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**2006 Annual Progress Report on the Implementation of the
Northern Dimension Action Plan**

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1. INTRODUCTION

This is the 2006 Annual Progress Report concerning the implementation of the Second Northern Dimension Action Plan, covering the period January-December 2006. It is the third and last Annual Progress Report on the Second Action Plan (2004-2006). The Commission has produced Annual Reports on the EU Northern Dimension policy as requested in the “Full Report on Northern Dimension Policies”¹, endorsed by the Gothenburg European Council in June 2001. Reporting on the new Northern Dimension policy as from 2007 will follow the relevant provisions of the Northern Dimension Policy Framework Document adopted at the Northern Dimension Summit of 24 November 2006 (see below)

As foreseen in the Second Action Plan, the Northern Dimension policy increasingly focuses its activities in North West Russia. The new Northern Dimension policy confirms this and defines that the geographical priority areas are the Baltic and the Barents Sea Regions, the Kaliningrad Oblast of the Russian Federation and the Arctic and Sub-Arctic regions.

2006 has been a crucial year for the Northern Dimension policy. Following the approval of the “Guidelines for a Northern Dimension political declaration and a policy framework document as from 2007” at the Northern Dimension Ministerial meeting of November 2005 in Brussels, negotiations were conducted between the European Union (represented by the Presidency and the Commission), Iceland, Norway and the Russian Federation throughout the year, to draft the basic documents of the new Northern Dimension Policy. A specific chapter of this annual report is dedicated to this topic.

On the implementation side, the Commission exercised in 2006 an intense activity, through coordination and monitoring. The Commission’s Inter Service Group on the Northern Dimension and the Arctic (made up of officials from several Directorate-Generals dedicated to EU internal and external policies) met twice in 2006. It also consolidated its network for daily work with a constant electronic exchange of information on Northern issues. RELEX E chairs the Inter-service Group on Northern Dimension and the Arctic and provides its secretariat. This Inter-Service Group has special links with those on Russia and Indigenous Peoples.

As in two previous years, the Commission took care of compiling and publishing at its own External Relations website the information on Northern Dimension projects implemented by the different stakeholders in the so called Northern Dimension Information System.

2. THE POLICY FRAMEWORK

2.1. The Second Northern Dimension Action Plan 2004-06².

The Northern Dimension Second Action Plan was approved by the General Affairs Council on 29 September 2003 at the initiative of the Commission and was endorsed by the European

¹ Available at: http://europa.eu.int/comm/external_relations/north_dim/doc/full_report.pdf

² The full text of the Northern Dimension Second Action Plan is available at: http://europa.eu.int/comm/external_relations/north_dim/ndap/ap2.pdf.

Council in Brussels on 16 and 17 October 2003³. It covers the period 2004 - 2006. The Second Northern Dimension Action Plan itself is based on the proposals made by the Commission services and by other Northern Dimension stakeholders.

The Northern Dimension Second Action Plan fixed a set of priorities, objectives and actions for implementation through the external and cross-border policies and programmes of the European Union, as well as through the policies, projects and activities carried out by all the other Northern Dimension stakeholders. The Second Action Plan asked for particular attention to the two geographical zones covered by the Northern Dimension, where there are specific development gaps or sector problems, namely the Arctic and sub-Arctic regions and the Russian Kaliningrad Oblast. The Second Action Plan established five priority areas: economy, business and infrastructure, social issues (including education, training and public health), environment, nuclear safety and natural resources, justice and home affairs and cross-border co-operation. Within each of these areas, the second Action Plan proposed specific objectives.

The Action Plan encouraged the principles of subsidiarity and synergy between the different Northern Dimension actors, such as the international financial institutions, regional and local authorities, education and research institutions, civil society, etc. The important role in the implementation of the Northern Dimension played by the four Regional Councils in the North, i.e. the Council of the Baltic Sea States (CBSS), the Barents Euro-Arctic Council (BEAC), the Nordic Council of Ministers (NCM) and the Arctic Council (AC) was underlined.

The European Union financing for Northern Dimension activities and projects in 2006 came mainly from the TACIS and Interreg programmes. Throughout 2006, the European Union prepared the new financial instruments to accompany its external action as from 2007, and always in line with the 2007-2013 financial perspectives of the European Union. Therefore, as from 2007 the main source of European Union financing for the Northern Dimension will be the European Neighbourhood and Partnership Instrument (ENPI).

2.2. The adoption of a new Northern Dimension policy (2007 onwards)

According to the mandate received with the “Guidelines for a Northern Dimension political declaration and a policy framework document as from 2007” adopted at the Ministerial meeting held in Brussels of November 2005, a drafting group for the new Northern Dimension basic documents was set up between the European Union (represented by the Commission), Russia, Norway and Iceland. The Commission produced a first draft for discussion including its own views as well as inputs from the Northern Dimension stakeholders, notably from the EU Member States, Russia and Norway. The drafting group met in 2006 in Moscow on 4 May, in Oslo on 15 June, in Brussels on 12 July and again in Moscow on 13 September.

The ultimate result of these meetings was that the new Northern Dimension should be a shared policy of the four partners (European Union, Russia, Norway and Iceland), with a continuous involvement of the other main Northern Dimension participants and actors

³ The Presidency Conclusions of the European Council of 16/17 October are available at: <http://ue.eu.int/pressData/en/ec/77679.pdf>

(particularly the four Northern Regional Councils⁴ and the International Financing Institutions⁵). Common ownership of the new policy was the ultimate goal, including a full Russian participation in all Northern Dimension structures and activities. The Northern Dimension would then be a permanent basis to discuss Northern issues / concerns.

The Finnish Presidency of the European Union called for a Northern Dimension Senior Officials meeting in Imatra (Finland, near the Russian border) on 22 September with an agenda focussed on the new Northern Dimension. The Senior Officials meeting was attended by all European Union Member States and Romania, the Russian Federation, Norway, Iceland, the Commission and two Observer States, Canada and the US. There were also representatives from the four Regional Councils in the North, the International Financing Institutions, the European Parliament, the European Economic and Social Committee and the Committee of the Regions. The Senior Officials meeting agreed unanimously that the two basic documents of the new Northern Dimension would be proposed for adoption by the highest political instances of the four Northern Dimension partners.

The Northern Dimension Policy Framework Document and Political Declaration are attached in annex to this annual progress report. They constitute a permanent basis for this policy, unlike the previous Action Plans which were limited to periods of three years.

There are two main characteristics of the new Northern Dimension: it is a common policy of its partners, which is described as their joint achievement, and it is the regional expression in the North of the EU/Russia Common Spaces⁶. The Northern Dimension will be a cross-cutting topic and a tool for the implementation of the road maps for the Common Spaces. Participation of Iceland and Norway is foreseen. The geographical priorities have been extended to four: the Baltic and Barents Sea Regions, the Kaliningrad Oblast of Russia and the Arctic and Sub-Arctic regions. The focus of the new Northern Dimension remains North West Russia. The partners agreed that cross-border cooperation is producing added value at the sub-regional and trans-national level and therefore should be enhanced, with the involvement of civil society and people-to-people contacts. A list of objectives in the Policy Framework Document defines the principles and aims of the Northern Dimension.

The new Northern Dimension declares the following to be its priority sectors: economic cooperation; freedom, security and justice; civil protection; research, education and culture; environment, nuclear safety and natural resources; and social welfare and health care. These sectors coincide notably with those covered by the EU/Russia Common Spaces. However there are two additional cooperation sectors in the Northern Dimension, indigenous peoples and public health, and there are two Common Spaces cooperation sectors which are singled out by the Northern Dimension Policy Framework Document: environment and culture. The partnership model of cooperation is praised, and the partners are invited to explore the possibility of adding new partnerships, to the existing ones on environment and public health, or areas of cooperation (on transport and logistics and on energy efficiency and renewable energy).

⁴ Council of Baltic Sea States (CBSS), Barents Euro-Arctic Council (BEAC), Arctic Council (AC), Nordic Council of Ministers (NCM). Russia is a Member state of three of the four (all except the Nordic Council)

⁵ EIB, NIB, EBRD, WB

⁶ http://ec.europa.eu/comm/external_relations/russia/intro/index.htm#comm

On the institutional side, Ministerial meetings will be held every two years, as in the past, and Senior Officials meetings will be held every other year, although they can meet whenever is necessary. The new Northern Dimension sets up a Steering Group to provide continuity between the meetings and should normally meet three times per year. Canada and the US are observers of the new Northern Dimension policy.

The basic documents of the new Northern Dimension list up the “participants” in this policy: the Regional Councils in the North, the International Financing Institutions, other European Union institutions and those of the partners. Other Northern Dimension actors are mentioned: the regional and sub-regional organizations in the Baltic and Barents Regions, the sub-national and local authorities, civil society organizations, universities and research centres, business and trade unions, etc.

The first Northern Dimension Summit was held on 24 November 2006 in Helsinki with the participation of the EU Presidency (Finland), the Presidents of Russia and the European Commission and the Norwegian and Icelandic Prime Ministers. The Northern Dimension Policy Framework Document and Political Declaration were solemnly adopted. The new Northern Dimension policy entered into force on 1 January 2007.

2.3. European Union Institutions other than the European Commission

The Commission continuously received input from and reported to the Council (Eastern Europe and Central Asia Council’s Group, COEST) in 2006 during the negotiations on the new Northern Dimension basic documents. The COREPER received and approved these documents before their adoption.

The European Parliament held a debate in plenary session in November 2006 on Northern Dimension; the Commission was represented by Vice-President Wallstrom. The European Parliament approved on 16 November a resolution on a Baltic Sea strategy for the Northern Dimension⁷. The European Parliament also participated in 15th Baltic Sea Parliamentary Conference (BSPC) held in Reykjavik (Iceland) in September 2006 and in the four Standing Committee meetings of this conference in 2006. Similarly, the European Parliament took part in the 7th Conference of Parliamentarians of the Arctic Region in Kiruna (Sweden) in August 2006, as well as in the meetings of their Standing Committee. Furthermore, the Northern Dimension was discussed at the EEA Joint Parliamentary Committee meeting in Tromsø in May, the EU-Norway Inter-parliamentary Meeting in Oslo in June and in the EU-Iceland Inter-parliamentary Meeting in Reykjavik in June.

The European Economic and Social Committee and the Committee of the Regions respectively provided important contributions in 2006 to the definition of the new Northern Dimension policy. The European Economic and Social Committee adopted an opinion on 5 July on the Future of the Northern Dimension policy⁸, a topic also discussed at the 14th meeting of the EEA Consultative Committee, held in Hofn, Iceland in June.

⁷ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2006-0494+0+DOC+XML+V0//EN&language=EN>

⁸ http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/c_309/c_30920061216en00910095.pdf

2.4. Regional Councils of the North

The four regional councils in the North are the Council of the Baltic Sea States (CBSS), the Barents Euro-Arctic Council (BEAC), the Nordic Council of Ministers (NCM) and the Arctic Council (AC). The Commission is a member of CBSS and BEAC and follows activities of the other two with great interest.

The Commission took part in the 6th Baltic Summit held in Reykjavik, on 8 and 9 June 2006⁹. The main topics discussed were the future of Baltic Sea regional cooperation; strategic growth, economic cooperation and energy; environmental protection, sustainable development and maritime safety; and human dimension issues and promotion of democratic values. The CBSS Presidency then passed from Iceland to Sweden.

The Commission also participated in the CBSS Political Directors meeting on 30 March in Stockholm and, in all meetings of its Committee of Senior Officials (CSO), under both the Icelandic and Swedish Presidencies: Reykjavik (January), Stockholm (March), Reykjavik and Copenhagen (May), Reykjavik (June), Lund (September), Kalmar (November) and Stockholm (December). The February CSO meeting was held in Brussels, co-organized by the CBSS Icelandic Presidency and the Commission, with an open debate between the CBSS CSO members and relevant Commission officials responsible for on Northern Dimension, financing issues, Baltic marine environment, Northern e-Dimension, human rights and democratization programmes, transport issues and maritime policy. Finally, the Commission attended a number of meetings of other CBSS structures and followed up the work of its Working Groups.

As for the Barents Euro-Arctic Council (BEAC), the Commission participated, as a member, in all the 2006 meetings of the Committee of Senior Officials (CSO) under the Finnish Presidency: Helsinki (March), Kajaani (June) and Oulu (October).

The 2006 annual co-ordination meeting of the Chairs of the four Northern regional councils and the Commission was organized by the Russian Chair of the Arctic Council in Moscow on 18 August. The progress of and the approach taken by the new Northern Dimension policy was praised.

