorities for Finland are the border areas: the Murmansk Region, the Republic of Karelia, SPb and the Leningrad Region as well as the other Northern Dimension regions including Kaliningrad.

United Kingdom

The **DFID (the former Know-How Foundation)** strategy includes further support for economic and social modernisation with the long-term objective of reducing poverty. The Leningrad Region is the one of the two target regions for the whole of Russia, the only one in the NWFD. A four-year 10 million EUR project for poverty reduction (including SME support and steps to increase regional capacity building) is planned.

Other areas of activity for DFID include trade policy (WTO accession), corporate governance, public administration reform, poverty analysis and support to the creation of micro-finance organisations. On-going projects support institutional, legal and administrative reform, development of SMEs, accounting reform (International Centre for Accounting Reform) and banking supervision (Central Bank of Russia). DFID's direct assistance to Russia makes 26.7 million GBP a year plus contributions to humanitarian operations in the North Caucasus.

The programme focuses on strategic technical cooperation, not mere financial assistance. Over 70 projects are being implemented in Russia. The British Council provides support to management training, development of educational assessment tools and education for special needs groups and ethnic minorities. Recently, the model of DFID support has changed from targeting selected regions towards implementing projects on the federal level including the pilot regions. Further to this, two Russian regions were selected for targeted assistance. As mentioned above, one of them is the Leningrad Region.

Germany

The **Transform Programme** priorities are: private sector development, SME support and enterprise restructuring. The programme also focuses on a manager-training programme (the Presidential Initiative), restructuring large agricultural enterprises, industrial safety, vocational training and social protection (in particular for the handicapped). In 1993-2001 over 300 projects were implemented in Russia, total grant amounted to 190 million EUR. In 2002, due to budget restrictions, only 10 million EUR was allocated for funding.

Regional cooperation priorities are building up the private sector; advice in developing SMEs; privatisation and restructuring; training for skilled personnel and managers in business and administration; and in the agricultural sector, – advice on restructuring large agricultural enterprises.

The Netherlands

The **Matra Programme** (Social Transformation) began in 1994 with the aim to support democratisation and transition to the market economy. The programme offers grants for projects in the areas of democratic institutions and civil society development, and environmental protection.

The PSO (Programme for Cooperation with Countries in Central and Eastern Europe) aims to promote the transfer of know-how in the areas of agriculture, industry and technology, energy and environment, transport and infrastructures. PSO promotes matching Dutch with Russian SMEs and other forms of cooperation between Dutch and Russian businesses.

The Matra programme has grown from 11 million EUR in 1994 to 50 million EUR planned for 2003. The Russian share in the Matra programme is 10%; the largest sectors are democratic development, environmental protection and civil society.

The priority themes of the Matra programme are legislation, human rights and minorities, good governance, strengthening civil society, the environment, public health and health care, labour relations, public information strategies, education (management and curriculum development), culture, and public housing. The most relevant for local/regional initiatives is the MATRA/KAP programme providing support with the help of the Dutch Embassy.

6.2. Other donors

Iceland

Iceland cooperates at the level of one-off projects. Cooperation with North-West Russia was implemented in the area of environmental protection on PCBs' (polychlorovinyl biphenyl) impact on people's health and the Russian National Plan for Water, which worked to prevent the pollution of the sea by the river and other water sources.

Some activities were also carried out within the programme "Women and Democracy" (education of women from the Baltic states and Russia). Iceland is also active in cultural cooperation.

Norway

In 1992-1999 2,550 million NOK were allocated by the Government of Norway to activities under the Programme for Cooperation (PfC) with the CEEC and the CIS. Apart from this, direct cooperation of the local authorities with authorities in the adjacent border regions was supported. Since 1997, 50-60% of the total funds of the PfC were provided to cooperation projects with North-West Russia. In 2000, over 50 million EUR were allocated for projects in Russia.

The overall objective is to support various cooperation projects and other activities that support democratic reforms, rule and good governance and a sustainable market-oriented economy.

