

Black Sea NEWS

No: 14 • January 2007

The Newsletter of Black Sea Economic Cooperation
with the supervision of BSEC Permanent International Secretariat
Sponsored by the Black Sea Trade and Development Bank

editorial

This is the first edition of the Black Sea News that is being published in Ankara by the "Black Sea and Caspian Park" Company, with the collaboration of BSEC PERMIS and sponsored by the Black Sea Trade and Development Bank. The Black Sea News will continue to be published on a quarterly basis and provide its readers with information concerning BSEC.



Allow me to inform our distinguished readers of our activities since 1st of May 2006, as well as of important decisions taken at the Moscow Meeting of the Council of Ministers of Foreign Affairs held on 1 November 2006.

The BSEC Council Meeting in Moscow was very successful, with an extremely active Chairmanship of the Russian Federation with up to 60 events covering many if not all areas of our cooperation. During the Russian Presidency four Ministerial Meetings were convened in such key areas as transport, energy, communication and cooperation in emergency assistance. There were also important breakthroughs during this period that will have positive impact on our cooperation, provided that we all stay committed and organized in the implementation of these important decisions. These advancements were endorsed by the Council of Ministers of Foreign Affairs in its Resolutions and Decisions as well as Joint Statement of the Ministers.

The Moscow Meeting made history by approving a *Memorandum of Understanding for the Coordinated Development of the Black Sea Ring Highway (BSRH) and a Memorandum of Understanding on the Development of the Motorways of the Sea at the BSEC region*. It is the first time in the history of BSEC that projects of such magnitude have been adopted. Both projects will change the life of the citizens of BSEC, thus making our organization relevant to them. The first project will bring economic development to the region, by facilitating the overland transport of goods within BSEC from Europe to Asia and vice-versa, and by promoting tourism. The second project will make the Black Sea smaller, by creating the necessary infrastructure for better connecting the Black Sea ports and the Black Sea with the Mediterranean and the Caspian Seas.

These two projects further promote BSEC in the international scene; since they demonstrate that at last something is being done and last BSEC is executing projects of interest to Europe and Asia. It is of utmost importance for the interest of this Organization that these Memoranda be signed as soon as possible, hopefully by March, so that the difficult and challenging stage of implementation could start.

The Council in Moscow approved important projects with the OECD-OSCE and the UNDP. They will focus and address most important issues pertaining to the development of cooperation in the BSEC Region in particular in such key areas as trade and investment promotion.

Through their implementation we also intend to enhance the institutional and professional capacities and capabilities of BSEC PERMIS.

Apart from the Council's strong political support, Greece and Turkey also pledged substantial financial contributions for these last two projects.

In the Joint Statement adopted in Moscow, Ministers expressed their political will and commitment to *proceed with the process of the improvements of the functioning/performance of the Organization*. One of the basic problems that BSEC was facing over the years was a lack of efficiency that could be attributed to a lack of implementation of the Council Resolutions by the Member States, problems in decision-making, etc. In order to remedy these shortcomings that had negative effects on the overall functioning of BSEC, the Bucharest Statement decided to support the implementation of the following:

- to monitor the implementation of the Resolutions, Decisions and Recommendations adopted by BSEC Council of Ministers;
- to reform and restructure BSEC in order to increase its effectiveness;
- to improve the contribution of the Observer States to the BSEC activities.

In Moscow, agreement was reached on monitoring the implementation of Resolutions, Decisions and Recommendations adopted by the BSEC Council of Ministers and on ways to improve contribution of the Observer States to BSEC activities, issues that were included in the Bucharest Statement.

The Resolution on the first issue anticipates that all BSEC organs (the Council, the Committee of Senior Officials, the Chairman-in-Office and Ministers) in different BSEC areas of cooperation, the Secretariat and the Working Groups monitor their implementation. Emphasis was also given in enhancing the coordinating activities of the BSEC Related Bodies.

Discussions on the proposals aiming at reforming and restructuring BSEC in order to increase its effectiveness are continuing under the current Serbian Chairmanship.

The Moscow Council approved the establishment of a BSEC Working Group on Culture, which was an important development forward, since for the first time BSEC cooperation now covers the area of culture. With such a rich cultural heritage that the BSEC countries possess, cooperation in this field will bring the peoples of BSEC countries even closer together.

During this period, significant progress was achieved as far as BSEC-EU interaction is concerned. On September 14, at the General Affairs Council, the Minister of Foreign Affairs of the Hellenic Republic raised the issue and stressed to her EU colleagues the necessity for a more enhanced relationship between BSEC and the EU aiming at coordinating the EU actions and programs in the region, particularly in the high priority sectors of transport, energy, environmental protection, infrastructure, as well as of combating organized crime. As a result of BSEC ongoing efforts, the European Commission, in its Communication to the Council and European Parliament on strengthening the European Neighborhood Policy (ENP) included the following reference to BSEC and the Black Sea Region:

"Enhanced cooperation in the Black Sea region – a 'Black Sea Synergy' – can also help to prepare the ground for overcoming long-standing regional conflicts. The Black Sea Economic Cooperation Organization (BSEC) provides a useful platform for our dialogue and cooperation with the region as a whole. The Commission is currently examining the possibility of establishing closer contacts with BSEC, including observer status. In addition, and building on these closer contacts, it will be useful to establish a regular dialogue with BSEC at Foreign Minister level, which would help implement and develop further the Union's Black Sea regional policy. Back-to-back with these BSEC meetings, it would be useful to have gatherings between ministers of EU and Eastern ENP countries for political dialogue and discussions on ENP-related matters. The Commission intends to address the question of strengthened Black Sea dialogue further in a separate Communication next year. The 'Black Sea Synergy' should take account of other regional initiatives, such as the Baku Initiative in the transport and energy fields."