The Commission continued to follow the activities of the two Northern regional councils, of which it is not a member, namely the Nordic Council of Ministers and the Arctic Council. The Commission attended as an invited guest the 5th Ministerial meeting of the Arctic Council in Salekhard, Russia; at that meeting the Arctic Council celebrated its 10th anniversary and continued its preparations for the International Polar Year.

The role and position of the Regional Councils is reinforced in the new Northern Dimension policy. They are regarded as the main participants of the new Northern Dimension.

2.5. Canada and the US

The US and Canada have observers status in the Northern Dimension. They participate in the Ministerial and in the Senior Official Meetings, thus reflecting their Arctic and Sub-arctic interests, their respective Arctic Council membership and their activities in the Northern

⁹ <http://www.cbss.org/summits/reykjavik2006/chairmansconclusion/>

Dimension area; this include US and Canada observer status in some of the Regional Councils, Canada's participation in the ND Partnerships and the US E-Pine programme.

Both Canada and the US participated actively in the 2006 Northern Dimension Senior Officials meeting at Imatra (Finland) in September. A Seminar discussing the prospects of the new Northern Dimension policy and its interest for Canada was held in Vantaa (Finland) in March 2006 between Finland, Canada and the European Commission.

Canada made a particular effort in 2006 to prepare the 2007/2008 International Polar Year, along with the EU, the US, Russia, Norway and Iceland.

3. THE PRIORITY SECTORS IN THE SECOND NORTHERN DIMENSION ACTION PLAN

3.1. The Northern Dimension Information System¹⁰

The Second Northern Dimension Action Plan required a flow of information on Northern Dimension activities and achievements among partners. The Commission stated in 2003 that it would be ready to compile and circulate this information among all interested stakeholders, although it made it clear that "an effective information exchange would depend on the contributions of all partners". In 2004 the Commission set up the Northern Dimension Information System (ND Sys) with the following objectives: to increase the visibility of the Northern Dimension policy, to encourage the exchange of information between the Northern Dimension partners, and to facilitate stakeholders' participation in projects, seeking synergy between all of them. Contact points designated by Northern Dimension partners, Regional Councils and International Financial Institutions are responsible for the overall coordination of the process.

In 2006, as in the previous two editions of the ND Sys, the Commission invited all Northern Dimension partners and stakeholders to submit information about projects that were either being implemented, had recently been completed or were about to be initiated in this area. In all 504 contributions were received in 2006 and are analysed below.

The information received by the Commission was the basis for publishing the list of Northern Dimension projects at the end of 2006; this list can be accessed by partner, by priority sector and by cross-cutting geographical area, i.e. Kaliningrad and the Arctic. The ND Sys results are open to all interested parties and are accessible through the European Commission's RELEX website (Northern Dimension policy web-pages).

The third edition of the ND Sys was produced, as in the 2005, through the support tool used for the Commission's polls. It has proved to be a user-friendly format when introducing data and has ensured a harmonized final presentation of the different projects. In 2006 the format has been slightly modified based on the experience of the previous year.

¹⁰ NDSys is accessible through "Europa" at http://europa.eu.int/comm/external_relations/north_dim/nis/index.htm

The Northern Dimension website of the European Commission also provides links to the major documents of the European Union institutions on this subject and to those of other Northern Dimension stakeholders, especially the Regional Councils.

Northern Dimension Information System 2006

Background information

Action plan priority area		
		% of total
Human Resources, Education, Scientific Research, Culture and Public Health	178	35,3%
Environment, Nuclear Safety and Natural Resources	128	25,4%
Cross-Border Cooperation & Regional Development	98	19,4%
Economy, Business, Infrastructure	80	15,9%
Justice and Home Affairs	20	4,0%

Is the project relevant for Kaliningrad or the Arctic Region?		
		% of total
Non directly relevant	191	37,9%
Arctic region	165	32,7%
Kaliningrad	148	29,4%

Current status		
		% of total
Ongoing	325	64,5%
Under preparation	122	24,2%
Concluded	57	11,3%

Range of total costs		
		% of total
150.000 - 500.000 euros	174	34,5%
20.000 - 150.000 euros	160	31,7%
> 1.500.000 euros	84	16,7%
500.000 euros - 1.500.000 euros	70	13,9%
< 20.000 euros	16	3,2%

3.2. Economy, Business, Infrastructure

3.2.1. Trade, Investment Promotion and Business Cooperation

3.2.1.1. General

Russia remains the EU's third most important trading partner, behind the US and China, while the EU continues to be Russia's most important partner by far in trade, investment and economic cooperation. EU-Russia bilateral trade (import + export) is now at almost € 210 billion; the EU runs a significant trade deficit of over € 65 billion. Overall, trade between the EU and Russia grew in nominal terms by more than 46 % in 2006 compared to 2005.

Solid economic growth in Russia continued, and even accelerated slightly in 2006, following further increases in oil prices in the first half of the year. In 2006 real GDP growth was 6.7%, up from 6.4% in 2005: nominal Russian GDP is now close to the USD 1 trillion benchmark. For 2007, growth is forecast to remain above 6%. On the demand side, the most notable development in 2006 was the surge in investment (gross capital formation soared by 13.7%, compared with 8.3% in 2005), supported by a strong increase in FDI inflows. Government spending also accelerated, from 2.2% in 2005 to 4.6% in 2006. On the other hand, overall consumption growth decelerated slightly, while net exports amplified their negative contribution to growth (from -12.8% in 2005 to -14.3% in 2006). Industrial production growth in 2006 was at roughly the same level as 2005 (4%), and the strongest performance was observed in some services sectors.

This continued robust growth performance led to a significant fall in unemployment, which declined to 6.9% at end-2006 (ILO methodology), compared with 7.7% in 2005. Major metropolitan areas (Moscow, St. Petersburg) effectively face labour shortages in some sectors. Correspondingly, real wages increased by 15.4% year-on-year in December 2006, compared with 14.9% in 2005."

Though improving, the full potential of trade and economic relations between the EU and Russia could develop further, but still faces serious regulatory challenges. Therefore, the implementation of roadmaps on the Common Economic Space should be pursued and even accelerated now that all structures are in place except on investment. Indeed, since mid 2005, some 15 sector dialogues corresponding to all respective CES chapters have been created between EU and Russia, their main aim being to promote regulatory convergence, economic cooperation on issues of joint interest and a better integration of Russia in the world economy. Substantial progress is currently being made in many sectors such as competition law, financial services, transport and industry.

3.2.1.2. Regulatory reform in Russia

The macroeconomic situation with robust growth rates over the past few years has been very favourable for the investment and business environment in Russia. Yet there remain obstacles to improving the business environment that pertain not to the macroeconomic conditions but rather to regulatory issues.

The Commission has continued to assist and encourage in 2006 regulatory reform in Russia, focussing particularly on approximation of technical regulations and standards, as well as in specific sectors, mainly through the implementation of a TACIS project.

3.2.1.3. Russian integration with the international and EU economy.

The major economic challenge that Russia is facing is the achievement of sustainable growth, based on a diversified economy. Russia's dependence on the export of a limited range of products makes it vulnerable to external shocks. On the structural side, Russia's main challenge will be to restructure large state-controlled monopolists in key economic sectors (banking, electricity, gas) and creating legal and regulatory frameworks that combine robust competition with effective regulations.

Russia's accession to the WTO will be an important element in achieving these aims. Negotiations on the terms of accession are still ongoing. Various outstanding issues remain to

be solved, both with the EU and with other WTO partners, but the EU and Russia remain committed to a rapid accession and are intensively working together to this end.

The Russian investment climate still suffers from increased uncertainty since mid-2003 in government-business relations, including expectations of greater discretionary state intervention in the economy. Nonetheless, the quality of Russia's business environment compares relatively favourably with that of the other major emerging economies.

EU and Russia are now entering the substantive phase of work on a new PCA, but many of the related goals are already contained in existing instruments, most notably the Common Economic Space, where the EU is pursuing further economic integration. In the context of the new agreement, it is intended to develop strong provisions for trade and investments with a specific focus on regulatory issues.

3.2.1.4. Customs

EU cooperation in the customs area has been carried out mainly within the framework of the European Neighbourhood Policy, and within the Common Economic Space with Russia where the customs issues play an important role as they are directly linked with trade facilitation and economic cooperation.

With this in mind the European Commission is placing a major emphasis on enhancing customs cooperation with all Eastern neighbours. In this context, it organised on 14-15 December 2006 in Muonio (Finland) the second Conference on Customs Cooperation at the Eastern Border of the EU; at this conference precise commitments were secured from all partner countries where taken on customs reforms, trade facilitation and on the fight against fraud.

Regarding more precisely bilateral cooperation with Russia, the efforts being made to ease the current problems - serious congestion - at the EU-Russia border are of particular importance. The issue, which has important economic consequences as it adversely affects the flow of exports from the EU to Russia, acquired political relevance during the second half of last year, and was discussed during the EU-Russia Summit of November 2006. The Commission drafted a strategic approach in November 2006 to tackle this issue. The approach focuses, on the one hand, on the practical steps to be taken by Russia to ease the situation at the border (e.g. through improvement of legislation, management and procedures) and, on the other hand, on addressing Russia's request for exchanges of customs information in the context of a pilot project.

Due to the high level of interest shown by the countries of Baltic region in continuing customs cooperation after the Baltic Sea Customs Conference (BSCC) has finalized its activities, the Directors General of the Customs Administrations decided to continue customs co-operation within the Council of Baltic Sea States by setting-up the Working Group for Customs Cooperation and Border Crossing Aspects. The Group is currently finalizing its Action Plan which is focussing on practical customs issues, and which is to be based on still relevant recommendations of the BSCC, also taking into consideration the results of the Conferences on Customs Cooperation at the Eastern Border of the EU (Kiev 2005, and Muonio/Finland 2006).

The problems of border management and customs cooperation are currently being discussed within various Northern Dimension and CBSS fora, mainly those that are dealing with

economical and trade issues. For the European Commission it is important to ensure sufficient coordination of various initiatives in that field, and to make sure that they continue to focus on regional operational issues, as the customs is an area of the Community competence".

3.2.1.5. EU Maritime Policy

The Green paper on maritime policy "*Towards a future Maritime Policy for the Union: A European vision for the oceans and seas*" was adopted on the 7th of June 2006. The consultation process will last until 30th June 2007. A vast number of consultation events have been hosted by member states and stakeholders, at which topics of relevance to the Baltic's and the High North have been addressed. In addition events have been held in the Baltic and in the High North topics related to climate changes, sustainable use, integrated management, neighbourhood policy, global competitiveness, transport, monitoring and surveillance, coastal zone management as well as science and data. Following the successful consultations on the Green paper, the European Commission will produce a report in October 2007 addressing the way forward. The Northern Dimension will most likely be dealt with in the context of links between neighbourhood policy and maritime policy as well as being part of the more specific topics mentioned above.

The Commission initiative Global Monitoring for the Environment and Security (GMES) is a major component of the marine data network as outlined in the Green Paper on Maritime Policy (adopted on 7 June 2006), and will be of immediate relevance for the Baltic Sea and also the Arctic Ocean. Under the umbrella of GMES, an operational Marine Core Service will start to become available by 2008, enabling ocean forecasting and monitoring on sea state and primary ecosystem characteristics. The GMES Marine Core Service will also focus on seas beyond the immediate borders of the EU territorial waters, providing services on a global scale and over European regional seas. It will thus in the future enable specific downstream applications to *inter alia* improve the safety and efficiency of marine transport and the offshore industry in polar waters, provide better monitoring and forecasting of ice evolution and iceberg movement as well as datasets for climate change assessment.

3.2.2. Energy

3.2.2.1. The EU-Russia Energy Dialogue

The four thematic working groups on infrastructures, investments, energy efficiency and trade established in July 2005 under the EU-Russia Energy Dialogue met during the second half of 2005 and the first half of 2006 and finalised their initial reports in mid 2006. The reports, containing in-depth examinations of issues of common interest, specific recommendations for the future work of the groups as well as proposals for deepening relations between the EU and Russia in the energy field, were reviewed and approved at the Permanent Partnership Council (PPC) meeting in December 2006.

The recommendations include closer work to compare energy strategies, forecasts and scenarios, moving ahead with implementing the detailed list of actions in the field of energy efficiency, further exchange of information and discussions on the practical workings of competitive energy markets and how the various instruments available can help to underpin energy security, more detailed consideration of the roadmaps on electricity market integration which have been proposed by the industry and the suggestion that joint proposals be prepared on those areas of specific concern to investors.

