

Black Sea NEWS

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

editorial

Dear Readers,

I would like to welcome you to our June issue of the Black Sea News.

Ukraine's Chairmanship-in-Office covering the period of November 2007-May 2008 ended with success.

Among other areas, important progress was achieved as far as BSEC-EU interaction is concerned. The Ministers of Foreign Affairs of the European Union and of the countries of the wider Black Sea area came together for the first time in Kyiv on 14 February 2008. That same day, a meeting of the Special Council of the BSEC Ministers of Foreign Affairs with the participation of the EU Troika was held. These were milestone events in enhancing relations between the two Organizations. The Declaration of the Ministers of Foreign Affairs of BSEC on a BSEC-EU Enhanced Relationship gave the BSEC message to the EU on the necessity of institutionalizing relations between the two sides. The Joint Statement of the Ministers of Foreign Affairs of the Countries of the European Union and of the wider Black Sea Area, on the other hand, set the guidelines for cooperation.

At the 18th Meeting of the BSEC Council of Ministers of Foreign Affairs in Kyiv on 17 April 2008, on the other hand, the BSEC Ministers agreed on the need to establish a strong, mutually beneficial and coherent enhanced relationship with the EU, with a view to institutionalizing these relations, envisaging also the possibility to hold joint ministerial meetings in different formats.

There was also a meeting of the Ad Hoc Group of Experts on BSEC-EU Interaction in Athens on 4 April 2008. The members of this Group of Experts agreed to review the activities of the BSEC Working Groups in order to identify the possible interface between their activities and the EU priorities.

So, our work on BSEC-EU interaction continues. We have reached a significant level of progress in this area.

Coming back to the 18th Meeting of the BSEC Council of Ministers of Foreign Affairs (CMFA), a joint declaration was adopted, reflecting the common interests, priorities and vision of the Member States on BSEC cooperation and activities, as well as on the role of the Organization.

One of the main achievements of the meeting was the adoption of a resolution on the implementation modalities for fast track cooperation within BSEC. Fast track cooperation constitutes a significant pillar of the BSEC reform process. It will allow the BSEC Member States to proceed with the implementation of certain policies that other Members may not wish or may not be able to follow.



Since we are on the issue of reforms, the 2009 Budget adopted at the Kyiv CMFA meeting also deserves to be mentioned. The 2009 Budget is a new program based budget in Euros, which is expected to further contribute to increasing the efficiency, accountability and transparency of the BSEC budget.

Some of the Ad Hoc Groups of Experts were upgraded to permanent Working Groups during the Kyiv CMFA meeting. The Ad Hoc Expert Group on Cooperation in Customs Services became the Working Group on Customs Matters, while the Ad Hoc Working Group of Experts on Financial Issues was transformed into the Working Group on Budgetary and Financial Issues. These structural changes are expected to deepen BSEC cooperation in the relevant fields.

Another noteworthy development related to the Kyiv CMFA meeting is that the BSEC Hellenic Development Fund - a two-million Euro fund allocated on a voluntary basis by the Hellenic Republic for BSEC - was officially established. The Fund is seen as yet another means of strengthening the project-oriented approach of our Organization. This will be done through supporting the efforts to further enhance cooperation among the Member States by targeting specific key areas of regional cooperation.

Besides the Kyiv CMFA meeting, the meetings of the Ministers of Transport and Energy were the other highlights of the Ukrainian Chairmanship. You will find out more about these events in the following pages of our newsletter.

Now a new period is in front of us. The Republic of Albania has assumed the BSEC Chairmanship as of 1 May 2008, for a period of six months ending on 31 October 2008. Within this framework, H.E. Mr. Lulzim BASHA, Chairman-in-Office of BSEC and Minister of Foreign Affairs of the Republic of Albania, paid a visit to the BSEC Headquarters in Istanbul on 12 May 2008 to officially announce the priorities of the Albanian Chairmanship.

Soon, we will celebrate BSEC Day. On 25 June, BSEC will turn 16. Although this is a very short time in the life of an international organization, looking back at our achievements, we take pride in it.