Furthermore, the BSEC Troika (Serbia, Russia and Turkey) with the assistance of the Hellenic Republic, Bulgaria, Romania, the Secretary General and ICBSS met on December 5 and 6, with the Commission, and made an intervention in the COEST Working Group of the Council of Ministers and also discussed the issue with members of the European Parliament, with very positive results.

The Serbian Chairmanship is continuing the policy of the previous Chairmanship and has BSEC-EU interaction as a top priority, as the Chairman-in-Office H.E. V. DRASKOVIC had the opportunity to explain to us during a meeting at the BSEC Headquarters with the Ambassadors of the Member States on November 29, 2006.

BSEC is heading towards its 15th Anniversary stronger than ever in its history. We are moving forward. I do see progress and I am heartened by what I see. More States are applying for Observer Status. With the adoption and implementation of the reform package, BSEC will start flourishing. And that should be the objective of the next Istanbul Summit. ■

Ambassador Leonidas CHRYSANTHOPOULOS

Secretary General of the Organization of the Black Sea Economic Cooperation (BSEC) Permanent International Secretariat (PERMIS)

Interview with H.E. Mr. Vuk DRASKOVIC, Minister of Foreign Affairs of the Republic of Serbia



BS News: Could you please summarize the Serbian Chairmanship of BSEC? What will Serbia do during its Chairmanship of BSEC?

V. DRASKOVIC: Serbia has become a Member of the Organization of the Black Sea Economic Cooperation (BSEC) at the time of BSEC's rising regional and global importance. Quite appropriately, it will seek to put a special emphasis on, and make its own contribution to, the strengthening of BSEC's role in the international community. Serbia supports the idea of maintaining the continuity of BSEC's goals and objectives, not only as a lodestar on the assumption of the Chairmanship of the Organization, but also as an obligation. This would ensure the continuity of work, create conditions to discuss long-term projects as it would bring about increase of interest by all Member States in their realization and, by the same token, improve cooperation and BSEC's greater efficiency and effectiveness. If this principle were to be adopted, it would be incumbent upon each Chairmanship to facilitate the realization of ongoing proposals and projects and to submit new, long-term ones. Correspondingly, Serbia will support the ideas and activities launched in the past period and render its own contribution to their implementation. Serbia considers that the system of direct written communication is a good way to increase BSEC's efficiency and effectiveness and supports its introduction.

BS News: What are the priorities of the Serbian Chairmanship?

V. DRASKOVIC: Serbia will devote special attention to BSEC activities in the areas of: cooperation in the fight against organized crime and terrorism, environmental protection, education; transport, tourism, and culture. Proceeding from the fact that two BSEC countries, Bulgaria and Romania, joined the European Union during the Serbian Chairmanship and the decisions of the BSEC Foreign Ministers in Komotini and Chisinau, as well as the activities of Greece (and, in all likelihood, the similar post-accession activities of the two other future EU Member States) in respect to BSEC-EU interaction, Serbia will promote BSEC's cooperation with appropriate EU institutions and spearhead the efforts to coordinate and strengthen the Organization's relations with those institutions. A clear definition of priorities and a concerted approach should also include the EU Member States that have the status of BSEC Observer Countries. For its part, Serbia will seek to establish appropriate contacts with Germany during its presidency of the European Union in the first half of 2007. The promotion and strengthening of cooperation between the two international organizations implies also the definition of concrete forms of cooperation. It can evolve through technical assistance, common activities and projects and through regional programmes in the fields of transport and energy, home affairs, trade and economy, good governance (democratization, training programmes, exchange of students), environmental protection and sustainable development.

BS News: Thank You. ■

NEW SECRETARY GENERAL AT BSTDB

Following a proposal of the Government of the Hellenic Republic, the BSTDB Board of Directors appointed Mr. George Kottas as Secretary General of the Black Sea Trade and Development Bank. Mr. Kottas took up his duties as of January 15, 2007, upon expiration of the term in office of Mr. Charalampos Tsarouchas. Mr. Kottas served for over 10 years at European Union institutions. As a civil servant of the European Commission, his work focused on the EU Regional and Rural Development Policies, Structural Funds and Financial Management of the EU programs and projects. Mr. Kottas has a broad experience in the administrative management of an international organization and communication with government authorities. He speaks English, French, Spanish, and Portuguese and has a working knowledge of Russian. ■

MOODY'S UPGRADES THE BSTDB CREDIT RATING

In October 2006, Moody's Investors Service has upgraded the Black Sea Trade and Development Bank's investment grade credit rating from Baa2 to Baa1 with stable outlook as a reflection of the Bank's improving financial fundamentals. The BSTDB rating is now higher than that of its Member States, with only exception of Greece, thus allowing the Bank to borrow funds in the international capital market at more favorable terms for project financing in the region. ■