The PPC also discussed the next steps in the joint initiative in the field of energy efficiency and energy saving, taking note of the successful seminar on ESCO's (Energy Service Companies) and gas flaring that was held on 26 October 2006 in Moscow. It was agreed that the Action Plan presented by the Thematic Group on Energy Efficiency formed a good basis, in particular the comparison of the legislative and regulatory frameworks in the area of energy efficiency and energy savings in order to exchange experiences and identify areas for improvement. The importance of reducing gas flaring was also discussed.

Given the scope of the recommendations approved, the PPC agreed that the number of thematic working groups would be reduced to three, with one focusing on energy efficiency, another on market developments and a third on energy strategies, forecasts and scenarios. The new groups are expected to convene in the first half of 2007.

At the EU-Russia Summit in Helsinki in November 2006 Commissioner Piebalgs and Minister Khristenko adopted a Seventh Joint Progress Report. The Report endorsed the work of the thematic groups as well as the restructuring of the initial four thematic groups. The Report also expressed mutual interest in the continuation of the activities of the Energy Technology Centre and highlighted the positive results of the Conference on Comparative analysis of Energy Strategies of the EU and Russia held on 30 October 2006 in Moscow.

3.2.2.2. Baltic Sea Region Energy Co-operation (BASREC)

On September 12 – 13, 2006, a BASREC seminar was held in Lahti, Finland. The purpose of this seminar was to discuss regional aspects of the energy policy issues that have been raised in the European Commission Green Paper on energy policy. All BASREC member countries, and the European Commission, participated in the seminar. Reflecting BASREC's ambitions to co-operate closely with energy industry, a number of representatives for gas and power companies in the region participated as well. The discussions at the seminar, following the Commission's initial presentation of the Green Paper, addressed issues of competitiveness, security of supply as well as environmental aspects of energy policy in the Baltic Sea Region.

3.2.2.3. Infrastructure

As a region with vast energy resources, the Northern Dimension Area is very important for the supply and the transit of oil and gas to the EU. In order to ensure the security of energy supplies in the coming years, a considerable level of investment will be required, both for the development of energy transport infrastructures and the exploitation of the area's vast gas resources. The Northern Dimension is an important component in the balanced development of Europe's energy infrastructure.

A further important aspect of the area's energy sector relates to the integration of the new Member States of the region into the single European energy market. The region is facing important structural reforms due to the enlargement of the European Union, and the integration of Poland and the Baltic States into the internal EU Energy Market, in particular the internal energy market for electricity and gas, and their integration into the Trans-European Energy Network (TEN-E). The TEN-E guidelines adopted on 6 September 2006 (decision 1364/2006/EC) include a takes into account the enlargement of the Union on 1 May 2004 and the new Neighbourhood Policy. The TEN-E decision highlights the objectives of reinforcing the security of energy supplies, in particular by strengthening relations with third countries in the energy sector in the interest of all parties concerned. Two gas projects

are of particular interest, namely the North Stream pipeline and Yamal-Europe II pipeline, which have both been identified as projects of European interest. Moreover, the TEN-E guidelines aim at developing electricity connections with Russia, thus contributing to the interoperability, the operational reliability and dependability of the electricity grids or the supply of electricity within the European Community.

3.2.2.4. Oil production in the Barents Sea

The European Commission has fluent bilateral contacts with Norway, including at the level of Commissioner Piebalgs and Minister Enoksen. Last year Commissioner and Minister met and examined energy cooperation issues. They have decided to create an Energy Cooperation Group and launch a number of papers on natural gas trade and on how to improve cooperation in all energy sectors.

The topic of oil exploration and production in the Barents Sea remained on the agenda of the EU-Norway energy dialogue as both parties are interested in ensuring sustainable development of energy resources to the benefit of both. On several occasions in 2006 Norway confirmed its commitment to ensure that petroleum activities in the area contribute to creation of wealth while allowing acceptable coexistence with other users of the sea and with full account of environmental concerns.

On 1 December 2006, the Norwegian Government presented its strategy for the high north. Its overall objective is to create sustainable growth and development. To deal, particularly with environmental challenges, the Norwegian Government presented also the Integrated Management Plan for the area from Lofoten to the Barents Sea in March 2006. The plan is a pioneering effort to achieve an ecosystem-based management of the oceans surrounding Norway.

3.2.2.5. Energy new technologies

On 8 March 2006 the Commission adopted the Green paper on energy policy "A European Strategy for Sustainable, Competitive and Secure Energy"¹¹. The paper stressed the importance of carbon dioxide capture and geological storage (CCS), in combination with clean fossil fuel technologies as an option in the fight against climate change. The need to commercialize CCS technologies was underlined.

The Northern Dimension area is very important for development of CCS technologies as offshore geological formations (saline aquifers) under the North Sea seabed represent major potential storage sites of CO₂ in Europe. Furthermore, by injecting CO₂ into producing oil and gas fields, total yield of such fields could be increased by as much as 15%. On several occasions Norway has confirmed its determination in promoting the CCS technologies.

In 2006, the European Commission continued financing the secretariat of the European Technology Platform on Zero Emission Fossil Fuel Power Plants (ETP ZEP), an industry-led body formed between the European energy sector, research community and non governmental organisations in order to develop and deploy new competitive options for zero emission fossil fuel power plants within the next 15 years and hence help European industry to compete effectively on world markets. The Norwegian oil company Statoil is one of the crucial

¹¹ COM(2006) 105 final.

corporate members of the Platform and is involved in several CCS projects under consideration by the Platform.

The European Commission continued participating in the informal forum established by Norway, the UK and Denmark to exchange information and discuss use of CO₂ for enhanced oil recovery (EOR).

The Norwegian Government continued collaborating with the industry in order to move from research phase to actual construction of large scale test and demonstration facilities enabling EOR. Progress has been recorded as regards three project envisaging development of the CO₂ value chain including EOR (Mongstad, Halten and Kårstø). All the projects provide for construction of facilities enabling capturing CO₂ from power generation or refinery operations and utilising it to enhance oil recovery, resulting in increased energy production with lower CO₂ impact. Establishing this CO₂ value chain is still technologically and commercially challenging and therefore further development of the projects will depend on state involvement, i.a. co-funding schemes.

3.2.3. *Transport*

The development of a multi-modal transport system to improve the connections within the region and with neighbouring countries is the main challenge for transport within the Northern Dimension Policy framework.

3.2.3.1. Trans-European Transport networks and the major trans-national axes

3.2.3.1.1. The Trans-European Transport networks.

The Trans-European networks play an important role in the strengthening of sustainable land and sea links between the Northern Dimension and the countries of Central and Eastern Europe. Commission Decision 884/2004 EC concerning the development of the Trans-European Transport Networks (TEN-T) defined a list of 30 priority axes and projects of which several are important towards the Northern Dimension. These are priority projects Nr 12 (Nordic triangle railway/road axis), 15 (Galileo), 21 (Motorways of the Sea), 23 (Railway axis Gdansk-Warsaw-Brno/Bratislava/Vienna), 25 (Motorway axis Gdansk-Brno/Bratislava-Vienna) and 27 (Rail Baltica axis Warsaw-Kaunas-Riga-Tallinn-Helsinki).

For project Nr 27, the Rail Baltica, the Commission appointed a European Coordinator whose main task is to encourage cooperation and communication between the different stakeholders. This should facilitate the development of this particular project.

The Motorways of the Sea play a particular role in promoting the Northern Dimension. Freight flows will be concentrated on sea routes with the aim of bringing about a modal shift from land-based freight transport towards sea-based routes and to contribute to cohesion by improving access to peripheral regions.

GALILEO, the European satellite programme has great potential for the Northern Dimension region as well. The technological applications will not only make passenger and good transport much safer and more secure, but will also improve the accessibility of the Northern Dimension region. The Northern Dimension region will benefit particularly from the full implementation of the GALILEO system due to its capabilities above the 60th latitude, which the US GPS system does not have. On 28 December 2005, the first Galileo satellite was

successfully launched from the Baikonur cosmodrome in co-operation with the Russian Federation. The second experimental satellite will be launched by the end of 2007. The first four satellites of the operational infrastructure are scheduled to be launched in 2009.

3.2.3.1.2. The Communication from the Commission on the extension of the major trans-European transport axes to the neighbouring countries¹².

Following the enlargements of 2004 and 2007, the Pan-European Corridors and Areas (PEC), which were defined in the 1990's, fall for a large part within the EU. In the Communication on the Guidelines for transport in Europe and the neighbouring countries of 31 January 2007, the Commission outlines the first steps of a comprehensive policy for closer integration of the transport system of the neighbouring countries with the EU system.

The Communication largely took into account the conclusions of the 2004 High Level Group, chaired by Loyola de Palacio, former Vice-President and Commissioner for Energy and Transport of the European Commission on the extension of the major trans-European transport axes to the neighbouring countries and regions.

The Communication proposes to adopt five major trans-national axes: Motorways of the Seas, Northern axis, Central axis, South Eastern axis and South Western axis.

The most relevant axes for the Northern Dimension region are the following ones:

- Motorways of the Seas: linking the Baltic, Barents, Atlantic, Mediterranean, Black and Caspian Sea areas as well as the littoral countries within the sea areas and with an extension through the Suez Canal towards the Red Sea.
- Northern axis: to connect the northern EU with Norway to the North and with Belarus and Russia and beyond to the East. A connection to the Barents region linking Norway through Sweden and Finland with Russia is also foreseen.

The Communication puts a considerable emphasis on the importance of non-infrastructure measures that aim at making transport along the axes more rapid and effective. These so-called horizontal measures include, e.g. harmonisation of safety and security, measures to promote technical and administrative interoperability, simplification of border crossing procedures etc.

A list of preliminary infrastructure projects was identified by the High Level Group. However, as highlighted in the Communication, but this list needs further technical and financial analysis, including on environmental and social sustainability.

To ensure effective and timely implementation of the proposed measures along the axes, the Communication underlines the need for strong and effective coordination frameworks.

The Commission will follow a two-step approach to implement the policy:

- In a first phase exploratory talks will be launched with all neighbouring countries. The goal is to assess the interest and commitment of the countries

¹² COM(2007) 32 final

concerned and to strengthen the multilateral coordination networks, where they exist, or to put such a framework in place, where they do not exist today.

- In the second phase, following the outcome of the exploratory talks, the Commission will make concrete recommendations and / or proposal to implement the policy and the coordination framework.

3.2.3.2. The EU-Russia Transport Dialogue.

During the September meeting of the transport dialogue of the EU Russia Partnership and Cooperation Agreement ministers agreed on the creation of an ad hoc working group on EU-Russia transport logistic problems to look at the problems of cross border traffic. The group held its first meeting in Brussels in December. It will produce a final report by June 2007.

On AVIATION, the successful conclusion in November 2006 of the "Agreed Principles" on Siberian overflights between the EU and the Russian Federation should allow for a significant stepping up of the EU-Russia aviation relations to increase aviation safety and aviation links in the Northern Dimension region.

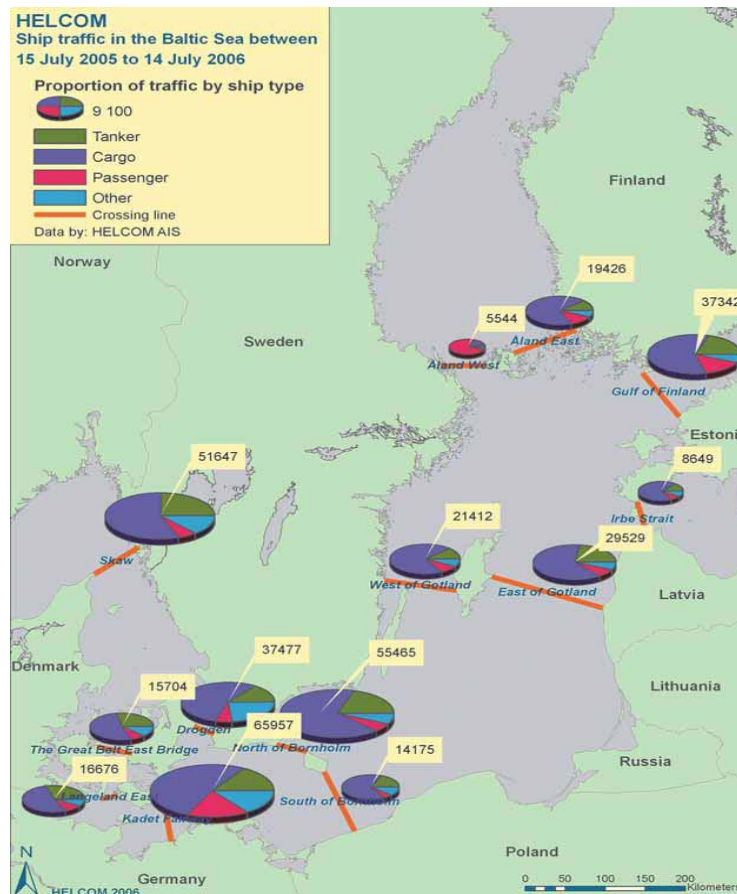
3.2.3.3. Maritime Safety

In 2006 shipping traffic intensity continued to grow significantly in the Baltic Sea region. During the twelve months up to July 2006, around 51 600 ships entered or left the Baltic via the Skaw; about 51 000 passed the Swedish island of Gotland; and more than 37 000 entered or left the Gulf of Finland.