Thanking our readers for their interest and support to the Black Sea News, I look forward to sharing with you more developments in BSEC cooperation in our next issue.

Ambassador Leonidas CHRYSANTHOPOULOS

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



Ukraine handing over the Chairmanship-in-Office of BSEC to Albania in Kyiv on 17 April 2008.



Family photo from the 18th Meeting of the Council of Ministers of Foreign Affairs of the BSEC Member States in Kyiv on 17 April 2008.

**INTERVIEW WITH
H.E. MR. LULZIM BASHA, CHAIRMAN-IN-OFFICE OF
BSEC, MINISTER OF FOREIGN AFFAIRS OF THE
REPUBLIC OF ALBANIA**



BS NEWS: Mr. Minister, thank you very much for taking the time to speak to Black Sea News. Could you briefly tell us about the Albanian Chairmanship-in-Office of BSEC and its priorities?

L. BASHA: The Republic of Albania is assuming the Chairmanship-in-Office of BSEC for a six-month-period, at a very important moment, both for the present and the future of the Organization.

As one of the Founding States, Albania is determined to make every effort by developing innovative projects of regional significance, designed to further advance BSEC's regional profile.

In brief, there are three main pillars underlying the priorities of the Albanian Chairmanship - the continuation of the BSEC structural reforms, the cultivation of cooperative relations with international actors, such as the EU, the UN and its specialized agencies, and the enhancement of cooperation among the BSEC Member States at the sectoral level.

Our calendar of events enlists over 55 activities during this period, including meetings of Ministers in several areas, international conferences, Working Group meetings, seminars, round tables and exhibitions.

The spotlight of these events will be on energy, transport, tourism, culture, environment, agriculture, combating organized crime, including terrorism and other such crimes.

The Albanian Chairmanship is confident that the accomplishment of the above-mentioned targets will contribute to boost BSEC's visibility, effectiveness and efficiency in the future.

BS NEWS: How do you view the future of BSEC?

L. BASHA: The Black Sea region intermingles broad geo-political, economic and strategic interests. It is also renowned as a junction point, where gas and crude oil pipeline networks are intertwined. In view of the world energy crisis, important regional and global actors have re-dimensioned their own policies vis-a-vis this region.

Hence, the reformulation of the EU policies and the outline of a new dimension in its foreign component - Black Sea Synergy - should be seen within this context. Likewise, the very fact that the EU considers our Organization as the holder of the best assets of regional ownership is encouraging.

From this perspective and given the mounting gravity of this region, I think that in the future BSEC will witness a growing performance and an ever increasing regional ownership. Accordingly, BSEC will pretty soon become a major actor for the implementation of regional priority projects.

BS NEWS: Would you like to convey a message to the readers of Black Sea News?

L. BASHA: Certainly. I would like to congratulate the Black Sea News staff for their laudable work on upgrading BSEC's visibility. I would also encourage its readers to keep on watching from this "news window", so that they could find themselves closer to the issues, concerns and the developments in the Black Sea region.

New Chairman-in-Office visits BSEC Headquarters

H.E. Mr. Lulzim BASHA, the Chairman-in-Office of BSEC, the Minister of Foreign Affairs of the Republic of Albania, paid a visit to the BSEC Headquarters in Istanbul on 12 May 2008. He presented the priorities of the Albanian Chairmanship to the representatives of the BSEC Member States, Observers, Related Bodies and special guests. He announced that the Albanian Chairmanship will focus on the continuation of the structural reforms of the Organization, developing BSEC's cooperation with the EU, the UN and its specialized agencies, as well as enhancing cooperation among the BSEC Member States. These priorities will constitute the roadmap for BSEC during the Albanian Chairmanship.

Minister BASHA also highlighted the reinforcement of the project-oriented approach of BSEC and increasing the visibility of the Organization as areas which are of particular importance for the Chairmanship.



Minister BASHA having a bilateral meeting with Secretary General of the BSEC Permanent International Secretariat Ambassador Leonidas CHRYSANTHOPOULOS at the BSEC Headquarters in Istanbul on 12 May 2008.