The most important goals are:

- support for good governance, the rule of law, civil rights (including gender equality promoted by specific actions and projects);
- environmental protection;
- development of a sustainable economy (industries, agricultural sector) by the transfer of know-how, improvement of competencies, increasing goods circulation;
- cooperation in science, education and technology, as well as health and social protection areas and culture.

Bilateral cooperation programmes are coordinated by the Ministry for Foreign Affairs, Department for project cooperation with the CEE, working in close contact with other Norwegian ministries and organisations. Respective ministries are responsible for cooperation in the field of environmental protection and healthcare. The Norwegian Ministry of Justice coordinates cooperation with the Russian Ministry of Justice.

Significant resources are also provided for the Barents Cooperation Programme. This programme includes initiatives aimed at improving health services and controlling communicable diseases in the region.

PfC also finances the Norway National Secretariat for Barents Cooperation in Kirkinas and various regional projects.

Norwegian assistance has been focused on the North-West of Russia including Murmansk, Arkhangelsk, Pskov, the Leningrad Region, the Republic of Karelia, and Kaliningrad.

Canada

Canadian International Development Agency (CIDA)

The goal of the programme is to support the establishment of a stable, prosperous and democratic Russia with a well-developed market economy and efficient, responsible government institutions.

The programme focuses on three objectives:

- to support transition to a market economy (enabling environment, supporting environment for business, corporate governance);
- to encourage democratic development (core democratic institutions, civil society, public administration/good governance);
- to facilitate Canadian trade and investment links.

The annual budget for the Russian programme is approximately 20 million CAD. In most cases, the Canadian and Russian partners are expected to make a financial and/or in-kind contribution.

Switzerland

The Swiss Agency for Development and Co-operation (SDC) (part of the Federal Department of Foreign Affairs) and the State Secretariat for Economic Affairs (part of the Federal Department of Economy) are responsible for the implementation of development aid. Regional representative of the programme is also based in St. Petersburg. The programme is active since 1993, and the coordination office was opened in Russia in 1997. The annual budget for Russia is 6 million SF. Currently, approximately 30 technical assistance projects are being implemented in Russia. Of the total technical assistance budget approximately 50% is used for projects supporting the transition to a market economy, 25% for environmental management and 25% for democratic development. Target areas also include corporate governance, the voluntary sector (capacity building for NGOs), human rights, SME development (training of entrepreneurs) and media (promotion of independent media through financial support).

USA

United States Agency for International Development (USAID). Since 1992, the US Government has allocated 10.8 billion USD for grant assistance to Russia in the areas of nuclear safety, humanitarian assistance, and economic and democratic reform. In addi-

tion 2 billion USD is allocated for technical assistance. USAID looks to develop democratic institutions and a market economy. USAID has been active in the areas of privatisation, and private sector development, agriculture, energy, housing reform, health, environmental protection, economic restructuring, the independent media, and rule of law. Severe budget reductions have led to closing assistance in a number of sectors.

Other international institutions

The **European Bank for Reconstruction and Development** is active in funding SME development. Since 1994, it has been offering micro and small loans for up to three years to SMEs through accredited banks. Since the start of operations in Russia in 1991, and through June 2002, the EBRD has approved financing of 4.5 billion EUR for investment. Over 20 % of the total funding is earmarked for Russia. The EBRD's strategy for the Russian Federation, approved in October 2002, will focus on transport, communications, energy and municipal infrastructure, reform of the private sector, the provision of credit to Russian enterprises, financial sector reform and development of a knowledge-based economy.

The **World Bank Group's** strategy in Russia proposed for the financial years 2003-2005 is to support the effective implementation of the Government's comprehensive reform programme, to help mitigate the underlying risks to the sustainability of growth and to extend the opportunities arising from the reform process more widely across the rich diversity of Russia's population. Its Country Assistance Strategy (CAS) is organised around three central themes: improving the business environment and enhancing competition; improving public sector management; and mitigating social and environmental risks.

Currently 33 of the operations approved by the WB are in the implementation phase and total commitments are over 10 billion USD.