Approximately 60-70% of these ships were cargo vessels, and 17-25% were tankers. The reporting system of the Helsinki Convention (HELCOM AIS) indicates that both the numbers and sizes of ships (especially oil tankers) have been growing, and that ships carrying up to 150 thousand tonnes of oil are now sailing the waters of the Baltic.

Furthermore the European Research Framework programmes (FPs - the last was FP6, 2002-2006) have continued to support collaborative research targeted to improve the safety and regulation of shipping within ice-covered waters. Notably, the FP6 "SAFEICE3" research project with collaboration from Baltic sea partners, Russia, Japan and Canada is for the first time seeking to establish a common scientific basis for the loads on shipping operating in ice¹³

¹³ http://ec.europa.eu/research/transport/news/article_790_en.html



In September 2006, a fleet of oil-combating ships from the Baltic Sea countries tested its capabilities to deal with a massive oil spill during the Helsinki Commission's annual international pollution response exercise BALEX DELTA, held off Gdynia, Poland. Up to 23 ships and smaller vessels, and three airplanes, from Denmark, Finland, Germany, Lithuania, Poland, Russia and Sweden took part in an operational exercise to check the Baltic Sea countries' readiness to jointly respond to major oil accidents at sea. The Gdynia exercise was the first time the European Union has participated in BALEX DELTA. The EU was represented by two vessels chartered by the European Maritime Safety Agency.

Overall, the concerns about maritime safety risks in the Baltic Sea are still high. The European Parliament and Council continued to debate the adoption of the "3rd Maritime Safety Package", which includes several measures aimed at addressing those risks. It should be noted that the new safety package includes, inter alia, the compulsory use of ice navigation rules, the improved use of AIS system, clear rules on places of refuge and better regimes for liability and compensation in case of sea pollution.

3.2.4. Telecommunications and Information Society

Information and communications technologies (ICT) play an obvious and important role in the development of the Northern Dimension (ND) area. The Northern eDimension Action Plan (NeDAP) offered a platform and a tool for cross-border cooperation to accelerate the development of the Information Society in the Northern Dimension region, as well as to facilitate closer co-operation with Russia.

The first Northern eDimension Action Plan (NeDAP) 2002-2004 was adopted by the Information Society Ministers from the Council of the Baltic Sea States in September 2001 with the aim to strengthen the Baltic Sea region's position in the information society in line with the eEurope initiative. The European Commission was a partner and the Nordic Council of Ministers (NCM) had observer status in this first NeDAP.

Given the positive results achieved and the useful network that had been established, the Senior Officials for the Information Society (SOIS) agreed that the NeDAP should be followed up in 2005 and 2006, synchronised with the ND Action Plan.

A key activity in 2004 was therefore the contribution to a Conference of the Council of the Baltic Sea States' IT Ministers, whose conclusions on a Northern e-Dimension Action Plan 2005-2006 were then presented to the Prime Ministers of the Baltic States at their 5th Baltic Sea Summit in Laulasmaa, Estonia, on 21 June 2004. The conclusions of the Summit read: *"The Heads of Government underline the important role played by the Northern eDimension Action Plan in strengthening information society and fulfilling the objectives of the CBSS. They welcome the progress achieved by NeDAP to date, note the necessity to further intensify efforts and agree on its prolongation for the next period of 2005-2006"*.

From 2005, the Nordic Council of Ministers (NCM) entered the Northern e-Dimension as a full partner, thus sharing responsibility for the overall running of the NeDAP with the Council of Baltic Sea States (CBSS). Following the endorsement of the 2005-2006 Action Plan by the Nordic Council of Ministers, NeDAP was therefore expected to stay in place as a framework for continuous dialogue on priorities for cooperation in the Information Society field. The approach was to be horizontal, aiming to add value by facilitating cross-border cooperation on concrete activities. The main objectives of NeDAP 2005-2006 were as follows:

- To accelerate the Northern Dimension region's development of the Information Society.
- To ensure closer cooperation between the countries involved, taking into account the need for improved co-operation between the EU and Russia.
- To improve the environment for ICT initiatives and investments.

NeDAP envisaged cross-border co-operation on different levels:

- Cross-border collaboration that could include the exchange of best-practice between the Baltic Sea states, and the exchange of knowledge and relevant information within the NeDAP-framework.
- Cross-border projects that involved at least two countries, which have a common issue to resolve. One country could have the responsibility for the project and the other country could take part in it. As an example, the goal of such a project may be to develop a service/function within a country.
- Cross-border service, which could be a project established between two or more countries with the task of building a cross-border service, i.e. a service that will have transactions across borders. For example, such a service could facilitate movement of goods, services, capital and people.

NeDAP 2005-2006 was governed by the SOIS group which was expected to invite observers from the research and business side, as well as from relevant international institutions such as the OECD, World Bank, Baltic Challenge, the Baltic Development Forum, the CBSS Business Advisory Council (BAC), the Baltic Chambers of Commerce Association (BCCA), the Nordic Investment Bank (NIB), the European Investment Bank (EIB), the Union of the Baltic Cities (UBC), the Baltic Sea States Sub-Regional Cooperation (BSSSC), and others.

At the SOIS meeting in Riga on April 23, 2004, the following action lines were proposed (the lead countries are shown in parentheses):

- Action Line 1: Internet and Internet Applications in Research and Development (Norway)
- Action Line 2: A Secure Information Infrastructure (Estonia)
- Action Line 3: eSkills; eLearning (Finland, Germany)
- Action Line 4: eHealth (Latvia, Sweden)
- Action Line 5: eGovernment (Sweden)
- Action Line 6: eIndicators (Denmark)
- Action Line 7: eEnvironment (GRID Arendal)
- Action Line 8: eInclusion (Lithuania)

A NeDAP work programme was then developed annually, based on input from all Working Groups as well as other relevant actors. The work programme was then adopted by the SOIS group. The Working Groups were expected to cooperate closely with relevant actors in the region.

3.2.4.1. Participation in NeDAP activities

The SOIS had recommended that DG INFSO should allocate an official to be responsible for NeDAP in 2005 and 2006. They felt that it was necessary to have the active support and commitment of the Commission to maintain the momentum of the NeDAP initiative. The Commission had attended earlier meetings at all levels, including the meetings of SOIS in Riga in April, in Tallin in October 2004 and in Riga in April in 2005.

However the EU enlargement considerably changed the basis for the involvement of the Commission when it came to this set of topics. On the one hand the majority of the countries were automatically obliged to follow the *acquis* as regards regulations and organisations from those countries also had clear access to the various funding measures in force. On the other hand an Information Society Dialogue was put in place directly with Russia. The Terms of Reference for this Dialogue were signed by Commissioner Reding and Minister Reiman at the end of 2005. The first meeting subsequently took place in May of 2006

The resources therefore committed to participation in NeDAP activities were restricted. In particular there was no direct participation in either the SOIS meetings in Riga or in Oslo during 2006.

3.2.4.2. Financial aspects

The participating countries were expected to actively seek external financing for their activities. Travel expenses for the Working Groups in particular were to be covered by the participants. While specific funds were not allocated for NeDAP activities, the attention of SOIS was drawn to the various funding possibilities available; both those cross-border cooperation programmes such as INTERREG and more general programmes such as the research Framework Programme. Russian participants in IST projects could also receive funding from the IST budget for International Cooperation.

3.2.4.3. Initial conclusions

The evaluation of the NeDAP done by SOIS reaffirmed that the whole initiative served as a viable platform for dialogue and exchange of best practices among the Member States in the field of Information Society. The NeDAP as a regional form of co-operation had a value in itself. It also served as a “trademark” for the Region, contributing to an increased visibility of the Baltic Sea Region, and thus to stimulating the overall economic development in the Northern part of Europe and North-west Russia.

The following could be referred to as the NeDAP activities/achievements:

- The extending of the Nordic Research Programme Nordunet 3 to include non-Nordic countries, especially aimed at the three Baltic States (Estonia, Latvia and Lithuania) and Russia;
- Improved interconnections between the Nordunet and Runnet (Saint Petersburg, Russia);
- Developing Universal Electronic Signatures, with the view to achieve electronic signature deployment and interoperability;
- The “e-Skills” project contributed to introducing new methods and approaches in the ICT field aimed at addressing ICT skills shortages in Small and Medium Enterprises of the North-West Russia;
- The Baltic Sea Virtual Campus project;
- A Population Register Project based on joint efforts between Sweden and Estonia;
- A Publication of the e-Indicators in the Baltic Sea Region, showing the state-of-play in various areas of ICT development in the CBSS Member-States.

In general, the NeDAP was considered to be well organised. However, funding for the projects, as well as for other smaller needs such, as maintaining the web-site, covering travel expenses, presented a major challenge. In addition, the limited authority of the SOIS Group in the organisation of the work represented another challenge.

While the NeD initiative has been seen to have served its purposes well the SOIS Group, at its meeting in Oslo on 4 December 2006 decided to suspend its mandate/activities for the time being.

The new environment in the Baltic Sea region, however does not affect the general interest in continuing regional ICT co-operation in one format or another. The SOIS members will continue networking informally and possibly meet each other, particularly at the major ITC events in the region, to update and to exchange information. Indeed Latvia has offered to organise an informal networking meeting in conjunction with the Baltic IT&T Forum in Riga in April 2007.

3.3. Scientific Research, Higher education and Public Health

3.3.1. Scientific Research

The S&T dialogue between the European Commission and Russia regarding the creation of a common space on research is well on track.

Regular meetings between the European Commission and the Russian Ministry for Education & Science take place at all levels.

In particular, European Commissioner for Research Janez Potocnik and the Russian Minister for Education & Science Andrey Fursenko meet regularly. The steering committee of the EC Russia scientific cooperation Agreement met in June 2006.

In addition permanent joint EU-Russia thematic working groups were created in 2006 in the thematic priorities of Space, Information technologies, Health, Food, agriculture and biotechnology, Energy and Nanotechnologies with a view to carry out an in-depth thematically focussed dialogue so as to create a more common research agenda through a common decision-shaping process.

The relationship between the EU and Russia in the area of scientific research is very close and successful (Member States bilateral S&T cooperation programmes with Russia, EC Framework Programmes for Research & Technological Development, INTAS, the International Science & Technology Centre (ISTC) and Eureka).

As far as the EC Sixth Framework Programme for Research & Technological Development is concerned, Russia has been the most successful third country participant in terms of funding support from the European Commission and one of the most active third country participants overall.

One thematic Priority of particular importance for the northern dimension proper is Climate change and Ecosystems, an area in which cooperation with Russia has been thriving:

A. EU-Russia Workshop on Climate Change, Moscow, Russia, 10-11 April 2006

The workshop was a joint initiative of both DG Research and DG Environment aiming at promoting closer links and collaboration in the field of climate change research between Russian and European Union (EU) research organisations to help provide solid scientific input to the Kyoto Protocol process and post-Kyoto strategies in which both Russia and the EU are engaged.

The participants identified a number of emerging research themes with promising prospects for future collaboration with a view to improving the detection, projection and adaptation of climate change, including:

- Functioning of the climate system, including the stability of the thermohaline circulation (theme introduced in the first FP7 call for proposals)
- Regional climate impacts in the polar regions, including Siberian permafrost areas (cooperation through projects related to the International Polar Year)
- Disruption of carbon and nitrogen cycles (emissions and sinks) (cooperation through recent FP6 projects)
- Another important Workshop, on in aeronautics research was held on 27-28 April 2006 in Brussels¹⁴

B. DAMOCLES (<http://www.damocles-eu.org/>)

2006 was actually the first year of activity of DAMOCLES, which is currently the main European contribution to polar research. DAMOCLES is a 4-year FP-6 integrated project (Developing Arctic Modelling and Observing Capabilities for Long-term Environmental Studies, € 16.1 M the Commission contribution, starting date 1st December 2005). DAMOCLES is an integrated ice-atmosphere-ocean monitoring and forecasting system designed for observing, understanding and quantifying climate changes in the Arctic. DAMOCLES has two Russian partners. An extension to DAMOCLES, **DAMOCLES-TTC** has been granted in 2006 to integrate three more partners from the Russian Federation plus one from Belarus (430000 €; starting date 01/11/2006).