H.E. Mr. Lulzim BASHA, the Chairman-in-Office of BSEC, the Minister of Foreign Affairs of the Republic of Albania, visiting the BSEC Headquarters in Istanbul on 12 May 2008.



BLACK SEA TRADE AND DEVELOPMENT BANK (BSTDB)

BSTDB supports the development of the Albanian telecom sector

BSTDB signed a €25 million loan agreement to finance the development of Albtelecom, the main Albanian telecommunications operator. The capital investment programme includes an upgrade and expansion of the existing fixed-line network infrastructure, building a new mobile GSM network and developing new broadband and data services. The operation represents a total investment of €100 million, jointly provided by BSTDB and EBRD, both extending A-loans, while a B-loan portion of €45 million will be provided by commercial banks. The operation facilitates the mobilization of solid funding outside the Black Sea region and exploits further co-financing opportunities between BSTDB, EBRD and international commercial banks.

BSTDB expands its trade finance program in Azerbaijan

BSTDB selected the Bank Standard as a financial intermediary to deliver its trade finance products in Azerbaijan. It will extend a revolving and committed trade finance facility of up to USD 8 million. Funds will be assisting Bank Standard to support additional production for export and to extend short-term trade financing to Azerbaijani companies that are trading with countries of the Black Sea region. Bank Standard became the fourth BSTDB financial intermediary in Azerbaijan, with similar financial facilities provided earlier to International Bank of Azerbaijan, Bank Respublika and Unibank.

BSTDB expands its SME support programme in Azerbaijan

BSTDB also provided a USD 5 million SME loan facility to Unibank (Azerbaijan). The SME loan facility with a tenor of 5 years will be used by Unibank for providing sub-loans to SMEs for the creation, modernisation, expansion and diversification of industrial, production, agricultural or service-related facilities, as well as for export and pre-export financing of industrial or agricultural enterprises.

BSTDB and Credit Bank of Moscow

BSTDB makes available up to USD 20 million loan to Credit Bank of Moscow (CBOM) for the purposes of financing SMEs. This bank-to-bank loan, with a repayment period of 6 years, aims to respond to the rapidly growing funding needs of the Russian SMEs as a backbone of the market economy and the main generator of the medium class.

BSTDB and URSA Bank to promote mortgage financing

BSTDB signed a 7 year loan agreement with URSA Bank for the amount of USD 36 million to finance mortgage programs. The financial sector is seen as a priority sector by the BSTDB to foster the development of a competitive private sector in Russia. This transaction will allow URSA Bank to better serve the rapidly growing mortgage financing needs of the Russian citizens.

BSTDB and Bank ZENIT

BSTDB provided a USD 25 million bank-to-bank loan to Bank Zenit for financing small and medium-sized corporate clients. The loan, with a tenor of 5 years, will help Bank Zenit to effect the implementation of advanced instruments and technologies of small and medium business lending in Russia. The credit will also create additional provisions for the enlargement of volumes of medium-term financing to the Russian SMEs. The operation thus serves the national priority to promote the development of the small and medium-sized business as a generator of sustainable economic growth.

BSTDB Increases financing for micro and small business in Ukraine

BSTDB signed a USD 10 million loan agreement for a medium-term micro and SME loan facility with Procredit Bank Ukraine.

The loan facility intends to finance sub-loans offered to micro, small and medium sized enterprises in Ukraine. The borrower already has a successful credit history with two previous SME facilities for the amounts of USD 7.5 million (June 2004) and USD 12.5 million (July 2006) being successfully utilized.

Armenian SMEs benefit from BSTDB financing

BSTDB provided a USD 5 million SME loan facility to the Armenian Armeconombank. The loan facility with a tenor of 5 years will be used to sub-loan to SMEs for the creation, modernization, expansion and diversification of industrial, production, agricultural or service-related facilities, as well as for export and pre-export financing of industrial or agricultural enterprises.

BSTDB supports the expansion of a retail chain in Armenia

BSTDB provided a USD 7.6 million secured term loan to "SAS Group LLC". BSTDB's funds will be used to support the company's expansion program, which involves the opening of three new supermarkets in Yerevan. The operation is expected to contribute to the agribusiness sector, job creation and the promotion of economic co-operation and trade among several countries of the Black Sea region.