Soros Foundation – Open Society Institute

The OSI initiates and supports programs developing open societies and co-ordinates the work of independent national foundations. In 2001, OSI Russia integrated several programs into a new program bloc, the Social Contract. The goals of the Social Contract are:

- to support emerging civil society groups;
- to consolidate civil society networks;
- to increase interaction among NGOs, the media, local governments, and the business community;
- to further strengthen the rule of law and good governance in Russia.

Major areas of activity for the **Eurasia Foundation** are:

- private sector development;
- public administration reform;
- development of the civil society.

The Foundation is active in Russia since 1993 and has invested 64 million USD in small projects supporting **rural credit cooperatives** and initiatives to increase the **efficiency of entrepreneurs' associations** and to enhance their role in the development of self-regulation mechanisms for the private sector. The Eurasia Foundation supported the establishing of the 3,000 enterprises in Russia and distributed credits for the total of over 100 million RUB.

Another priority of the Foundation's activities is support to civil society, in particular the anti-corruption programme focused on grassroots organisations with emphasis on promoting media coverage of corruption, transparent procurement practices and citizens participation in anti-corruption activities. Since 1993 Eurasia has invested more than 20 million USD in the NGO resource centres, social proactive schools, independent media etc.

Third priority is good governance support. All in all in Russia more than 2,000 persons and organisations have benefited from the programme. Currently eight projects funded by the Eurasia Foundation are being implemented in St. Petersburg, the Leningrad Region, the Republic of Karelia, the Arkhangelsk and Murmansk Regions.

To addition to those eight projects, the Eurasia Foundation launched a New Initiative for the North-West Russian regions: **Joint American-Norwegian Small Grants Programme**. The Ministry of Foreign Affairs of Norway and Barents Euro Arctic Secretariat carry out a partnership programme focused on further civil society and private sector development. The Programme is administrated by the Eurasia Foundation (Moscow Representation) within the framework of the current programmes. Geographical priorities are the Murmansk and Arkhangelsk Regions, Nenets Autonomous District and the Republic of Karelia. St. Petersburg and the Leningrad Region may also participate. Priorities of the new programme are private entrepreneurship development and facilitation of the citizens' participation in political and economic decision making.

Under this Programme grants are provided for the following categories of projects:

- human resources development;
- wider access to the financial resources;
- creation of friendly environment for accomplishment of the above goals.

In addition to a number of regional development projects, initiatives and events funded by **the Charles Stewart Mott Foundation**, this foundation and Bertelsmann Foundation have provided support to some civil society development initiatives in North-West Russia.

The Charles Stewart Mott Foundation was established in 1926. The C.S. Mott Foundation's four programs cover such priority areas as civil society, environment and poverty reduction. In addition to these four programs, the Foundation also funds Exploratory and Special Projects that may lead to a program area over time, or unexpected opportunities that address significant international and/or national problems.

Through Civil Society Program Offices in Prague, the Czech Republic and Johannesburg, South Africa, the Foundation provides support to non-governmental organizations in Central/Eastern Europe and South Africa.

The Bertelsmann Foundation is dedicated to developing ideas and solutions for societal problems and promoting societal reform. The Foundation's charitable activities are based on the conviction that competition is indispensable to social progress. The Bertelsmann Foundation considers itself an agent of social change for a sustainable society; its goal as an operating foundation is to develop, organize and implement exemplary solutions to societal problems.

CONCLUSIONS

With its highly developed regional cooperation network, TFC in North-West Russia is ongoing in various formats, varying from high political cooperation (inter-governmental international cooperation via various networks like CBSS, BSSSC, BEARC, NCM, EU-Russia cooperation) to grass root initiatives supported by a wide palette of small project facilities. The most active regions are St. Petersburg, the Leningrad Region and the Republic of Karelia. The Kaliningrad Region is also highly committed to international cooperation, however while the city authorities are quite active in the TFC, the Kaliningrad Regional Administration lacks resources and its capacity needs to be further developed. Murmansk and Arkhangelsk (active members of the BEAC) are much less active in the EU-funded cooperation programmes. The role of the Pskov Region in TFC will increase in view of the upcoming EU enlargement and the new EU–Russia borders on the Pskov-Latvian and Pskov-Estonian borders. However the Region requires intensive capacity building to become an equal and active TFC actor.