One of the main objectives of the DAMOCLES Extension proposal is to investigate the Arctic sea ice by means of extensive data archives from Russian satellites and Arctic expeditions, as well as from new observations by Russian satellites and field experiments. Russian and Belarus experts involved in sea-ice, satellite remote sensing and modelling will provide high value data sets and analyses for DAMOCLES.

Russian partners from DAMOCLES and DAMOCLES TTC are *i*) P.P. Shirshov Institute of Oceanology, Russian Academy of Science (SIO, Moscow); *ii*) State Research Centre Arctic and Antarctic Research Institute (SRC-AARI, Saint Peterburg); *iii*) Institute of Numerical Mathematics (Moscow); *iv*) Nansen International Environmental and Remote Sensing Centre (Saitn Peterburg); *v*) Research Centre for Earth Operative Monitoring (Moscow). *Belarus* partner is Stepanov Institute of Physics (Minsk)

C. IPY-CARE International Polar Year - Climate of the Arctic and its Role for Europe (<http://www.ipy-care.org>)

- The overall objective of IPY-CARE (International Polar Year - Climate of the Arctic and its Role for Europe) is to create, co-ordinate and prepare a Pan-European science and implementation plan for Arctic climate change and ecosystems research programme as contribution to the International Polar Year 2007-2008.
- IPY-CARE is a project endorsed by the IPY Joint Committee which has more than 69 partners from many different countries. IPY-CARE is currently supported by the European Commission through a FP6 Specific Support Action for a E.C. contribution

¹⁴ http://ec.europa.eu/research/transport/news/article_4128_en.html

of € 395,000 This SSA ends on 28th February 2007. *Full Russian Partner are:* Arctic and Antarctic Research Institute (AARI) and Nansen International Environmental and Remote Sensing Centre (NIERSC).

Russian associated partners are: A.I. Voeikov Main Geophysical Observatory (MGO), Institute of Geography, Russian Academy of Science (IGRAS), Knipovich Polar Research Institute of Marine Fisheries and Oceanography (PINRO), Northern Water Problems Institute (NWPI), Research Centre for Earth operative monitoring (NTSOMZ), Shirshov Institute of Oceanology (Russian Academy of Science), St. Petersburg State University, Zoological Institute (Russian Academy of Science)

D. MILLENIUM – European climate of the last Millennium
(<http://www.millenniumproject.net/>)

Millennium is the largest FP6 project on paleoclimate. It began on 1st January 2006 for 4 year with an E.C. contribution of 12.6 M€. The Millennium project is a multidisciplinary consortium of more than 39 European universities and research Institutes, including one from Russia.

Millennium will answer one of the most critical questions in climate research: does the magnitude and rate of 20th Century climate change exceed the natural variability of European climate over the last millennium? To answer this question we need an accurate picture of the climate of Europe over the last one thousand years. Such a picture does not currently exist. There have been many attempts to reconstruct the past climate of the Northern Hemisphere and of Europe, but the results they produce results vary, particularly with respect to the longer-term changes. Russian partner: Institute of Geography, Russian Academy of Sciences.

E. CARBO-NORTH Quantifying the carbon budget in Northern Russia: past, present and future (<http://www.carbonorth.net>)

CARBO-North is an FP6 STREP which started in November 2006 and which runs for 42 months (3,5 years). It involves scientists from across northern Europe, Russia and the USA. CARBO-North aims at quantifying the carbon budget in Northern Russia across temporal and spatial scales. More specifically, this project integrates state-of-the-art science in the areas of flux measurements, carbon stock inventories, ecological understanding and earth system modelling to quantify the long-term fluxes of greenhouse gases from the Northern Russian land mass, in order to support implementation of the Kyoto Protocol.

Russian partner: Institute of Biology, Komi Scientific Center of the Rural Branch of the Russian Academy of Sciences.

3.3.2. The European Commission Joint Research Centre (JRC)

Energy security issues are being discussed with research institutes in the Baltic Region with a view to organising a technical meeting at the regional level and covering the gas, oil and electricity sectors. One of the key issues, for example, is the enhancement of energy security in the region by exploiting natural geological structures in Latvia for underground mass storage; this would require connection of these structures to a gas transmission pipeline such as the Northern European or Yamal-Europe.

The International Polar Year (2007/2008), with Climate Change as its general theme, may offer opportunities to exploit synergies between EU programmes. The JRC is continuing discussions with research institutes in Russia and in the EU on how to improve co-operation in order to address issues which cut across the energy, environment, social and economic sectors.

JRC also continued to support the Helsinki Commission to implement the Convention on the Protection of the Marine Environment of the Baltic Sea Area (Helsinki Convention) by providing spatial information (maps) on the status and trends of the Baltic Sea ecosystem. This information included physical (e.g. currents, salt water inflow from the North Sea), biological (e.g. chlorophyll a concentration) and environmental indicators/indices (e.g. oxygen depletion risk index) derived from satellite remote sensing and numerical modelling. In this context JRC contributed to the work of the Monitoring and Assessment Working Group of the Helsinki Commission (HELCOM/MONAS) and is representing the European Commission in this body. Since 2006 JRC is chairing HELCOM/MONAS.

Furthermore, a global sampling scheme to estimate the forest cover changes over the period 1990-2005 has been developed together with the UN Food and Agriculture Organization (FAO) during a joint expert meeting held at JRC at the end of September. The sampling scheme is covering the whole Eurasia. The JRC had the responsibility to call for an expert workshop, attended by FAO staff and internationally recognised statisticians from the US and Europe, and to edit a synthesis report with specific scientific recommendations for the sampling scheme. In relation to this sampling effort, a large dataset of high resolution satellite images has been downloaded for the period 2000-2004.

A continental scale radar mosaic of Siberia has been completed by the JRC at the beginning of 2006 in the framework of the Global Boreal Forest Mapping (GBFM) project from the Japan Agency for Space Exploration (JAXA). Compiled from high resolution data (18 m) acquired by the radar aboard the JERS-1 spacecraft, this mosaic is composed of some 500 strip-images. The final mosaic, with a spatial resolution of 100 m, is a unique dataset for land cover mapping, carbon budget and climate change impact studies in Siberia.

A new classification technique to map bogs and swamped forests in the Siberian region has been developed combining radar and optical satellite imagery at 100m resolution. These results were presented at the First Glob Wetland Symposium in October. Furthermore a classifier for the radar mosaic oriented towards biomass indicators has been developed. The classifier derives from ancillary data sets prior information and includes rules to qualify forest species based on the Global Land Cover map of the year 2000. A prototype forest-non-forest map of Siberia with biomass indicators has been produced.

The human role on carbon emissions due to forest fires in Russia has been estimated and the results published in the journal Nature in March. The paper provides estimates of number of forest fire events across boreal Russia for the years 2002 to 2005. The spate of forest fires in northern Russia has coincided with climate extremes in 2002-2003, so not surprisingly anthropogenic climate change has been suggested by some as a cause. A detailed survey of fires in the region confirms one word only of that phrase. Over 87% of the fires are 'anthropogenic', directly related to what humans do in forests and not mediated by climate. The fact that human activity is driving over 87% of the fires in the boreal Russia region is rather surprising but pretty convincing finding. Subsequently, estimates of human contribution to carbon emissions due to forest fires in Russia have been produced. Our results

suggest that a maximum of one third of the impact of forest fires in boreal Russia can be attributed to climate anomalies only, the rest being due to the combination of human disturbances and of climate anomalies.

3.3.3. *Higher education*

In 2006, 17 university cooperation projects, 15 structural reform projects and 19 academic mobility projects with Russian involvement were selected under the *Tempus* programme. These projects support Russia in the reform and modernization of its higher education system and help the country to achieve the Bologna objectives. British, French, Italian, German, Belgian and Swedish universities are the most active in the academic cooperation with Russian institutions. Participation from Poland, which has a border with Russia, is only slowly taking up.

The European Studies Institute at the Moscow State Institute for International Relations has been opened on the basis of joint EU-Russian Government financing. Under the *Tempus* programme, the College of Europe in Bruges and the European Studies Institute will develop a curriculum for European Studies. Another relevant *Tempus* project, a Master's degree in translation and interpretation is on-going in St. Petersburg. Universities in Kaliningrad are involved in two on-going *Tempus* projects.

Russian participation in *Erasmus Mundus* has more than doubled since 2005 – from 46 to 97 individual scholarships. Two universities from St. Petersburg take part in partnerships with European Master Courses. Three universities from Murmansk and six others from the North-West of Russia participate in projects to enhance the attractiveness of European higher education.

Within the *Jean Monnet Action*, in 2006, a chair for EU studies at the new European Studies Institute in Moscow was selected. This brings the total number of Jean Monnet projects in Russia to eight.

3.3.4. *Public Health and the Northern Dimension Partnership in Health and Social Well-Being*

The year 2006 could be characterised as a year of a continuation of building up the operational basis for the Northern Dimension Partnership in Public Health and Social Well-being. In mid-2006 a new Head of the NDPHS Secretariat was employed, who was joined by a new Senior Adviser in December. The Secretariat continued to be hosted by the CBSS Secretariat, but further steps were taken by the Partner Countries to grant it a legal capacity, what is foreseen to be finally accomplished in 2007. Arrangements have been settled to facilitate the development and implementation of projects.

At the same time, specific actions continued in well established areas, such as combating HIV/AIDS, and new work on non-communicable diseases was started as agreed at the ministerial meeting in Tallinn in December 2004.

The CSR met three times during the period under review (St. Petersburg, Paris and Oslo). The 3rd Partnership Annual Conference also took place in Oslo. As regards activities in the field of HIV/AIDS, these also included the implementation of the Barents HIV/AIDS programme, which financially supported by Finland, Norway, and the Russian Barents Region. Concerning a non-communicable diseases area, good progress was made by the newly

established Expert Group on Social Inclusion, Healthy Lifestyles and Work Ability, which will assist in co-ordinating and developing the Partnership cooperation focusing on alcohol and binge drinking, young people's lifestyles and occupational safety and health. Finally, the other two expert groups, namely on Prison Health and Primary Health Care were revitalized. Funding and human resources for leadership and management of expert groups were allocated by the NDPHS Partners leading those groups.

One major step forward was the development of a new NDPHS application to the EU Public Health Programme for funding that would allow the Partnership to implement a multi-component project (a project database, a project pipeline, a new website hosting the latter two, thematic reports, dissemination of results being among these components). This application, which was the highest ranking proposal, was awarded funding by the Community. Co-funding will come from 10 NDPHS Partners and the Secretariat.

In 2006 the European Commissions continued to co-finance EpiNorth project granted for the years 2003 – 2006 from the Public Health Programme. The project, with its secretariat located at the Norwegian Institute of Public Health, developed a frame-work for communicable disease surveillance, communication and training in Northern Europe.

3.4. Environment and Nuclear Safety

3.4.1. Environment

The Commission has continued to take an active part in the environmental component of the Northern Dimension during the reporting period. In particular it has made progress with its efforts to strengthen the overall dialogue between the EU and the Russian Federation on the environmental priorities of the Common Economic Space road-map. The road-map stresses that activities should build on existing initiatives such as the Northern Dimension Environmental Partnership.

The first ever EU-Russia Permanent Partnership Council (PPC) on Environment was held in Helsinki on 10 October 2006 to launch the EU-Russia Environmental Dialogue between DG Environment and the Russian Ministry of Natural Resources. The PPC identified specific areas for future co-operation and joint activities to implement the road-map priorities. Expert sub-groups were established to take forward the dialogue in several areas of importance to the Northern Dimension including water and the marine environment, climate change, biodiversity and nature protection, forest law enforcement, governance and conservation, and cleaner production/pollution prevention. The subgroups are expected to be fully operational during the first half of 2007 when they will meet to decide their work-programmes for the period 2007-9.

The EU is supporting environmental projects of relevance to the Northern Dimension context through TACIS on harmonisation of environmental standards (Phase II 2007), implementation of the Kyoto Protocol, and waste water treatment.