BSTDB OPERATIONS IN THE SECOND HALF OF 2006

In the second half of 2006, BSTDB continued to build up a diversified portfolio comprising mainly of short-term trade finance facilities and medium to long-term corporate loans. The Bank further expanded its network of financial intermediaries by signing 4 new operations with local banks in its member countries. Procredit Bank Moldova, Bank Respublika (Azerbaijan) and Banca Comerciala Carpatica (Romania) will be delivering BSTDB's trade finance products to enterprises in their countries thus enhancing availability of SME financing across the Black Sea region. Consistent with its aim to introduce new products as per the emerging market needs, BSTDB launched mortgage financing in Russia by signing an agreement with Absolut Bank. Three loan agreements between BSTDB and Azeri commercial banks, namely Kapital Bank, Azerdemiryolbank and Teknikabank - were signed in Baku in the framework of the Bank's Black Sea Business Day. With a loan agreement signed between BSTDB and Armenian CJSC "Beer of Yerevan", the Bank contributed to the development of the agricultural and food processing sector in the country and to the creation of new jobs. The loan made available to Ukrainian mobile operator LLC Astelit to finance its network roll-out with the assistance of a regional industry leader Turkcell (Turkey), is another proof of the Bank's firm commitment to accelerate development and promote cooperation among its shareholders. ■

BSTDB AMONG LEAD PARTNERS OF THE BALKAN ACCESSION FUND

The Black Sea Bank joined forces with other prominent investors including EBRD, FMO (Dutch Development Finance), DEG (private sector investment arm of German KfW) and private investors in the Balkan Accession Fund by contributing Euro 10 million to its capital. The Fund is a private equity fund, intending to invest in mid-sized companies, focusing on companies that have clear domestic and/or regional expansion capabilities. BSTDB's funds will be used exclusively for the benefit of companies from Romania, Bulgaria, Moldova, Ukraine and Albania. By working with the most dynamic local entrepreneurs, the Fund aims to develop strong regional business that will have positive impact on the countries' economy. ■

BSTDB GRANTS OBSERVER STATUS TO KFW BANKING GROUP OF GERMANY

Following an application from KfW Banking Group (Germany), BSTDB Board of Governors granted Observer Status to that development assistance institution of the German Government, which plays an active role in promoting the economic development in the BSTDB member countries. The Observer Status would facilitate closer cooperation between the two banks to the benefit of the Black Sea region. ■

BSTDB TAKES STEPS TO GENERATE BUSINESS IN THE SOUTH OF RUSSIA

The BSTDB country strategy for Russia gives priority to the southern regions of the country, including the Krasnodar Krai and Stavropol Krai and Rostov oblast. In order to explore business opportunities in the South of Russia, the Bank actively participated as a partner in the Kuban Economic Forum held in Sochi in September 2006 on the invitation of the Krasnodar Administration, as well as in the presentation of the Krasnodar Krai investment potential to the Turkish business community that took place in Istanbul in December 2006. The BSTDB delegation headed by Mr. Hayrettin Kaplan, President met Mr. Alexander Tkachev, Head of Krasnodar Administration and other officials to discuss strategic issues of the Bank's involvement in the economic development of the region, as well as had meetings with local businessmen and investors interested in doing business with BSTDB. ■

Culture

The recent widening up of the activities of BSEC and the enhanced interest of the Member States to engage in new areas of cooperation gave birth to a new institutionalized form of activity. The Working Group on Culture, proposed by the Hellenic Republic, was established upon Resolutions of the Fifteenth Council of Ministers held in Moscow on 1 November 2006. The Hellenic Republic assumed the Country Coordinator mandate for two years (2006-2008) and proposed to organize the inaugural meeting of the Working Group in the first half of 2007. The scope of activities of the Working Group

would be mainly focused on promoting regional intercultural dialogue and cultural identity of the BSEC Region. The main stream of activities would be directed towards protecting cultural diversity, supporting intellectual and artistic activity, projects leading to economic development and fostering dialogue, collaborations and common projects with international and national organizations, NGOs and the private and public sector partners. The Working Group could engage in close cooperation with the BSEC Parliamentary Assembly's Cultural, Educational and Social Affairs Committee. ■

The Second International Workshop on Seismology

The Second International Workshop on Seismology of the BSEC Member States was held on 28-29 November 2006 at the premises of the Kuban State University (KubSU), Krasnodar, Russian Federation. During the Meeting, a number of presentations about seismic researches were made. The participants emphasized the importance of undertaking joint studies in the field of seismology with the aim of ensuring the safety of population and buildings during earthquakes. A common opinion was expressed that activities of the BSEC Association for Seismic Protection and its Secretariat will serve to that goal. The participants of the Workshop unanimously supported the initiative of the Kuban State University to include its geophysical test site as the first international center in the field of seismology for the BSEC Association for Seismic Protection. The participants agreed to jointly elaborate the following projects: "Assessment of the resources of BSEC states for seismic risk reduction" and "Development of methodology for on-line processing and analysis of distributed measurements of geophysical data". They also elaborated a number of recommendations for strengthening a cooperation in seismology. ■