In terms of funding, TFC focal points highlighted in this paper show that TFC tends to focus on economic development including infrastructure development projects in the Leningrad Region, the Murmansk Region and the Republic of Karelia (15 million EUR have been allocated to improve border crossings infrastructure). These projects are funded by the EU Tacis programme, bilateral projects in cooperation with the IFIs and NFIs. The scope of funding allocated per project varies from big projects of 1-3 million EUR to a number of small-scale projects of 10,000-200,000 EUR.

Regional development and civil society projects are mostly funded by the NCM as well as under Tacis, EIHDR and bilateral programmes (SIDA, Matra, DFID, OSI). The major portion of the civil society projects is small-scale projects while regional development projects may receive bigger grants (for example, the Tacis-funded project “Trade and Investment in Kaliningrad” with a total budget of 1 million EUR). Regional development projects mostly target Kaliningrad, St. Petersburg or the Leningrad Region. Civil society projects are evenly spread throughout the NWFD. The most recent trend is to promote civil society development in the non-metropolitan areas of the NWFD.

In general, TFC priorities are well coordinated; however better information exchange to avoid duplication of project activities and to ensure positive synergy would be for the benefit of TFC in the region.

LIST OF TRANSFRONTIER COOPERATION PROJECTS IN 2001-2002

This overview is based on the analysis of the projects aimed at promoting regional and economic development and civil society, which were implemented in the border areas of the North-Western Federal District in 2001-2002 with the support of a variety of donors. Some of the projects are still in progress. These projects are listed below and have been sorted out on a target region basis. For more detail on the projects visit the EastWest Institute's web-site www.ewi.info.

	PROJECT TITLE	DONOR
	St. Petersburg	
1	Creative Industry Development Partnership	Tacis CBC SPF
2	ECOTECH-2-Co-operating in Environmental R&D in SME-Field	Tacis CBC SPF
3	International Partnership for Creation of Financial Support System for Small and Medium-Sized Enterprises in Scientific and Technical Spheres	Tacis CBC SPF
4	Improving Eco-Efficiency in North-West Russia: Joint Effort for Companies, Local Authorities and University of St. Petersburg	Tacis CBC SPF
5	Northern Dimension ICT Development Network St. Petersburg	Tacis CBC SPF
6	Strengthening Local Authorities' Capability to Provide Integration of Young Disabled Persons	Tacis CBC SPF
7	InterSAVE Russia	Tacis CBC SPF
8	Co-operation in Financial Management and Auditing at Local/Regional Level - For democracy and Development in St. Petersburg (CALL-DD)	Tacis CBC MPF
9	Preliminary study and development of strategy in special tourism and international cultural events	Tacis CBC MPF
10	Small Hotels Partnership Network	Tacis Bistro
11	Support to Promotion in the EU of the Russian Technology Potential	Tacis Bistro

	PROJECT TITLE	DONOR
12	Training Curricula for Quality and Environmental Management	Tacis Tempus
13	A step towards a state governed by the rule of law	EIDHR micro project facility
14	Volunteer Translation Service for Russian Human Rights	EIDHR micro project facility
15	Manchester-St. Petersburg Partnership for Creative Industries Development	Tacis IBPP
16	St. Petersburg City Card	SIDA
17	Media Transborder Co-operation Project	SIDA
18	Public Transport Sector Reform	SIDA
19	Land Cadastre and Land Information Systems, St. Petersburg	SIDA
20	Conference for Women Entrepreneurs – St. Petersburg 2003	SIDA
21	Export Skills Development in St. Petersburg (2)	National Agency for Enterprise and Housing, Denmark
The Leningrad Region		
22	The WERAN Project: Women's Enterprises, Relations (in Business), Achievements and Networking	Tacis CBC SPF
23	Development of SME Companies Information Service Centres at Kinggisep & Johvi	Tacis CBC SPF
24	Baltic Welcome Center-Infotour Rus - Institution Building, Tourism Sector Development and Interregional Networking in BSR	Tacis CBC SPF
25	SuPortNet II North-West RUS: Sustainable Spatial Development with a Network of Ports for Boat Tourism in the North-West Russia bordering Estonia and Finland with Integration into Existing Baltic Network.	Tacis CBC SPF
26	Development of Infrastructure Supporting the Entrepreneurship Activity in the Leningrad Region	Tacis CBC SPF