3.4.1.1. Climate Change

Following Russia's ratification of the Kyoto Protocol in November 2004 climate cooperation with between the EU and Russia has expanded. This has focussed on implementation by Russia of the Kyoto flexible mechanisms, including a € 2 million TACIS grant to assist Russia to build capacity for monitoring and reporting of greenhouse gas emissions and

creating a national registry for emission credits. An expert sub-group on climate change was established in October 2006 under the EU-Russia environmental Dialogue, co-chaired by DG Environment and Rozhydromet, which met for the first time in December 2006. The sub-group will develop co-operation on post-2012 action and adaptation, and will also consider a Russian proposal on voluntary commitments

The Arctic Climate Impact Assessment (ACIA) project report identified worrying trends which will be followed-up during the International Polar Year (IPY) launched in March 2007. The EU Framework research Programme is financing four international climate research projects with Arctic focus, including one aimed at supporting the International Polar Year. Both projects have Russian participation:

- DAMOCLES - Developing Arctic Modelling and Observing Capabilities for Long-term Environmental Studies
- IPY-CARE - Climate of the Arctic and its Role for Europe: A European component of the International Polar Year.
- CARBO-North - quantifying the carbon budget in Northern Russia across temporal and spatial scales. Activities address rates of ecosystem change, effects on the carbon budget (radiative forcing), and global climate and policy implications (Kyoto).
- MILLENNIUM: European Climate of the last millennium, addressing the key question: Does the magnitude and rate of 20th Century climate change exceed the natural variability of European climate over the last millennium?

3.4.1.2. Marine environment

On 24 October 2005 the European Commission proposed an ambitious strategy to protect Europe's marine environment. This strategy draws on intensive cooperation with stakeholders across the EU during the preparation process from 2002 to 2005. Baltic partners played a particularly active role in this process.

The Thematic Strategy on the Protection and Conservation of the Marine Environment – which includes a legal instrument, namely a proposed Marine Strategy Directive - aims to ensure that all EU marine waters are environmentally healthy by 2021 - thereby protecting this precious asset which is the resource base upon which marine-related economic and social activities depend. The proposed Marine Strategy Directive is being discussed by the European Parliament and the EU Council of Ministers with a view to being adopted.

The Strategy will deliver the environmental pillar of the future EU Maritime Policy which the Commission is in the process of finalising (see point 3.2.1.6). The Strategy promotes an integrated policy framework to help deal with the pressures and negative impacts on the marine environment. It lays down clear and operational guidelines on how to achieve good environmental status for all of the EU's marine areas by 2021. EU Member States share responsibility for a number of different marine areas, each of which has its own distinctive environmental characteristics. The Baltic Sea is one such marine area.

To take account of regional differences the Commission proposal sets out common objectives and methods - but these are to be implemented at the level of marine regions. This means that

the Member States sharing the Baltic Sea will be responsible for working in close cooperation to develop plans designed to ensure good environmental status in the region. Cooperation with Russia will also be important to achieve good environmental status.

Member States will be encouraged to work within the framework of HELCOM, which has extensive expertise in protecting the marine environment in the Baltic Region. The Commission is actively involved in the preparation of the Baltic Sea Action Plan (BSAP) prepared under the aegis of HELCOM and due for adoption in November 2007. The BSAP will be highly synergetic with the EU Marine Strategy.

The Arctic Ocean is not directly covered by the proposed EU Marine Strategy as the EU does not border its waters. However, close cooperation was established between the EU and the Arctic Council as part of the preparatory process with the help of which the Marine Strategy was developed from 2002 to 2005. There are strong synergies between the EU Marine Strategy and the Arctic Marine Strategy Plan and the Commission is therefore strongly committed to continued cooperation with the Arctic Council. Safeguarding the Arctic's marine environment and climate are essential objectives for future cooperation. This is essential for the sake of the Arctic itself and is a priority in order to avert climate change at global level.

At an Arctic seminar in Brussels in July 2004 the Commission noted that close co-operation already had been established between the EU and the Arctic Council concerning the European Marine Strategy and the Arctic Marine Strategy plan. There are clear synergies between the two strategies. The European Commission also expressed support for Environmental Monitoring and Research (e.g. the Arctic Operational Platform ARCOP project co-financed under the "Competitive and Sustainable Development" programme) as the basis for environmental co-operation in the Arctic.

3.4.2. The Northern Dimension Environmental Partnership (NDEP)

It is widely held the view that the Northern Dimension Environmental Partnership (NDEP) is one of the Northern Dimension's main achievements. It was set up in 2001 to address serious environmental problems in North West Russia, either of nuclear safety nature or of general environmental concern (water and wastewater, solid waste, heating, etc). The NDEP fund, managed by the European Bank for Reconstruction and Development (EBRD), has received so far contributions from the European Community, France, Canada, Russia, Germany, United Kingdom, Sweden, Finland, Denmark, Norway, Netherlands and Belgium. The NDEP has two separate envelopes or windows: nuclear and non-earmarked (or environmental). The pledges made for the nuclear envelope so far amount to almost € 150 Million and the pledges for the non-earmarked go beyond € 92 Million. The NDEP is a reference for successful cooperation schemes between donors and International Financing Institutions. The NDEP Steering Group (SG) is composed of the three different International Financing Institution (IFI)s: EBRD, EIB and NIB. Each IFI chairs the NDEP SG for a period of one year, from July until June the following year. The EBRD chaired the first part of 2006 and the EIB chaired the second. A Steering Group meeting was held in London in April and another one in Kaliningrad in November. There was no meeting of the Assembly of Contributors in 2006.

The Commission supported the NDEP from the beginning. The European Community became the main contributor of its Fund and the Commission chairs its Assembly:

- at the beginning with €50 Million, with a clear focus on nuclear clean-up activities on the Kola Peninsula (€40m)
- in 2005 with a contribution of € 10 Million for the environmental (non-earmarked) window
- in 2006 with the Commission pledging an additional contribution of €10 Million for the environmental window which will be effective, as soon as other donors, and particularly Russia, make similar efforts.

All NDEP members concurred that the progress in the nuclear envelope has continued to be very satisfactory, partly because of the signature in 2005 of the Agreement on provision of technical assistance under the umbrella of the MNEPR and, subsequently, because of the establishment of the necessary implementation mechanisms enabled the launch of the first set of projects. Russia acknowledged that these first five projects are probably the most difficult ones, as they address critical improvements of safety and security related to spent nuclear fuel and radioactive waste, in both sites of Andreeva Bay and Gremikha Bay. Phase II of the Strategic Master Plan (SMP) is under development and its initial conclusions have been presented. The objective of SMP II is to create an integrated programme that includes a list of required activities and to define projects, timing and requested funding.

The environmental or non-earmarked window refers to the specific pollution problems at the Baltic Sea and the fragile Arctic ecosystem. Grants from the fund are used as seed money to build up important and large-scale infrastructure projects with loans and bilateral cooperation. The non-earmarked window is having an impressive expansionary effect: the projects approved make up NDEP grants of less than € 56 Million but the total estimated cost of the projects is almost € 1,530 Million. If the projects in the pipeline are also included, the figures are even more impressive (€ 72 Million grants for a total of projects cost of € 2613 Million), due to private sector projects which will not receive grants. As the projects under implementation or about to be launched make an extensive use of the available grants, several calls have been made by the EBRD and the other IFIs to replenish the non-earmarked window. In 2006, Germany pledged € 10 Million, Finland pledged € 6 Million and Norway NOK 2 Million. There are good prospects for a new Russian pledge in the near future, as well as indications that Poland and other EU Member States may also provide contributions. Projects in Kaliningrad, one of the main beneficiaries of the NDEP non-earmarked window, are being affected by delays. A Project Implementation Unit for this Oblast, to be financed as well from the NDEP Fund, will be operational in 2007.

3.4.3. Nuclear Safety

In 2005-2006, the implementation of the NDEP (nuclear window) has increased in volume, after the adoption of the strategy in 2005, with support being allocated to the first concrete projects. In parallel, several projects supported by the TACIS programme were contracted: the Awareness Centre in Murmansk, the preparation of the remediation project for Radon Murmansk, the feasibility study for the solution to the Lepse problem, the radiological survey around the open pad storage in Gremikha. In addition, 40 Mio€ will be provided mainly for the remediation project for Radon Murmansk and other storage facilities.

The Commission continued its support to improve nuclear safety at the Kola Nuclear Power Plant and at the Leningrad Nuclear Power Plant. A Plant Improvement Project focusing on the

treatment of nuclear waste in Kola (10 Mio€) is about to start. Licensing activities are being implemented in parallel.

The European Commission participated Council of the Baltic Sea States working group on nuclear and radiation safety (WGNRS). The main EU-related topics in this group are the development of the environmental radiation dose rate monitoring systems, the proposed new agreement on exchange of airborne radioactivity data, proposed regional agreement on radiation emergency assistance, control of radiation sources and planned new nuclear waste storage facilities in the region. In addition the group organises annually radiation emergency exercises, which have been very useful for the Commission radiological emergency preparedness staff. The Commission finds this group very valuable, since experience has shown that nuclear/radiation safety initiatives introduced in the Baltic Sea area are often followed in other regions and even on European scale.

As far as nuclear and radiological emergency management and rehabilitation strategies are concerned, the Commission (DG RTD and DG AIDCO) plan to install the real time on-line decision support tool (RODOS) in Russia. In parallel, a study was launched to assess the status of off-site emergency preparedness (OSEP) in Russia (and in neighbouring countries) in the context of the new instruments for nuclear safety cooperation.

3.5. Cross-Border Cooperation

3.5.1. Neighbourhood Programmes

In the geography covered by the Northern dimension, Cross Border Co-operation has been supported by the Community through two different funding sources: on the one hand the INTERREG III Community Initiative has provided funding to EU border regions and on the other hand the Tacis programme has provided funding for border regions of Russia and Belarus.

INTERREG III is one of the European Commission's Community Initiatives and is funded by the European Regional Development Fund (ERDF) which operates on a multi-annual basis (e.g. 2000-2006 period). It supports cross-border, transnational and interregional co-operation across Europe, and, consequently, has a key role to play in the implementation of the Northern Dimension process. Tacis is the external relations financing instrument through which the Community has channelled funding for co-operation activities with Russia and other Eastern Neighbours. Starting from 1996, Tacis has provided the necessary funding to allow EU Eastern neighbours to participate in Cross border co-operation activities.

The enlargement of the EU in 2004 has brought in Member States with borders to many third countries, including the Russian Federation. This has provided the occasion to re-think at the way cross border co-operation was financed, harmonise procedures and integrate more closely internal and external funding sources. The first step in this process was to develop specific cross-border cooperation programmes (Neighbourhood Programmes) for implementation during 2004-2006, bringing together ERDF and Tacis resources. In the Northern Dimension space there are **6 specific joint cooperation programmes** covering the regions of North-West Russia. The funding provided by the European Union for these programmes over the period 2004-06 is circa €325 million, of which €290 million come from INTERREG to finance activities in EU regions and €35 million from Tacis to finance the activities in Russian

regions. Additional co-financing is also provided by national, regional and local levels as appropriate.

The programmes build on earlier INTERREG programmes and they include the following key features:

- the programmes enable funding to be allocated on both sides of the external border;
- the programmes' priorities take account of necessary objectives and activities on both sides of the border;
- the rules governing the programmes' management and committee structures ensure a balanced membership from both sides of the border, and include appropriate Commission representation. There is a single application procedure and joint decision making for project selection, covering both sides of the border.

The Neighbourhood Programmes operate on a decentralised basis, and the preparation, presentation and selection of projects is undertaken at the national, regional and local levels as appropriate.

During 2005 and 2006 there has been great interest in Russia and the EU Member States to get together and work on joint projects. 16 calls for proposals were launched for all the programmes and practically all the funds available had been committed to projects. In the case of Russia, the requested funding for Tacis has more than doubled the amount available, which shows a great success of these programmes in Russia and paves the way of the new generation of Cross-Border Programmes under the ENPI.

Moreover, there has been an active and close involvement of Russian partners in all preparatory and implementation processes in programmes with Russian participation. Russian partners are equal members in both Monitoring Committees (a supervising body of a programme) and Steering Committees (whose main task is selection of projects) of programmes concerned. For all the 6 programmes Branch Offices and Information Points of Joint Technical Secretariats have been opened, with support from Tacis, in the Russian regions and employees from Russia have been hired. These Branch Offices and Information Point plays an important role in supporting and advising project applicants on the other side of the border, together with the Tacis Local Support Offices present in those regions.