OSCE Workshop on Transport, Security and Environment

The OSCE Workshop on Transport, Security and Environment under the title "Experience of regional cooperation in the High North to promote safe and secure multimodal corridors while protecting a fragile environment; Identifying Best Practices" was held on October 16-18, 2006 in Tonsberg, Norway. The Deputy Secretary General of the BSEC PERMIS Amb. A. Efendiev participated in the Workshop organized jointly by the Office of the Coordinator of OSCE Economic and Environmental Activities and Norwegian Ministry of Foreign Affairs and Ministry of Fisheries and Coastal Affairs. The BSEC representative was invited to participate as a keynote speaker in the panel session "Challenges in promoting regional cooperation on preparedness and response to oil-spills and other environmental risks connected to transport" with the presentation titled "Increased transport of oil -risks and challenges for regional cooperation in the Black Sea," as well as to act as a moderator of the Working group 1: "Black Sea." In his presentation and interventions, the attention of the participants was drawn to the increasing traffic of hydrocarbon through the region by rail, pipelines and sea, the emerging new regional infrastructure providing access to new alternative sources of energy supplies, and in the general growing international importance of the Black Sea region in ensuring energy security and stability of energy supplies. At the same time, information was provided on the challenges faced by the region in the context of the above-mentioned and on the activities and initiatives undertaken in the framework of BSEC as well as with partner organizations. The follow-up event will be held in April 2007 in Romania. ■

Visit of Norwegian Delegation to the BSEC HQ

On December 1, 2006 a delegation from the Norwegian Ministry of Fisheries and Coastal Affairs paid a working visit to the BSEC PERMIS. Ms. Kirsten Selvig (Director General of the Department of Coastal Affairs) and Ms. Henriette Nesheim (Advisor, the Norwegian Ministry of Fisheries and Coastal Affairs) were received by the DSG of BSEC PERMIS, Amb. A. Efendiev. Among the purposes of the meeting were to get closer acquaintance with the Organization of the BSEC and its activities and to discuss the possibilities of cooperation in fields of mutual interest as well as of establishing closer cooperative ties between BSEC and Norway. During the meeting, parties also exchanged views on the outcomes of the OSCE Workshop on Transport, Security and Environment held in November in Tonsberg (Norway) and on the follow up event to be held in April in Romania. ■

Moscow Energy Week, 30 October – 02 November 2006

Upon the invitation of the Minister of Energy of the Russian Federation Mr. V.B. Khristenko, the Deputy Secretary General of the BSEC PERMIS Amb. A. Efendiev participated in the Moscow Energy Week held on 30 October -02 November 2006. Amid growing international concerns over the issues related to the security of energy supplies, the Energy Week was launched as a platform for an extensive international dialogue to address the most pressing issues in this domain of international cooperation. Among wide international representation, high-level officials and guests representing major global stakeholders – states, international organizations and energy companies, gathered in Moscow to discuss a wide spectrum of related issues ranging from the security aspects of supplies and demand, development of alternative and renewable sources of energy, energy efficiency, engineering and technical aspects of the exploration of oil and gas, mitigating environmental impact of the development of energy resources and others. Senior BSEC representative briefed the participants about the developments in the Wider Black Sea Region in the field of energy development and emerging new regional infrastructure, providing alternative routes for hydrocarbon energy supplies from new alternative sources in the Caspian region, thus contributing to the security of energy supplies. The BSEC Organization representative provided information on the most recent activities in the framework of BSEC, in particular initiatives undertaken by the Russian Federation in its capacity of Chairman-in-Office in the field of energy that was one of the priorities of its Chairmanship in BSEC. Given the success and the importance of the Energy Week, it was announced that such forums would be organized in Moscow annually under the name of "Moscow Energy Forum." ■

Current Consul General of the Republic of Azerbaijan in Istanbul presented his credentials to the Secretary General of BSEC PERMIS

On January 15, 2007, the Consul General of the Republic of Azerbaijan in Istanbul, Mr. Sayad Salahli, paid a visit to the Secretary General of BSEC PERMIS, H.E. Amb. Leonidas Chrysanthopoulos to hand over the letter of accreditation signed by the Minister of Foreign Relations of the Republic of Azerbaijan appointing him as Permanent Representative of the Republic of Azerbaijan to the Organization of the Black Sea Economic Cooperation. During their meeting, the parties exchanged views on the current state of affairs in the BSEC Organization. Reflecting the official position of the Republic of Azerbaijan, the Consul General expressed appreciation for the efforts undertaken by the Secretary General aiming at making the Organization more efficient and relevant to the tasks and challenges of the development of regional cooperation. As official representative, he also assured of further support of the Republic of Azerbaijan to the current course of BSEC PERMIS leadership. The Secretary General briefed the Permanent Representative about the ongoing and planned activities in the framework of BSEC and thanked for the pro-active stance of the Republic of Azerbaijan in the process of BSEC reforms. ■

Meeting of the BSEC Working Group on Transport

The Meeting of the BSEC Working Group on Transport (WG) was held in Antalya, Republic of Turkey, on 23-24 November 2006. The Working Group agreed on actions to be undertaken for the implementation of the following Memoranda of Understanding: on "Facilitation of Road Transport of Goods in the BSEC Region"; on "Coordinated Development of the Black Sea Ring Highway" and on the "Development of the Motorways of the Sea in the BSEC Region". At the Meeting, a cooperation agreement was signed between BSEC and the International Road Federation (IRF). A cooperation agreement was also signed among transport NGOs having Sectorial Dialogue Partnership in the BSEC (BASPA, BINSAs, BRASS and BSEC-URTA). The IRF extended an invitation to the governments of the BSEC Member States to take part in the First Black Sea and Fourth Silk Road Conference to be held in Istanbul, on 14-16 May 2007. The Working Group expressed its support to the said Conferences. The Meeting also welcomed the IRU New Eurasian Land Transport Initiative "NELTI" as an international pilot business component in service of facilitating road transport along the Euro-Asian Transport Linkages and expressed its support to it. The Working Group considered and approved the PDF Project Proposal titled "Economic Expediency of Opening New International Passenger Line (Ferry) between Ports of Istanbul-Odessa-Yalta-Novorossiysk-Sochi or other" provided by Russian, Ukrainian and Turkish companies. The next meeting of the Working Group is scheduled for 12-13 March 2007 in Belgrade. ■