	PROJECT TITLE	DONOR
27	Export Development and Strategy of the Leningrad Region	Tacis Bistro
28	Strategic Planning in 29 Leningrad Region Municipalities in the Leningrad Region –Interactive Process and Concrete Projects	Tacis Bistro
29	Svetogorsk Border Crossing	Tacis CBC
30	Ivangorod Border Crossing	Tacis CBC
31	Strengthening Local Democracy in Tikhvin by Developing Civil Involvement	Tacis IBPP
32	Land Information System and Cadastral Register, the Leningrad Region	SIDA
33	Pipelines and Substations to the City of Gatchina	SIDA
34	Further Development of Agricultural Advisory Service in the Leningrad Region	Ministry of Food, Agriculture and Fisheries, Denmark
	St. Petersburg and the Leningrad Region	
35	<i>SUPPORTNET Russia</i> : Sustainable Spatial Development with a Network of Ports for Boat Tourism in the Baltic Sea Region. Integration of Russia into the Baltic Network	Tacis CBC SPF
36	EURORUSSIA Network	Tacis CBC SPF
37	King's Road Russia –Joint Cross-Border Tourism Development (KRR)	Tacis CBC SPF
38	Big Lakes Ladoga and Paijanne - Using Natural and Cultural Heritage as a Boost of Sustainable Tourism Development in the Big Lakes Network	Tacis CBC SPF
39	The Baltic Palette II	Tacis CBC SPF
	The Pskov Region	
40	Partnership Networking for Sustainable Tourism Development	Tacis CBC SPF
41	Vastseliina-Izborsk Tourism Destination	Tacis CBC SPF
42	Improvement of the Unemployment Situation	Tacis CBC SPF

	PROJECT TITLE	DONOR
43	Debating Contest "School of Tolerance"	EIDHR micro project facility
44	NO ANGER, NO BIAS	EIDHR micro project facility
45	Creation of a Model Farm for Efficient Milk Production	SIDA
46	Cross-border Co-operation between Estonia, Latvia and Russia	SIDA
47	Land Information System, Pskov	SIDA
48	Model Forest Project for Sustainable Forestry Management	SIDA
49	Strengthening the Capacity of the Chamber of Commerce and Industry of the Pskov Region	SIDA
50	Euroregion Network	C.S. Mott Foundation, EastWest Institute's Board of Directors
The Republic of Karelia		
51	Economics and Management of Municipal Water Services in the Pryazhinsky District	Tacis CBC SPF
52	EUREGIO KARELIA: Cross-border as a Tool for Civil Society	Tacis CBC SPF
53	Development of Family Entrepreneurship with Special Emphasis on Women (DAME)	Tacis CBC SPF
54	Border Trade and Electricity Production Development in the Neighbouring Regions of the Republic of Karelia (Municipality of Sortavala) and Finland	Tacis CBC SPF
55	Development of Fishing and Nature Tourism in Hiitola River Region	Tacis CBC SPF
56	Establishing and Marketing of Border-Proximity Industrial Estate (PIK) in Kostomuksha – Euregio Karelia Enterprise Action Model in Border-Proximity Co-operation	Tacis CBC SPF