BSTDB further expands its trade finance program with Inecobank

Importers and exporters in Armenia may now benefit from a revolving trade finance facility the BSTDB is providing to Inecobank. BSTDB will increase the existing USD 3 million revolving trade finance facility by another USD 3 million. BSTDB and Inecobank have been partners since January 2007, when the Armenian bank received the first USD 3 million facility to advance sub-loans to Armenian import/export companies.

BSTDB increases financing to Georgian SMEs

BSTDB made available a USD 10 million SME loan facility to Procredit Bank Georgia. The facility delivers the much-needed medium-term financing to the Georgian market. It intends to finance sub-loans offered by Procredit Bank Georgia to micro, small and medium-sized enterprises in Georgia. The borrower already has a successful credit history with BSTDB's previous SME facilities for the amounts of USD 5 and USD 6 million that have been successfully utilized.

BSTDB and Mobiasbanca facilitate access to finance for SMEs

BSTDB provided a USD 5 million medium-term loan facility to Mobiasbanca to increase its support for SMEs in Moldova. This new loan builds on successful cooperation, following earlier short-term revolving trade finance facility of 3 million. The loan will be used to on-lend to SMEs and will include the financing of projects with maturity up to 5 years, for the creation, modernization, expansion and diversification of business facilities; working capital financing for trade, service, infrastructure and manufacturing enterprises, export and pre-export financing and other such objectives. With this operation, BSTDB's portfolio in Moldova totals over USD 24 million provided through Mobiasbanca, Procredit Bank Moldova, Agroindbank and Banca Sociala.



PARLIAMENTARY ASSEMBLY OF THE BLACK SEA ECONOMIC COOPERATION (PABSEC)

PABSEC's 15th anniversary events

PABSEC celebrated its 15th Anniversary on 26 February 2008 by holding several events in Istanbul, including an Enlarged Meeting of the PABSEC Bureau, under the Chairmanship of Mr. Dimitrios G. SIOUFAS, PABSEC President, Speaker of the Hellenic Parliament, and a reception which was attended by the Heads or representatives of the PABSEC National Delegations. H.E. Mr. Köksal TOPTAN, President of the

Turkish Grand National Assembly, also took part in the anniversary events.

The first preparatory meeting on PABSEC-European Parliament Cooperation, with the task to examine issues pertaining to relations between PABSEC and the European Parliament within the general framework of BSEC-EU relations, was also held on this occasion.

Activities of the Economic, Commercial, Technological and Environmental Affairs Committee

The Thirtieth Meeting of the Committee was held in Tirana on 5-6 March 2008. The members discussed the Draft Report and Recommendation on "Foreign Investment and Economic Growth in the BSEC Member States."

The Thirty-First Meeting of the Committee will be held in Belgrade on 10-11 September 2008. The main topic of the agenda will be "The World Trade Organization and economic development of the BSEC Member States." The Rapporteur on the Recommendation will be Mr. Gagik Minasyan, Chairman of the Committee.

Activities of the Legal and Political Affairs Committee

The Members of the Legal and Political Affairs Committee met in Yerevan on 16-17 April 2008 and discussed the Draft Report and the Draft Recommendation on "The Role of the Parliaments of the BSEC Member States in Fighting International Terrorism."

The Committee approved the document concerning the setting up of a Permanent Delegation for cooperation with the European Parliament. The Members of the Committee elected Mr. Michael Yemelianov, Member of the Russian PABSEC Delegation, as Chairman of the Committee for the next two years, until 2010.

The Thirty-Second Meeting of the Committee will be held in Baky on 8-9 October 2008. The main subject on the agenda will be "Fifteen years of the Black Sea Economic Cooperation: the political aspects of deepening economic cooperation." The Rapporteur on the Recommendation will be Mr. Michael Yemelianov, Chairman of the Committee and the Rapporteur on the Report will be Mr. Ara Nryanian.