BSEC Cooperation in the field of Combating Crime

The Seventh Meeting of the Ministers of Interior/Public Order of the BSEC Member States was held in Bucharest, on 24 March 2006. The Ministers assessed in a positive way the so far cooperation among the BSEC Member States in the field of combating crime, in particular in its organized forms. They took note of the entering into force of the Additional Protocol on Combating Terrorism to the Agreement among the Governments of the BSEC Participating States on Cooperation in Combating Crime, in particular in its Organized Forms and of the Additional Protocol to the BSEC Agreement establishing the Network of Liaison Officers with respect to nine BSEC Member States and the nomination of the Liaison Officers by seven of them. They welcomed the first Meeting of the BSEC Network of Liaison Officers, jointly organized with the Meeting of the Working Group on Cooperation in Combating Crime, in particular in its Organized Forms. On this occasion, a Memorandum of Understanding between the Organization of the Black Sea Economic Cooperation and the International Organization for Migration was signed by the Secretary General of BSEC PERMIS and the Director General of IOM Secretariat, in the presence of the Ministers of Interior of the BSEC Member States. The BSEC Working Group on Cooperation in Combating Crime, in particular in its Organized Forms at its Meetings held in Bucharest on 22-23 March 2006 and in Moscow, on 27 June 2006, with the participation of the Liaison Officers on Combating Crime, further elaborated on the modalities of work of the Network of Liaison Officers on Combating Crime. The participants also considered the Draft Memorandum of Understanding for cooperation between BSEC and the SECI Center for Combating Trans-border Crime. They have also positively considered two projects proposals for regional cooperation on migration and on combating trafficking in human beings in the Black Sea region, to be jointly implemented with UNODC and IOM.

Environmental Protection

The Ministers in charge of Environmental Protection of the BSEC Member States met in Bucharest on 3 March 2006. They agreed to further strengthen their concerted efforts for a closer cooperation in the field of environmental protection among the BSEC Member States, as well as between BSEC and other international organizations and institutions. They endorsed the BSEC Action Plan for Cooperation in the Field of Environmental Protection and adopted a Joint Declaration. The main objectives of the Action Plan are: to sustain the efforts of the BSEC Member States in achieving a clean and healthy environment and to contribute to the improvement

of the quality of life and to provide long term prosperity in the BSEC Region; to strengthen solidarity among the BSEC Member States in preserving their common heritage and resources for the benefit of present and future generations; to seek synergies and avoid duplication of efforts with other regional organizations and initiatives acting in the region, or in neighboring regions; to promote integration of environmental protection into the economic and social policies of the BSEC Member States; to protect the environment, including the preservation and the management of the natural resources, in line with the principles of sustainable development. The BSEC Working Group on Environmental Protection, at its Meetings held in Bucharest, on 1-2 March 2006 and in Istanbul, on 6-7 July 2006 elaborated and adopted a Work Program for the implementation of the BSEC Action Plan in the Field of Environmental Protection. It also considered project ideas and PDF project applications for the environmental protection submitted by the BSEC Member States, such as: "Improvement of the scientific background for assuring sustainable development in the Black Sea coastal zone; Strengthening of the competent authority's capacity and of the cooperation for the control of the trans-boundary waste transport in order to face illegal traffic; Hydrogeophysical monitoring for environmental and geodynamical safety in the Caucasus and Turkey regions; Study of the capabilities/requirements of the operational monitoring of air pollution levels using new generation meteorological and photochemical models".

BSEC Cooperation in the field of Health Care and Pharmaceutics

The BSEC Working Group on Health Care and Pharmaceutics met in Moscow on 1 November 2006. The Working Group adopted the Action Plan for 2005-2007 submitted by the Russian Federation as the country-coordinator. It also exchanged information and practical experience in the field of prevention measures and of measures of diagnostics and treatment of contagious diseases. Furthermore, the participants exchanged information on the epidemiological situation in the BSEC Member States in view of elaboration of a joint strategy of the system of epidemiological surveillance within BSEC. They discussed on the elaboration of a draft agreement on cooperation in the field of sanitary protection of the territories of the BSEC Member States. The Working Group considered the PDF application: "Study of the capacities and requirements of operational client-server health information system for diabetes (tele-diab)" and recommended to the Committee of Senior Officials to endorse the said project. ■

INSTITUTIONAL RENEWAL AND GOOD GOVERNANCE

The BSEC Working Group on Institutional Renewal and Good Governance met in Istanbul on 19 - 20 October 2006. The participants exchanged information on national policies and best practices in the process of reforming the public institutions and of strengthening the government's capacities in the BSEC Member States. They have also assessed the progress achieved in the implementation of the Action Plan for the activity of the Working Group, since its adoption in February 2006. The Working Group

welcomed the outcome of the Workshop on Improvement of the Relationship between State and Society held in Athens on 5-9 June 2006. The participants took note with interest of the presentations of the studies elaborated by the Ministry of Public Administration and Decentralization of the Hellenic Republic: Modernizing public sector delivery system; Public services' performance measurement; Ombudsman: identifying values for citizens' protection; Accessing public sector information. ■