By the end of 2006, 150 joint Interreg-Tacis or just Tacis funded projects had been approved by Steering Committees (19 projects in the Kolarctic programme, 16 projects in the Karelia programme, 35 projects in the South-East programme, 34 projects in the Lithuania-Poland-Kaliningrad programme, 18 in the Estonia-Latvia-Russia programme and 28 projects in the transnational Baltic Sea Region programme). Of these, more than 90 projects have been contracted and started implementation. It is expected that the total of projects approved will be around 190 projects, thus using the whole allocation of € 35 million foreseen by Tacis for these type of projects in Russia.

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

Programme	Participating Countries	Total Funds (4+5+6+7+8)	Total Public Funds (5+7)	ERDF	Tacis	National public funds	Other
1	2	3	4	5	6	7	8
INTERREG IIIA							
Nord/North	FIN, S, N, RUS	133.2	80.72	47.6	3.5	33.13	48.95
Euregio Karelia	FIN, RUS	74.2	57.2	28.6	4	28.6	13
S-E Finland/ Russia	FIN, RUS	89.8	56.15	22.17	8.0	33.98	27.16
Lithuania- Poland- Kaliningrad	LT, PL, RUS	48.7	48.7	36.53	8.0	12.17	
Estonia-Latvia- Russia	EE, LV, RUS	10.45 *	10.31	7.84	4.0	2.47	0.14
Cross-border		356.35	253.08	142.74	27.5	110.35	89.25
INTERREG IIIB							
Baltic Sea Region	DK, D, FIN, S, BEL, EE, LV, LT, N, PL, RUS	255.48	214.31	147.57	7.5	66.74	26.17
Total		620.83	467.39	290.31	35	177.09	115.42

All figures in € millions

* Excluding Tacis funds.

Project examples

The Baltic Sea Region programme (North X) finances the project ***"Remote Access: Connecting Potentials of Two Countries"***. The Eastern and North- Eastern part of Latvia (Latgale region and part of Vidzeme region) and Western part of Russia (Pskov oblast and Leningrad oblast) are together seen as a favourable region for transit traffic but it lacks economic integration and dynamics due to low quality transport links, dominance of traditional economic structures and poor quality of physical infrastructure (road surface, services). The main objective of the project is to create a new common spatial development

zone and introduce new ideas for development of remote regions on both sides of the BSR/EU external border thereby contributing to a balanced polycentric development of the Baltic Sea Region. The results of the project include a study on selection and establishment of technological parks and logistic centres in Latgale region, Leningrad and Pskov oblasts and a common Spatial Development Strategy for all project partners.

In 2006-2007, the Kolarctic sub-programme of the Nord Programme supports a project called ***“Challenges of well-being – Violence against Women, Prostitution and Risk Behaviour as Challenges for Cross-Border Cooperation”*** which aims to improve the well-being of women in the Murmansk area. A crisis centre is being established and models developed in order to provide support services through which prostitution can be prevented and women supported in their efforts to free themselves from violence. Rehabilitation measures are also developed in order to support women who quit prostitution or flee their violent environment. The crisis centre will benefit from the experience gained by its counterparts in the EU and will join their networking activities.

The Neighbourhood Programme Lithuania-Poland-Kaliningrad is financing the project named ***“Development of scientific-technical support for reproduction of fish stocks in trans-boundary water of Lithuania and Russia”***. The aim of the project is to create an integrated international water bio-resources management and restoration system seeking to preserve and restore the diversity of water fauna, increase the efficiency of fisheries and strengthen the co-operation between Lithuania and the Kaliningrad oblast of the Russian Federation. This objective will be achieved through, among others, the preparation a fisheries cadastre on the basis of GIS technologies, the assessment of the needs for artificial breeding and biological-ichtyological substantiation of fish stock restoration programs, the establishment of a Bank of Biotechnologies of fish stock restoration, the development of fisheries specialists training, qualification upgrading, exchange of experience, increase of eco-consciousness and cooperation among fisheries specialists' communities from the border region.

3.5.2 Preparations for the new programming period 2007-2013 – European Territorial Cooperation and ENPI

During 2006 preparations for the new programming period 2007-2013 have started. The new regulatory framework for territorial cooperation in the EU has been put in place. Provisions for cross border cooperation at the EU external borders have been included in the new European Neighbourhood and Partnership Instrument – ENPI – under which future cross-border cooperation programmes will be implemented. Under its cross border co-operation component, the ENPI will finance ”joint operational programmes” bringing together regions of Members States and partner countries sharing a common border. The instrument will bring a radical simplification in procedures and substantial gains in efficiency. It will use an approach modelled on the experience of the Interreg Community initiative (Structural funds) which is based on multi-annual programming, partnership and co-financing. Financing will come from the ENPI budget and the European Regional Development Fund (ERDF).

Under the ENPI cross border co-operation in the area covered by the northern dimension, will continue on the basis of the six existing neighbourhood programmes. Five of these programmes, notably the Nord/Russia, the Karelia/Russia, the South-east Finland Russia, the Estonia/Latvia/Russia and the Lithuania/Poland/Russia will be established under the framework of the ENPI regulation.

In the case of the Baltic Sea Programme, it has been agreed to establish an integrated programme covering both co-operation among Member States and Co-operation with Russia and Belarus. This programme will cover eight Member States, Norway, Belarus and North-western parts of Russia. In this programme, the ENPI funding will be joined with the ERDF funding for the region and managed under a single structure by all countries concerned.

3.6. Justice and Home Affairs

The Baltic Sea Task Force on Organised Crime established in 1996 aims to act as a regional best practice example for multidisciplinary operational law enforcement cooperation against organised crime in the Baltic Sea region. In its existence it has fostered regional operational law enforcement cooperation (including border guards, customs, and coast guards) cooperation in the Baltic Sea region and actively facilitated the EU accession of Estonia, Latvia, Lithuania and Poland especially in police and judicial cooperation in 2004.

2006 was a special year for the Baltic Sea Task Force on Organised Crime as it was able to celebrate its 10 anniversary at its Task Force meeting in Visby, Sweden from 2-3 May 2006 where it has been established exactly 10 years ago. DG JLS represented the Commission at this event.

Moreover, at the end of 2006 there was a change of the Chairman of Baltic Sea Task Force on Organised Crime from Finland which headed the Baltic Sea Task Force from 1 January 2005 until 31 December 2006 to Estonia which took over the Chairmanship on 1 January 2007 until 31 December 2008 (end of the current mandate). Estonia is the first new EU Member State to take over the Chairmanship of the Baltic Sea Task Force on Organised Crime which has been headed by Sweden, Denmark and Finland in its past 10 years.

The Baltic Sea Task Force on Organised Crime continues to play an important role as a best practise example of regional multidisciplinary operational law enforcement co-operation involving on one hand EU Member States (Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden) and on the other hand non EU MS Russia, Norway and Iceland thus contributing to the development of Justice, Freedom and Security in the Baltic Sea Region.

The Commission fully supports the closest cooperation between the Baltic Sea Task Force and Europol, the complementarity of their actions including avoiding unnecessary overlaps. The Commission also positively regards the work of the Task Force concerning its input to the OCTA Baltic Sea regional assessment and to the development of the concept of Intelligence Led Law Enforcement.

The Commission takes active part at the work of the Baltic Sea Task Force at its different levels – meetings of experts' groups (especially on drugs, illegal migration, trafficking in women and children, stolen goods and intelligence), Operative Committee (OPC), Task Force, Ministerial etc. At the Operative Committee and Task Force meetings, the European Commission always provides an update on the most recent and important EU legislative and policy developments. In 2006 the Commission represented by DG JLS attended the JHA Ministerial (Ministers responsible for police cooperation) meeting in Koli (11 - 12 May 2006), all 2 Task Force meetings (in Visby, Sweden on 2 – 3 May 2006 and in Helsinki/Tallinn on 30 November - 1 December 2006) and all 4 Operative Committee (OPC)

meetings (Helsinki in January; Helsinki in April; Vilnius in August; and Helsinki in November 2006).

The new Estonia Chairmanship outlined in its work programme for 2007 to make the work Baltic Sea Task Force on Organised Crime more efficient. In particular there are plans to strengthen the role of the Operative Committee as Management Board and to replace the current system of established experts groups by a flexible system aiming at more concrete operations and strategic analyses. It is the objective of this new Chairmanship to enhance the present cooperation with Europol and interlink more the relevant activities in the Baltic Sea region and the EU also in regard to the cooperation with Russia.

The Commission welcomes the work of Baltic Sea Task Force to foster closer practical co-operation between Europol and Russia which will also facilitate the conclusion of the operative agreement between Europol and the Russia and its implementation. Russia already contributed to Europol's OCTA 2007. In this regard the Commission strongly supports the activities of Baltic Sea Task Force to link its activities to strengthen regional multidisciplinary law enforcement cooperation in the Baltic Sea Region with the implementation of the EU-Russia Action Plan on Organized Crime and the EU-Russia Road Map for a Common Space of Freedom, Security and Justice.

In view of the implementation of the EU strategy on the external JLS dimension in particular on the regional dimension to fight against organised crime, the Baltic Sea Task Force could serve as a model for other future regional multidisciplinary co-operation frameworks in combating organised crime. To this regard the positive experience of the Baltic Sea Task Force should be taken into account to assist the strengthening of regional co-operation in combating organised crime in Western Balkans, in particular the efforts of EU and Europol to assist the functioning and operational capacity of the SECI centre, in the Black Sea region and other ENP regions.

4. CONCLUSION

2006 has been a crucial year for the Northern Dimension policy. It has seen the successful completion of the implementation of the Second Action Plan. More important, the Northern Dimension Summit of 24 November in Helsinki represents a turning point, as the policy has been transformed into a common policy of all its partners and the two new basic documents, the Policy Framework Document and the Political Declaration, have been adopted. The new basis will be implemented as from 2007.

ANNEX I

Political Declaration on the Northern Dimension Policy

(Adopted at the ND Summit of 24 November 2006 in Helsinki)

The European Union, the Republic of Iceland, the Kingdom of Norway, and the Russian Federation,

- Recalling the Guidelines for the Northern Dimension policy adopted at the Ministerial meeting in Brussels on 21 November 2005,
 - Considering the broad geographical definition of the Northern Dimension area from the European Arctic and Sub-Arctic areas to the southern shores of the Baltic Sea, including the countries in its vicinity and from North-West Russia in the east to Iceland and Greenland in the west,
 - Proceeding from geographic proximity, economic interdependence, common cultural heritage, common challenges and the possibilities to reap together the benefits in one of the most dynamically developing areas of the world,
 - Reaffirming their shared responsibility for the prosperity of Northern Europe, its sustainable development, and the well-being of its population, and their commitment to create favourable conditions for the development of the region and for further strengthening of mutually beneficial multilateral cooperation in Northern Europe, including cross-border and sub-regional cooperation,
 - Supporting the existing multilateral co-operation within the framework of different regional councils, such as the Arctic Council, the Barents Euro-Arctic Council, the Council of the Baltic Sea States and the Nordic Council of Ministers.
1. Declare their firm commitment to cooperate actively within the framework of the Northern Dimension policy on the basis of good neighbourliness, equal partnership, common responsibility and transparency;
 2. Confirm their desire to make the Northern Dimension policy a regional expression of the four EU – Russia common spaces with the full participation of Iceland and Norway also focusing on issues of specific relevance in the North, such as the fragile environment, health and social issues and indigenous peoples' issues;
 3. Confirm their readiness to contribute efforts to ensure that the Northern Dimension Policy provides concrete and pragmatic activities with the objective to achieve tangible results, taking into account the need to endeavour to ensure synergies with other regional programmes and initiatives;
 4. Acknowledge the principle of co-financing by Northern Dimension partners and, when appropriate, from other sources, including the International Financing Institutions, as the general rule;

5. Confirm their readiness to cooperate with all international, regional, subregional and local organizations, institutions and other actors, including the business community and NGOs, that are ready to contribute to the development of the region;
6. Express their willingness to continue and further develop cooperation within the framework of the two existing ND partnerships – the Northern Dimension Environmental Partnership (NDEP) and the Northern Dimension Partnership in Public Health and Social Wellbeing (NDPHS) and to examine possibilities to apply the partnership model to other sectors. In this context, they will ask ND senior officials to examine the desirability of a Northern Dimension Partnership on Transport and Logistics, and to examine enhanced cooperation in the field of energy efficiency and renewable energy, inviting for this purpose also experts and international financing institutions."
7. Take note of a list of projects submitted by the Russian Federation for possible implementation under the Northern Dimension framework.
8. Welcome the intention of various bodies and institutions to participate in the cooperation within the Northern Dimension framework, considering inter alia the proposed Northern Dimension Parliamentary Forum;

Adopt the Northern Dimension Policy Framework Document which will be the basis of practical implementation.