Activities of the Cultural, Educational and Social Affairs Committee

The Thirtieth Meeting of the Cultural, Educational and Social Affairs Committee was held in Sofia on 26-27 March 2008. The members of the Committee discussed the Draft Report and Draft Recommendation on "Social Cohesion within the BSEC Member States: Contribution to Political Stability."

They also discussed the proposal by the Romanian Delegation concerning granting scholarships to students from the BSEC Member States.

Committee members elected Mr. Namik

Dokle (Albania) as Vice-Chairman of the Committee for a period of two years.

The Thirty-First Meeting of the Cultural, Educational and Social Affairs Committee will be held on 24-25 September 2008 in Alexandroupolis. The main subject on the agenda will be "The Impact of Globalisation upon Social Policies in the BSEC Member States." The Rapporteur on the Recommendation will be Mr. Alexandros Dermentzopoulos, Chairman of the Committee. Mrs. Evdokia Kaili, Member of the Committee, will be the Rapporteur on the Report.

PABSEC-BSEC interaction

The PABSEC International Secretariat and the BSEC Permanent International Secretariat continued to cooperate and to participate in each others' activities.

The first Joint Meeting of the PABSEC Enlarged Bureau and the BSEC Committee of Senior Officials was held at the BSEC Headquarters on 27 February 2008 as part of the activities organised in Istanbul by the PABSEC International Secretariat on the occasion of the 15th Anniversary of the Assembly. The Joint Meeting was co-chaired by Mr. Alexey Kudriavtsev, Secretary General of the PABSEC, and Ambassador Leonidas Chrysanthopoulos, Secretary General of the BSEC Permanent International Secretariat.

The Meeting was attended by Mr. Mikheil Machavariani, PABSEC Vice-President in charge of Financial Matters, Head of the Georgian national delegation, Vice-President of the Parliament of Georgia; Mr. Asaf Hajiyev, PABSEC Vice-President, Head of the Azerbaijan national delegation; Mr. Elias Kallioras, Head of the Hellenic national delegation, Mr. Carol Dina, Vice-Chairman of the PABSEC Economic, Commercial, Technological and Environmental Affairs Committee, Member of the Romanian national delegation; Mr. Nikolay Kondratenko, Member of the Russian national delegation; Ms. Nadica Momirov, Member of the Serbian national delegation; members of the BSEC Committee of Senior Officials representing the BSEC Member States; members of the PABSEC International Secretariat and of the BSEC Permanent



Family photo from the Parliamentary Summit "Achievements and Prospects of Inter-Parliamentary Cooperation in the Wider Black Sea Region" in Athens on 9 June 2008.

Thirty-first Plenary Session of the General Assembly, Athens, 9-11 June 2008

PABSEC held the Thirty-First Plenary Session of its General Assembly on 9-11 June 2008 in Athens.

The members of the Assembly had debates on the Reports and Recommendations drafted by the PABSEC specialized Committees during their spring meetings and adopted the Recommendations on these subjects addressed to the Parliaments and Governments of the BSEC Member States.

The General Assembly also considered the results of the 18th Meeting of the BSEC Council of Ministers of Foreign Affairs held in Kyiv on 17 April 2008, as well as the other BSEC Ministerial Meetings which took place during the Ukrainian Chairmanship.

On the eve of the 31st General Assembly, the PABSEC organized the Meeting of the Presidents of Parliaments of the PABSEC Member Countries - the Parliamentary Summit "Achievements and Prospects of Inter-Parliamentary Cooperation in the Wider Black Sea Region". A Declaration on the 15th Anniversary of the Establishment of the Parliamentary Assembly was adopted at the Summit.



Thirty-First Plenary Session of PABSEC General Assembly in Athens on 9-11 June 2008.



BSEC BUSINESS COUNCIL

ATTRACTING FOREIGN DIRECT INVESTMENTS (FDI) IN THE BLACK SEA REGION

On 16-17 April 2008, the BSEC Business Council held its 2nd SME Innovation, Investments and Competitiveness Forum in Kyiv, hosted at the facilities of the Ukrainian Chamber of Commerce and Industry. The Forum, attended by Ukrainian and international innovation specialists, was a success, which encourages the continuation of Innovation fora in the future.