FM of Moldova meets BSEC Secretary General

The Minister of Foreign Affairs and European Integration of the Republic of Moldova (MFAEI), Andrei Stratan, had an official meeting in the last week of January with the Secretary General of the BSEC PERMIS, H.E. Amb. Leonidas Chrysantopoulos. According to the press service of the MFAEI, among the issues discussed were: BSEC-Moldova relations, BSEC's development, as well as several BSEC projects, such as the building of the belt highway around the Black Sea, implementation of the Memorandum of Understanding on "Facilitation of Road Transport of Goods in the BSEC Region" and the Agreement on "Simplifi-

cation of Visa Procedures for Professional Drivers Nationals of BSEC Member States". Moldova also retreated its support for the BSEC's reforms into an effective structure for the economic cooperation's development and to strengthen the relations of good neighborhood between the Member States. A controversial subject was the BSEC's cooperation with the European Union and the support promoted by the Organization for the Member States' advancement in the European integration process. The two sides also stressed the importance to develop BSEC's relations with other international bodies. ■

PABSEC ACTIVITIES

THE 28TH PLENARY SESSION OF THE PABSEC GENERAL ASSEMBLY

The Twenty Eighth Plenary Session of the PABSEC General Assembly was held in Baky on 21-23 November 2006 under the presidency of Mr. Ogtay Asadov, Chairman of the Milli Mejlis of the Republic of Azerbaijan.

The General Assembly was attended by the national delegations of 9 PABSEC member countries, the representative of the BSEC Chairman-in-Office, the Secretary General of the BSEC Permanent International Secretariat and the Alternate Director General of the International Centre for Black Sea Studies. Among observers and guests were the representatives of the National Assembly of the Republic of Belarus, the National Assembly and the Senate of the French Republic, the Knesset of the State of Israel, the European Parliament, the Parliamentary Assembly of the Council of Europe, Interparliamentary Assembly of the Commonwealth of the Independent States, Interparliamentary Assembly of the Eurasian Economic Community, the Parliamentary Assembly of the Belarus-Russia Union, the European Commission, the Parliamentary Union of the OIC Member States, the Congress of the Local and Regional Authorities of the Council of Europe, the Black Sea University Network, the Union of Road Transport Associations in the Black Sea Economic Region, the Marmara Group Strategic and Social Research Foundation.

The topic of the General debate was "Ways to enhance the efficiency of the activities of the Organization of the BSEC". The speakers in the debate stressed that both the PABSEC and the BSEC should reform their activities in order to meet the new challenges and at the same time they should redefine their priorities on political level and better clarify their targets

The Assembly debated the Reports and Recommendations drafted by the PABSEC specialized Committees during their autumn meetings on: "Alternative energy sources and their possible application in the Black Sea region", "Strengthening the legislative framework for protection of intellectual property", and "The process of globalization and the potential threat to the cultural diversity". The Assembly adopted Recommendations on these subjects addressed to the Parliaments

and Governments of the Member States and to the Organization of the BSEC.

The participants also exchanged views on the UN Report on "Optimizing international efforts for enhancing study on mitigation and minimization of the consequences of Chernobyl catastrophe".

The PABSEC members also discussed the main activities carried out by BSEC, in particular the Fifteenth Meeting of the Council of Ministers of Foreign Affairs of the BSEC Member-States held in Moscow (Russian Federation) on 1 November 2006, as well as the ministerial meetings held during the Russian Federation Chairmanship-in-Office (April 2006 - November 2006).

The Assembly elected Mr. Asaf HAJIYEV (Azerbaijan) as PABSEC Vice-President, for a two-year term of office, until November 2008.

The members adopted the Budget for the Financial Year 2007 and set up the PABSEC Draft Budget and Auditing Committee, composed of the representatives of Moldova, Greece and Romania.

The 2007 Spring Plenary Session of the PABSEC General Assembly will be held in Sofia on 6-7 June 2006, under the Bulgarian PABSEC Presidency.

2006 SPRING MEETINGS

14-15 March 2007, Athens - The Twenty-Eighth Meeting of the Economic, Commercial, Technological and Environmental Affairs Committee. The subjects on the Agenda will be "State and prospects of fisheries in the BSEC Member States" and the "Cooperation in the field of high technologies among the PABSEC countries".

25-26 April 2007, Bucharest - The Twenty-Ninth Meeting of the Legal and Political Affairs Committee. The main subject on the Agenda will be "Partnership and cooperation agreements with the BSEC member states in the context of the enlargement of the EU".

28-29 March 2007, Tirana - The Twenty-Eighth Meeting of the Cultural, Educational and Social Affairs Committee. The main subject on the Agenda will be "The Bologna Process and the reforms of higher educational systems in the BSEC countries". The additional item on the Agenda will be "Follow-up of the Recommendations elaborated by the Cultural Committee (Greece)". ■

BSEC PDF PROMOTIONAL EVENT

A promotional event for the BSEC Project Development Fund is scheduled to take place in the BSEC Headquarters in Istanbul on Thursday 22 March 2007. The aim of this event is to further promote the PDF as an instrument for initiating development in the Black Sea Region, discuss its operations, prospects and synergies with other financial instruments as well as attract the interest and support of other international donors. ■

BSEC BUSINESS COUNCIL INNOVATION FORUM

Belgrade

The BSEC Business Council is in the process of organizing the

1st BSEC BUSINESS FORUM ON SME COMPETITIVENESS & INNOVATION
March 22 - 23, 2007 / Belgrade

The Forum is targeted to:

Business managers, researchers, and research administrations, public officials responsible for SME-support policies, business consultants and other people directly and indirectly involved with the innovation process

The Main themes are:

- Management tools for the promotion of innovation within companies
- Governmental and EU innovation support policies
- Best practices in support policies in BSEC countries

The concrete program is still quite open. We would like to have as many as possible participants and speakers from our Region so, please suggest to us names and people we should invite no later than February 9, 2007. Innovation constitutes a major need both for business and our governments so we intend to institutionalize this Forum as an annual BSEC Business Council event.