	PROJECT TITLE	DONOR
57	Paanajarvi Developing Project	Tacis CBC SPF
58	Rural Development for Russian Karelia Border Areas, "PROFUTURE"	Tacis CBC SPF
59	Nature Tourism as a Tool for Developing Muezersky District and Enhancing Nature Protection	Tacis CBC SPF
60	Four Seasons – Product Development and Marketing Project within Culture and Nature Tourism	Tacis CBC SPF
61	Karelian Youth Network	Tacis CBC SPF
62	Development of Administrative Support of Small Business Provided by the City of Petrozavodsk	Tacis CBC MPF
63	Development of Local Small Industries in the Border Area of EU and Russia	Tacis CBC MPF
64	Tourism Marketing in Pitkaranta Area	Tacis CBC SPF
65	Karelia Parks Development	Tacis Russia
66	Public Monitoring of Human Rights Observance During Conscription	EIDHR micro project facility
67	The Development of Farm House Tourism based on Sustainable Utilisation of Natural and Cultural Resources	Tacis IBPP
68	Diversification of the Industry in Olenogorsk City – Phases 1, 2 and 3	SIDA
69	Regional Tax Administration – Phase 1, 2 and 3	SIDA
70	Rural Development Pryazha – Phase 1 and 2	SIDA
71	Land Information System and Cadastral Register, Karelia	SIDA
72	Development of Investment Projects for Small Business in Municipalities of the Border Region of the Republic of Karelia	Eurasia Foundation
73	Women Support Centre	Eurasia Foundation

	PROJECT TITLE	DONOR
	The Kaliningrad Region	
74	Training of Trainers on Andragogy and on Training-Programs on Entrepreneurship	Tacis CBC SPF
75	Best Practice in Fundraising and Project Management (BestFund)	Tacis CBC SPF
76	Development of Labour Market Oriented Education Strategy in Kaliningrad (LASTRAK)	Tacis CBC SPF
77	Support to the Kaliningrad authorities in SME development, including the strengthening of the Kaliningrad Business Centre ("KALISME")	Tacis CBC SPF
78	NAUTICUS. Nemunas and Unlocking Tourism Capacity: a Baltic Cross-Border Water Tourism Initiative	Tacis CBC SPF
79	Cross-Border Integrated Management Plan for the Curonian Spit	Tacis CBC SPF
80	The Kaliningrad/Malms Cross border Cooperation on Mother-to-Child HIV-prevention	Tacis CBC SPF
81	Youth and Society	Tacis CBC SPF
82	Kaliningrad Port	Tacis Baltic Line
83	Diagnosis and Development Concept for Kaliningrad	Tacis Bistro
84	Support for the Regional Development of Kaliningrad	Tacis Russia
85	Bagrationovsk Border Crossing	Tacis CBC
86	Trade and Investment in Kaliningrad	Tacis National
87	Age of Cooperation	EIDHR micro project facility
88	Land Information System and Cadastral Register, Kaliningrad	SIDA
89	Kaliningrad International Business School – Phase 5	SIDA

	PROJECT TITLE	DONOR
90	Kaliningrad Water Services Rehabilitation Project	SIDA
91	Local Democracy in Kaliningrad Region – Phase 4	SIDA
92	Feasibility Study for Officer Re-Employability Assistance Project, Kaliningrad	Ministry of Education, Denmark
93	Kaliningrad as a Pilot Region in EU-Russian Relations. Stage 1	C.S. Mott Foundation, Ministry of Foreign Affairs (Sweden)
94	Support to Integrated Regional Development of Kaliningrad	C.S. Mott Foundation, EastWest Institute's Board of Directors
95	Support to the Elaboration of the Draft Law of the Kaliningrad Region "On Combating Corruption"	C.S. Mott Foundation
The Murmansk Region		
96	Alakurtti-Kandalaksha Technology Project	Tacis CBC SPF
97	Development of the Regional Authorities Network of Partnership (RNP)	Tacis CBC SPF
98	Development of Traffic Management Sector in the Murmansk Region in CBC	Tacis CBC SPF
99	Concept of Development of Reindeer Breeding and Production	Tacis CBC MPF
100	Developing White Sea Tourism	Tacis CBC SPF
101	Salla Border Crossing	Tacis CBC
102	The Educational Human Rights Programme "Adolescent"	EIDHR micro project facility
103	Seminar on the Media Situation in Russia	SIDA
104	Barents Rescue Co-operation – Interreg IIIA Kolarctic (co-financing)	SIDA
105	Women's' Management Institute – Phase 1, 2 and 3	SIDA
106	Land Information System and Cadastral Register, Murmansk	SIDA