FDI AND INNOVATION

In this year's Forum there was an emphasis on the role of foreign investments. This is natural if one considers that FDI is increasingly considered as an important stimulant for innovation in a country.

The benefits of FDI are not limited to concrete effects such as the influx of capital and the creation of new jobs. Of equal if not greater importance are the linkages and the other spill-over effects FDI can generate.

FDI AND LINKAGES

The term "linkages" refers to the connection of the supply chains of multinational companies to the supply chains of local SMEs in a country. This connection, for example in the form of an SME becoming a supplier of the big company, helps local SMEs reap the benefits of the globalized economy instead of just being exposed to the competitive pressures it brings.

Spill-over effects may also include the transfer of new technologies of production and distribution, new management and corporate practices, new working methods, new mentalities and work ethic. In many cases these indirect benefits are even more important because they have a more lasting effect.

The spill-over effects are maximized when the investments are used to build a new company from ground up – the so-called greenfield investments.

WHAT KIND OF FDI ARE WE GETTING?

The Black Sea region has seen in the last few years a boom in the influx of foreign capital, which has helped the region maintain growth rates only second in the world after China and India.

However, most of the FDI has been either in the energy sector or in mergers and acquisitions involving already established companies. There is still a lot of room for the qualitative – and quantitative – improvement of the kind of FDI the Black Sea countries are attracting.

TAXES, BUSINESS CLIMATE AND FDI

If attracting FDI is so important, what strategies are Governments following to secure it? A usual response is the creation of incentives such as tax holidays etc. But how effective are such incentives?

It must be said at the outset that one should not underestimate the importance of tax incentives

in attracting investments. They can be an important attraction instrument, especially in competitive cases when everything else is more or less equal.

However, governments should also keep in mind other considerations that relate to tax incentives as instruments for the attraction of FDI. By offering tax breaks they forego important income that could be used to further develop the physical and human infrastructures of their countries. Additionally, they force their competitor countries to offer still greater incentives and the result can be a vicious circle, a spiral of more and more concessions and missed opportunities for national economies.

Moreover, in offering tax incentives governments sometimes choose to brush aside the fact that serious investors are more turned off by disincentives than attracted by incentives. A good business climate is of primary importance in encouraging businesspeople (both local and foreign) to invest. Therefore, the best place to start is the dismantling of barriers and disincentives: bureaucracy, overlapping and contradictory legislation, lack of properly functioning legal systems, frequently changing rules of the game, favoritism, corruption, lack of transparency – all these problems that continue creating difficulties for local and foreign businesspeople in several places in the region.

THE BUSINESS COUNCIL AND THE PROMOTION OF FDI

FDI promotion has long been one of the principal strategic directions of the BSEC Business Council. During its recent restructuring it has dedicated one of its four Task Forces to work related to the improvement of the business and investment climate.

The Business Council had associated itself in the past with OECD in launching the Black Sea Investment Initiative, a practical approach of helping the countries to systematically identify and tackle barriers to business and investments. That initiative, unfortunately, could not be implemented thoroughly because of lack of funding. OECD has now come up with a new program for a part of the region and has already presented it to the BSEC communities with the support of the Business Council – both at the BSEC Working Group on Trade Development and at the Innovation, Investments and Competitiveness Forum in Kyiv.

The Business Council aspires to play an instrumental role in the successful implementation of this new OECD initiative by being its strong advocate in all BSEC fora and by actively involving the business communities.



INTERNATIONAL CENTRE FOR BLACK SEA STUDIES (ICBSS)

In the first quarter of its 10th anniversary year, the ICBSS has already held a number of events and continues to be highly active both in research and advocacy, with even more activities scheduled for the months to come.