BSEC BUSINESS COUNCIL

Müsiir Fuad Pasa Yalisi, Eski Tersane 80860 İstinye - İSTANBUL / TURKEY
Phone: +90 (212) 229 11 14 - 229 11 44 • Fax: +90 (212) 229 03 32
Web Site: www.bsec-business.org • Email: info@bsec-business.org

BSEC PROJECT DEVELOPMENT FUND (BSEC PDF) INTRODUCTION

The BSEC Project Development Fund has been established for the purpose of facilitating the elaboration and promotion of projects with high regional cooperation and development impact in the BSEC region at the early stage of their conception under the guidance of the relevant BSEC Working Groups.

The Fund was established by the BSEC Council in October 2002. The Manual of Operations was adopted in April 2004 and the first project application were approved. The Fund is constituted on the principle of voluntary contributions from the BSEC Member States, the BSEC Related Bodies, Observers and Third Parties.

PRACTICAL INFORMATION

- Any legal entity from a BSEC Member State (MS) can apply as partner. However, a minimum of three institutions from corresponding Member States is necessary to present an application. Projects are strongly encouraged to involve partners from more than three MS as well as partners from non-BSEC countries, especially Observers (however they are not eligible for the Grant).

- Applications can be granted a maximum of 15,000 USD for a project period of up to 12

months. Co-financing from partners or other sources is encouraged.

- Project applications must be signed and stamped by all partners and is available in electronic version for an initial assessment from the Working Group.
- It is important that the project application be thoroughly presented and well structured, realistic with clear objectives, and possessing a strong possibility for financing and development after the BSEC PDF stage. Every project must have an economic/development element attached to it.

PROCEDURE

Projects are (1) submitted for endorsement to the appropriate BSEC Working Groups, (2) forwarded to the Committee of Senior Officials and (3) to the PDF Steering Committee for a final decision on funding.

To this day, three projects have been completed, four are currently implemented and several are awaiting evaluation.

More information is available and can be downloaded at the BSEC website:

www.bsec-organization.org

Project Coordinator

INTERNATIONAL CENTRE FOR BLACK SEA STUDIES (ICBSS)—REVIEW 2006

For the ICBSS the year 2006 was highly productive, filled with new research activities and events but also with considerable involvement in policy shaping and advocacy work. The Centre's dual function as a think tank and as a related body of the BSEC has thus been reinforced and is complemented by the ICBSS' horizontal activities and publications. The ICBSS will consolidate and increase its efforts in 2007 in order to further contribute to multilateral cooperation in the Black Sea region and beyond. Please visit the ICBSS' website at www.icbss.org for up-to-date information.

Key ICBSS events in 2006:

ICBSS Internal

The newly appointed Director General, Dr. Dimitrios Triantaphyllou (Hellenic Republic), took office on 16 January.

On 11 November the Board of Directors elected as new Chairperson Dr. Sergei Goncharenko (Russian Federation) and as Vice-Chairpersons Amb. Miroslava Malic-Kljakovic (Republic of Serbia) and Prof. Naum Yakimoff (Republic of Bulgaria).

Policy Shaping

As coordinator of the ad hoc Group of Experts on BSEC-EU Interaction, the ICBSS conducted two more meetings of the Group (1-2 March, 15-16 May) and produced a draft Working Paper. Importantly, the ICBSS also established good working contacts with representatives of the EU institutions and member state governments.

The ICBSS was actively involved in the BSEC reform process by presenting written contributions to the ongoing debates of relevant BSEC organs and through its own scholarly research.

Research

On 31 December, the Centre successfully concluded two projects on Science and Technology cooperation in the Black Sea region, namely Black Sea Research Potential and Action Plan Black Sea, both co-funded under the EU's Sixth Framework Programme. Final outputs include several workshops, conferences and scientific publications.

The ICBSS co-hosted two scientific events on Regional Cooperation on Peace, Security and

Prosperity in the Mediterranean (2-3 June) and European Regionalism (20 November).

Good Governance and Institutional Renewal continues to be a research priority. The ICBSS won a competitive tender to produce a Study on the reform of the bodies responsible for institutional renewal in the BSEC member states (December).

The ICBSS helped prepare the ground for the establishment of a BSEC Working Group on Culture by compiling and circulating a documentary file on the topic (May, July).

Activities

Two flagship events have been added to the Centre's agenda, namely the ICBSS Annual Conference with the 2006 theme "The Black Sea Region: Quo Vadis?" (7-8 July) and the ICBSS Annual Lecture with a keynote speech by Amb. Leonidas Chrysanthopoulos, Secretary General of the BSEC PERMIS (10 November). While the Conference is an international forum for focused debate between researchers and policy makers, the Lecture is an open event with expert guest speakers.

On 8 July the ICBSS launched the Black Sea Research Network, a multidisciplinary system connecting research institutes in the wider region.