ANNEX II

NORTHERN DIMENSION POLICY FRAMEWORK DOCUMENT

(Adopted at the ND Summit of 24 November 2006 in Helsinki)

1) Introduction

1. The Northern Dimension covers a broad geographic area from the European Arctic and Sub-Arctic areas to the southern shores of the Baltic Sea, including the countries in its vicinity and from North-West Russia in the east to Iceland and Greenland in the west.
2. The Northern Dimension focuses increasingly on North West Russia, the largest territory covered by this policy, with its specific challenges and opportunities for the whole Northern Dimension region.
3. The Baltic Sea, the Kaliningrad oblast with its opportunities for development given its particular geographical situation, as well as the extensive Arctic and Sub-arctic areas including the Barents Region, are priority areas for the Northern Dimension policy.
4. The present policy framework document is a joint achievement of the partners. The Northern Dimension partners recognize that their cooperation framework can only be driven by the spirit of partnership and based on shared confidence. The Northern Dimension policy is henceforward a common project and a common responsibility. It will help to ensure that no dividing lines are established in the North of Europe.

2) **Actors**

5. The Northern Dimension partners are the European Union, Iceland, Norway and the Russian Federation.

6. Other participants are:

A) The regional councils in the North:

- the Barents Euro-Arctic Council (BEAC),
- the Council of the Baltic Sea States (CBSS),
- the Nordic Council of Ministers (NCM),
- the Arctic Council (AC)

All four Northern regional councils, with their different memberships, identify needs for development and cooperation in their respective areas and support project implementation in different ways.

B) The International Financing Institutions active in the North, notably the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Nordic Investment Bank (NIB) and the World Bank (IBRD) which contribute to supporting the policy, and any other International Financing Institution that may in the future implement programmes in the area.

C) Other European Union institutions and bodies and those of the other Northern Dimension partners.

7. Other Northern Dimension actors are: the regional and sub-regional organizations and commissions in the Baltic and Barents area, the sub-national and local authorities, non-governmental organizations and other civil society organizations (including notably indigenous peoples' organizations), universities and research centres, business and trade union communities, etc.

8. Belarus could be encouraged to participate in expert level cooperation in the Northern Dimension framework.

9. The Northern Dimension provides also a frame of reference for intensified transatlantic cooperation of the Northern Dimension partners in matters concerning the northern regions of the world, through the observer status of USA and Canada. Other interested countries may be invited to participate as observers.

3) **Objectives**

10. The Northern Dimension policy will aim at providing a common framework for the promotion of dialogue and concrete cooperation, strengthening stability, well-being and intensified economic cooperation, promotion of economic integration and competitiveness and sustainable development in Northern Europe.

11. The Northern Dimension policy will seek complementarity among its partners and participants. The Northern Dimension will enhance regional cooperation, improving synergies of regional organizations in the North of Europe while avoiding possible duplication and will facilitate people-to-people contacts. The Northern Dimension will maximize the use of the available human and financial resources in the region, ensuring that they are used in the most effective way. Best practices for solving issues and addressing challenges will be established as examples to follow.
12. The Northern Dimension policy framework will focus on areas of cooperation where a regional and sub-regional emphasis brings added value. Priority will be given to result-oriented proposals, seeking support from the European Union and national financing instruments, from international and private financial institutions as well as the private sector. National and regional development programmes will be respected and promoted: any new initiatives will complement the efforts deployed by national and regional authorities in the relevant areas.
13. The Northern Dimension policy will be characterised by transparency and openness towards all its actors and will take due regard of the subsidiarity principle. It will be based on the internationally recognized principles, such as good governance, transparency and participation, sustainable development, gender equality, the rights of persons belonging to minorities, cultural diversity, social cohesion, fair working conditions and corporate social responsibility, non-discrimination, the protection of indigenous peoples and supports the further strengthening of civil society and democratic institutions.
14. The Northern Dimension will be a regional expression of the Common Spaces EU/Russia. Russia and the European Union will make the Northern Dimension policy a cross-cutting topic and a tool where appropriate for the implementation of the road maps for the Common Spaces with full participation of Iceland and Norway in matters relevant to Northern Dimension. The Northern Dimension policy will continue to address some objectives of specific relevance in the North, i.e. its fragile environment, indigenous peoples' issues, cultural diversity, health and social well-being, etc.
15. Cross-border cooperation will be a cross-cutting theme producing added value at the sub-regional and transnational level, enhancing sustainable regional development, the involvement of civil society and people-to-people contacts keeping in mind progress made towards the objective of visa free travel as a long-term perspective between the European Union and Russia as stipulated in the St. Petersburg Summit of May 2003. Iceland and Norway associate themselves with this objective in their relations with Russia. The Northern Dimension policy will encourage municipal and regional authorities on both sides of land and sea borders to engage in concrete co-operation projects of mutual benefit.
16. The Northern Dimension policy will aim to improve the conditions for border crossing of people and goods. This will facilitate economic cooperation and people-to-people contacts.
17. The Northern Dimension policy will support cooperation also between areas in the region not immediately adjacent to each other on different sides of a national land or

sea border. Consequently the Northern Dimension will support sub-national and governmental cross-border and trans-boundary cooperation as one of the instruments for promoting regional development.

18. The Northern Dimension policy will promote cooperation between urban areas in the region to create a strong urban network and a well functioning territorial structure facilitating the development of a globally competitive area.

4) **Priority sectors**

19. In line with paragraph 14, the following priority sectors of the Northern Dimension are agreed:

- *Economic cooperation*, including promotion of trade, investments, customs, SMEs, business, innovation, well-functioning labour markets, financial services, infrastructure, energy, agriculture, forestry, transport and logistics, telecommunications and information technology .
- *Freedom, Security and Justice*, including facilitation of people-to-people contacts, development of border management, good governance, efficiency of the judicial system and judicial cooperation in criminal and civil matters, fight against organized crime, trafficking in human beings, drugs trafficking, illegal immigration and other cross-border crime.
- *External security* : civil protection.
- *Research, education and culture*, including increased cooperation in research and education exchange programmes, youth policy, promotion of people-to-people contacts, links between cultural and economic life, visibility of regional and local cultural identity and heritage.
- *Environment, nuclear safety and natural resources*, including reduction of the risk of nuclear and other pollution, maritime safety, protection of the marine environment in the Baltic and Barents Seas, biodiversity, forests, fish stocks and protection of the Arctic ecosystems; cooperation in the field of water policy, climate change, environmental legislation and administrative capacity building¹⁵ .
- *Social welfare and health care*, including prevention of communicable diseases and life-style related diseases and promotion of cooperation between health and social services.

5. **Institutional arrangements**

20. Northern Dimension Ministerial meetings will take place with the participation of the four partners at Foreign Minister or equivalent level of the European Union Member States / Commission, Iceland, Norway and the Russian Federation. They will be held every two years at a location agreed by the partners. The partners can agree to call for an extraordinary Ministerial meeting at any time.

¹⁵ The work of HELCOM, Baltic 21 and the regional councils are appreciated

21. Northern Dimension Senior Officials Meetings, in a similar composition to the Ministerial level, will be held whenever necessary and at least every alternate year between Ministerial meetings.
22. Partners, observers and participants will be invited to both Ministerial and Senior Officials Meetings. Other actors may participate on the basis of a special invitation.
23. Ministerial meetings will provide policy guidance and monitoring to Northern Dimension implementation. The agendas of the meetings within the Northern Dimension framework will be prepared in full consultation between all Northern Dimension partners. Ministerial and Senior Officials Meetings may have a special theme for discussion agreed on their agenda
24. To provide continuity between the meetings referred to in paragraphs 20 and 21 a Steering Group, composed of representatives of the European Union, Iceland, Norway and the Russian Federation, will be established at expert level. It will meet normally three times a year at a location agreed by the partners and avoiding duplication with the Ministerial and Senior Officials meetings referred to above. Invitations for the meetings may be sent to other interested councils, organisms and organizations on the basis of agreement of all the Northern Dimension partners.

6. Project Implementation and Monitoring

25. The Northern Dimension partners favour the model of Partnerships, notably the Northern Dimension Environmental Partnership (NDEP), as an effective way to organise practical implementation of projects in the agreed priority sectors. Any new partnership should enjoy support from the Northern Dimension partners, be ensured appropriate funding from the start, be self-sustainable in terms of management and supplement the efforts of national authorities as described in paragraph 12.
26. Apart from the partnerships a realistic number of themes and concrete projects in the agreed priority sectors with detailed financial and operational parameters can be approved at a meeting of Foreign Ministers or Senior Officials. They will be implemented in the Northern Dimension framework on the principles of co-financing provided they receive support from the Northern Dimension partners. Involvement of International Financial Institutions and private funds would be most desirable.
27. The Steering Group shall keep itself informed of the implementation of agreed projects. This project monitoring will form a basis also for the reporting stipulated in paragraph 28.

7. Information tools

28. A permanent flow of information is a key element of the Northern Dimension policy. The Steering group will prepare an activity report before every Foreign Ministers' meeting.
29. Updated and harmonized information on projects implemented within the framework of the Northern Dimension will be accumulated in the Northern Dimension Information System established at the European Commission's "Relex" website on the basis of information sent by Northern Dimension partners. Other participants

may provide information to be displayed under their own authority unless a partner objects. Any additional material displayed at the site and presented as a common opinion by Northern Dimension partners needs to be approved by the Steering Group.

8. Financing

30. The principle of co-financing from Northern Dimension partners, as well as from international and private financial institutions where appropriate, will be the general rule. Northern Dimension activities are implemented by various actors and financed from different sources, including the existing and future European Union financing instruments and programmes, national budgets, international regional organizations, international financial institutions, regional and local public organizations, other public bodies, such as universities, and private sources, including civil society. The Northern Dimension will pay special attention to possible problems arising from the use of different financing instruments in regional and cross-border cooperation.

9. Review

31. This Northern Dimension Policy Framework document will have a permanent nature. Nevertheless it will be subject to review as appropriate. All Northern Dimension actors should provide their assessment to the Northern Dimension Ministerial and Senior Officials Meetings in order to facilitate the reviews.

List of abbreviations

AC	Arctic Council
ACIA	Arctic Climate Impact Assessment
BASREC	Baltic Sea Region Energy Co-operation
BCCA	Baltic Chambers of Commerce Association
BEAC	Barents Euro-Arctic Council
BSCC	Baltic Sea Customs Conference
BSSSC	Baltic Sea States Sub-regional Cooperation
CBSS	Council of the Baltic Sea States
CCS	Carbon-dioxide capture and geological structure
CES	(EU/Russia) Common Economic Space
COREPER	Committee of Permanent Representatives
CSO	Committee of senior Officials
EBRD	European Bank for Reconstruction and Development
EEA	European Economic Area
ENPI	European Neighbourhood and Partnership Instrument
EOR	Enhanced oil recovery
EPT	European Technology Platform
EU	European Union
E-Pine	The (US) Enhanced Partnership for Northern Europe
ERDF	European Regional Development Fund
FP	(RTD) Framework Programme
GALILEO	European Satellite Navigation System
GBFM	Global Boreal Forest Mapping
HELCOM	Helsinki Commission
ICT	Information and Communication Technology
IFIs	International Financial Institutions

INTERREG	Community programme aiming to stimulate inter-regional cooperation within the EU
IPY	International Polar Year
IT	Information Technology
JHA	Justice and Home Affairs
JRC	The European Commission Joint Research Centre
MNEPR	Multilateral Nuclear Environmental Programme in the Russian Federation
NCM	Nordic Council of Ministers
ND	Northern Dimension
NDAP	Northern Dimension Action Plan
NDEP	Northern Dimension Environmental Partnership
NDPHS	Northern Dimension Partnership on Public Health and Social Wellbeing
NDSys	Northern Dimension Information System
NeDAP	Northern e-Dimension Action Plan
NGOs	Non-Governmental Organisations
NIB	Nordic Investment Bank
PCA	Partnership and Cooperation Agreement (EU-Russia)
PEC	Pan-European Corridors and Areas
PPC	Permanent Partnership Council (EU-Russia)
RTD	Research, Technological Development and Demonstration
SMEs	Small and Medium-Sized Enterprises
SMP	Strategic Master Plan
SOIS	Senior Officials for the Information System
S&T	Science and Technology
TACIS	Community Technical Assistance programme for the Commonwealth of Independent States
TEN-E	Trans-European Energy Network
TEN-T	Trans-European Transport Network

UBC Union of the Baltic Cities

WGNRS Working Group on nuclear and radiation safety (CBSS)

WTO World Trade Organisation

ZEP Zero-emission fuel power plants