	PROJECT TITLE	DONOR
	The Arkhangelsk Region	
107	The Arkhangelsk Model of Integrated Education in Advanced Forest	Tacis Tempus
108	Northwest Russia Road Management	Tacis Russia
109	Bereginya. Women and local development	EIDHR micro project facility
110	Land Information System and Cadastral Register, Arkhangelsk	SIDA
111	Local Democracy and Rural Development	SIDA
112	Budget Training – Phases 1, 2, 3 and 4	SIDA
113	Elaboration of Strategic Development Plan for the City of Severodvinsk	Eurasia Foundation
114	Club for Leaders of Municipal Local Self-Governments in the Arkhangelsk Region	Eurasia Foundation
115	Elaboration of an Optional Model for Raising Local Funding for Social Sphere and Development of Areas	Eurasia Foundation
	Umbrella (Multi-Regional) Projects	
116	From Ladoga to the Polar Sea via the Fennoscandian Green Belt	Tacis CBC SPF
117	A Plan for Developing Co-operation in the Mechanical Wood Processing Industry in the Republic of Karelia, in the City of St. Petersburg and in the Leningrad Region (MEWOPRO)	Tacis CBC MPF
118	Promotion of Innovative SMEs in the Baltic Region, Russian Federation	Tacis Baltic Line
119	Development of Cross-Border Tourism in the Russian Part of Barents Euro-Arctic	Tacis CBC
120	Regional Venture Fund for North-West and West Russia	SIDA
121	Contribution to the County Administrative Boards of Norrbotten and Västernorrland for Development Co-operation within the Barents Region	SIDA

	PROJECT TITLE	DONOR
122	Barents TV Academy and Barents TV Festival	SIDA
123	Transfrontier Cooperation Programme for Kaliningrad	SIDA, C.S. Mott Foundation, Hans and Marit Rausing Foundation, EastWest Institute's Board of Directors
124	Business Development in the Agro and Food industry	Agency for Trade and Industry, Denmark
125	Business Development in the IT and Electronic Sector	Agency for Trade and Industry, Denmark
126	Improving Infrastructure to Support Strategic Planning in the Cities and Regions of Russia	Eurasia Foundation
127	Public Participation of Regions and Republics of Russia's North-West in Budgeting	Eurasia Foundation
128	Open Budget. Russian Municipalities. Budget Monitoring, Applied Budgetary Analysis, Analytics and Comparison to Northern European Countries	Eurasia Foundation
129	International Conference "Cross-Border Partnerships for Enterprise and Investment in the Northwest Regions of the Russian Federation"	C.S. Mott Foundation, OECD
130	Policy Forum "New Security Perspectives in the Border Regions of the Enlarging EU"	C.S. Mott Foundation, Baltic Development Fund
131	Support to the North-West Investment (Development) Agency and to the Fund Agency of Regional Development of the Pskov Region	C.S. Mott Foundation, EastWest Institute's Board