The ICBSS Outreach Programme engages leading experts and local stakeholders in debates on regional affairs in a smaller setting. Three such events were held throughout the year (17 April, 24 May, 28 November).

Publications

The newly launched Xenophon Papers are as a series of comprehensive, policy-oriented studies, with a first issue published by Dr. Ioannis Stribis in July on Decision-making in the BSEC.

The ICBSS' Policy Briefs are (electronic) commentaries on topical subjects. The first three issues were published in July, September and December.

Another new electronic publication, the Black Sea Monitor, provides access to source documents on regional affairs with two issues published in 2006 (July, November).

The ICBSS also produced a dedicated issue (Vol.6:2, June 2006), of the Journal of South-east European and Black Sea Studies published by Taylor & Francis Group (Routledge, London). ■

BUSINESS INNOVATION AND THE BUSINESS COUNCIL

The BSEC BUSINESS COUNCIL is happy to announce the 1st BSEC Business Forum on SME Competitiveness and Innovation, to be held in Belgrade, SERBIA on March 22-23, 2007. The Forum is targeted to business managers, researchers and research administrators, public officials responsible for SME-support policies, business consultants and other people directly or indirectly involved with the innovation process. The main themes will be:

- Management tools for the promotion of innovation within companies,
- Governmental and European-Union innovation support policies,
- Best practices in support policies.

The BSEC BUSINESS COUNCIL has already on various occasions organized or contributed to regional activities centered on innovation. With the Belgrade Forum it hopes to initiate the creation of a new business management and policy instrument in the Black Sea Region to the benefit of our business communities and especially the SMEs.

WHAT IS BUSINESS INNOVATION?

Let us introduce the subject of Business Innovation by first removing a common misunderstanding. Contrary to what many people believe, innovation is not synonymous to invention. Inventions and technological advancement happen in a laboratory, in an academic institution. Innovation happens in the marketplace, it is a business process.

A technological advance can certainly trigger an innovation but that only depends on its successful commercialization. Commercialization – the conversion of an idea to a product that offers benefits for which customers are willing to pay a certain price – is the most critical part of the innovation process. The international business press frequently mentions that the problem most companies face is not lack of brilliant ideas. Where they fail is converting these ideas into marketable products. This problem plagues even the best-known multinational companies, which, despite spending hundreds of millions in Research and Development, frequently fail to commercialize successfully.

Furthermore, innovation does not necessarily need to involve a technological breakthrough. Instead, a clever marketing concept, a more functional packaging, a more streamlined manufacturing process or a new distribution channel can well form the basis of a new competitive advantage for a company.

WHY IS INNOVATION EVEN MORE IMPORTANT TODAY?

Why is innovation at the top of the business agenda today? Why do all companies, small and big, cite it as the major challenge they are facing for their future success – even for their sheer survival?

To begin with, innovation has always being a major need for every company that saw its traditional products move toward the end of their life cycle. But today, one of the consequences of Globalization is rapid, even chaotic change which has as an effect the dramatic shrinking of the life cycle of each and every product – actually, the rapid erosion of any competitive advantage a company might have. This rapid change makes imperative the continuous replenishment of the company with new elements of competitiveness, in other words it creates the need for continuous innovation. In this sense, the definition of innovation is anything that allows us to stand out, in the eyes of the customers, from the crowd of our competitors and reap the benefits of that differentiation until competition copies us or commercializes something even better than ours.

WHAT ARE THE SOURCES OF INNOVATION?

It will have become obvious by now that companies will have to look for sources of innovative ideas not only in the laboratories but, even more important, in the marketplace. The managers of a company should proactively seek ideas from their customers by trying to understand thoroughly not only their current needs but – difficult as it may sound – their unmet needs. Actually, there is no better way for a company to succeed than by forming strategic partnerships with its customers, helping them succeed and taking the success ride along with them.

BEGIN WITH COMPANY CULTURE!

The successful management of innovation, therefore, requires to a large extent a business culture that is completely outward looking, customer-oriented. At the same time, it also requires a business culture that focuses on encouraging creativity: An open culture that rewards ideas and efforts and not only results, a culture that fosters free and continuous communication among people in various departments. Only in this kind of open cultures the money and efforts spent in R&D will bear sustainable results.

All the points made above will be elaborated upon during the Belgrade Forum. Equally important, the agenda will also include governmental and EU policies for the support of innovation, with emphasis on SMEs. These policies and best practices will form the object of a future BUSINESS COUNCIL communication in this Newsletter.

The BUSINESS COUNCIL is adopting Innovation as one of its main strategic directions and, in that connection, intends to institutionalize the Business Innovation Fora as an important annual BSEC business event in the BSEC Region. ■

Dr. Costas MASMANIDIS

Secretary General of the BSEC Business Council

BSTDB EXPANDS ITS SME FINANCE PROGRAM IN RUSSIA

The Black Sea Trade and Development Bank (BSTDB) selected NBD-Bank as a financial intermediary in Russia for its SME finance facility. BSTDB will extend a US \$ 5 million SME loan facility to NDB with the aim of financing regional small and medium-sized

enterprises (SMEs).

NBD-Bank became BSTDB's fourth financial intermediary in the Russian Federation, with similar BSTDB financial facilities provided earlier to Probusinessbank, Europlan and KMB. ■

Press Contact: Ms. Haroula Christodoulou
Tel: +30 2310 290533 • Email: cchristodoulou@bstdb.org