LIST OF ABBREVIATIONS

- AP** – Action Programme (Takis)
- BAC** – Business Advisory Council with-
in the CBSS
- BEAC** – Barents Euro Arctic Council
- BEARC** – Barents Euro Arctic Regional
Council
- Bistro** – small scale Tacis programme
(up to 200,000 EUR)
- BL** – Baltic Line
- BSSSC** – Baltic Sea States Subregional
Cooperation
- BSR** – Baltic Sea Region
- CARDS** – Community Assistance for
Reconstruction, Development and Stabi-
lisation (assistance programme for the
Western Balkans)
- CAS** – Country Assistance Strategy (the
World Bank Group)
- CBC** – Cross-Border Cooperation
- CBSS** – Council of Baltic Sea States
- CBC (T) MPF** – Cross-Border Coopera-
tion (Takis) Micro Project Facility
- CBC (T) SPF** – Cross-Border Coopera-
tion (Takis) Small Project Facility
- CEE** – Central and Eastern Europe
- CEEC** – Central and Eastern European
Countries
- CHF** – Swiss franc
- CIDA** – Canadian International Devel-
opment Agency
- CIS** – Commonwealth of Independent
States
- DFID** – Department for International
Development, UK
- DKK** – Danish krone
- EBRD** – European Bank for Reconstruc-
tion and Development
- ECoA** – European Court of Auditors
- EIDHR** – European Initiative for Democ-
racy and Human Rights
- EU** – European Union
- EWI** – EastWest Institute
- FL** – Federal Law
- GDP** – Gross Domestic Product
- GBP** – pound sterling
- IBPP** – Institution Building Partnership
Programme (one of the small scale Tacis
programmes)
- ICT** – information communications
technologies
- IFI** – International Financial Institutions
- Interreg** – EU programmes for interre-
gional cooperation in the EU, also includ-
ing the candidate countries. CIS partners
from bordering regions are welcome to
participate, however they cannot be fund-
ed under the Interreg project budgets
- IP** – Indicative Programme
- LR** – the Leningrad Region
- MBA** – Master of Business Administra-
tion
- MEDA** – financial instrument of the
European Union for the implementation
of the Euro-Mediterranean Partnership
- MPF** – Micro Project Facility
- MS** – EU Member States
- NCM** – Nordic Council of Ministers

- ND** – Northern Dimension
- NDEP** – Northern Dimension Environmental Partnership
- NDAP** – Northern Dimension Action Plan
- NeD** – Northern e-Dimension
- NeDAP** – Northern e-Dimension Action Plan
- NEFCO** – the Nordic Environmental Finance Corporation
- NEI** – North-European Initiative of the USA
- NFI** – Nordic Funding Institutions
- NGO** – non-governmental organisation
- NIB** – Nordic Investment Bank
- NIS** – New Independent States
- NNI** – New Neighbourhood Instrument
- NOK** – Norwegian krone
- NOPEF** – the Nordic Project Fund
- NW** – North-West
- NWFD** – North-Western Federal District
- OECD** – Organisation for Economic Co-operation and Development
- OSCE** – Organisation for Security and Co-operation in Europe
- OSI** – Open Society Institute (Soros Foundation)
- PfC** – Norwegian bilateral programme for cooperation with Russia
- Phare** – one of the three pre-accession instruments financed by the European Communities to assist the applicant countries of central Europe in their preparations for joining the European Union.
- RF** – Russian Federation
- RK** – the Republic of Karelia
- RTFC** – Regional and Transfrontier Co-operation
- RUB** – Russian rouble
- RWG** – Regional Working Groups (Finnish-Russian bilateral cooperation)
- SC** – Steering Committee
- SDC** – Swiss Agency for Development of Cooperation
- SEK** – Swedish krona
- SIDA** – Swedish International Development Cooperation Agency
- SINE** – Swedish State Inspection for Nuclear Energy
- SME** – Small and Medium-sized Enterprises
- SPb** – St. Petersburg
- SPF** – small project facility
- SPPs** – small project programmes
- SWOT** – Strength Weakness Opportunity Threat
- Tacis** – EU Cooperation programme for the CIS countries and Mongolia
- TFC** – Transfrontier Cooperation
- UN** – United Nations
- USAID** – United States Agency for International Development
- USD** – US Dollar
- WB** – the World Bank
- WG** – Working Groups (within the CBSS)
- WGDI** – WG on Democratic Institutions (within the CBSS)
- WGEC** – WG on Economic Cooperation (within the CBSS)
- WTO** – World Trade Organisation