ICBSS Flagship Events: International Symposium launched and Annual Conference scheduled

The ICBSS has completed its Flagship Events triad by launching the ICBSS International Symposium. The Symposium aims to provide a much needed interactive learning environment bringing together young professionals, primarily from the countries of the wider Black Sea area, EU Member States, the US and Central Asia. The first Symposium will be held on the island of Kalymnos, 1-6 July 2008. The call for applicants has closed and the successful candidates will enjoy an intensive course of lectures and study groups allowing them to put "The Wider Black Sea Area in Perspective." The diversity of qualified participants and the expert speakers will ensure a truly insightful and intercultural experience that is to recur in the years to come.

Just before the Symposium, the ICBSS will hold its Third Annual Conference, in Athens on 25 June 2008, on the occasion of the BSEC Day. This time the Conference will focus on "The Wider Black Sea Area and the Great Energy Game," an ever-present hot topic in the region and at the global scale. Guest speakers will include high-ranking officials, scholars and professionals involved in the energy game. The ICBSS Annual Lecture – the third flagship event – will take place in the fall.

BSEC related activities: BSEC-EU Relations and the Future of the BSEC

With its renewed mandate to coordinate the Ad Hoc Group of Experts on BSEC-EU Interaction, the ICBSS organized the first meeting of this Group in Athens on 4 April 2008.

During the meeting, it was agreed that an outline of future steps (strategy paper) should be prepared taking into account the recent developments concerning BSEC-EU interaction, based on existing documents. The participants exchanged views on the prospects that the recent developments open for strengthening BSEC-EU interaction in concrete terms, as well as on the modalities that need to be elaborated to that end. It was proposed that a review of the activities of the BSEC Working Groups could be undertaken in order to identify the possible interface between their activities and the EU priorities. It was agreed also that an input in this respect may be given by the relevant sectoral Communications of the European Commission and the forthcoming report on the implementation of the Black Sea Synergy. Moreover, the participants stressed that the Ad Hoc Group of Experts could elaborate an Action Plan/Roadmap on the future steps regarding BSEC-EU interaction.

Another important event held by the Centre was the closed brainstorming meeting to generate ideas on the future of BSEC in Kavouri, Greece on 16-17 May 2008.

Increased visibility results in new partnerships

The ICBSS is experiencing a great interest in its activities and in joint ventures with institutions across the globe. The hard work of the past years is clearly resulting in increased visibility and the ICBSS is delighted to create synergies through its expanding network. This year's collaborations include joint events with the University of Zaragoza, Spain, the Woodrow Wilson International Centre for Scholars, the Warsaw-based Centre for International Relations, the University of Tartu, Estonia, and the International Centre for Democracy and Mediation in Tirana.

More information on all these activities is available on the ICBSS website (www.icbss.org).

Research and publications:

The ICBSS organized the Third Meeting of its Task Force on a Common Black Sea Strategy, in cooperation with the Foreign Policy Research Institute, the Open Ukraine Foundation, and the Friedrich Ebert Foundation Regional Bureau for Ukraine and Belarus, in Kyiv, on 28-29 March 2008.

science and technology policy cooperation is also intensifying as the ICBSS-coordinated INCO-Net EECA project is fully underway, while another joint application for funding from the EU has been positively evaluated, pending final approval.

The latest ICBSS publications include Xenophon Paper no.5 Regional Cooperation in the Black Sea Area in the Context of EU-Russian Relations, by Nadia Alexandrova-Arbatova (April 2008); Policy Brief no. 6 Black Sea Regional Policy Approach: A Potential Contributor to European Energy Security by Burcu Gültekin-Punsmann, (April 2008); and Policy Brief no. 5 Participation in International Organisations and Institutional Renewal by Ioannis Stribis (February 2008). A new issue of the Black Sea Monitor (April 2008) is also available.



The ICBSS team.



Meeting of the Ad Hoc Group of Experts on BSEC-EU Interaction in Athens on 4 April 2008.



Meeting of the Ministers of Energy of the BSEC Member States, Kyiv, 9 April 2008

The Meeting of the Ministers of Energy of the BSEC Member States, held on 9 April 2008 in Kyiv, was a landmark event in the sphere of energy cooperation in BSEC.

At the meeting, the Ministers discussed the current developments in the field of energy in the region, as well as the prospects of cooperation to ensure sustainable regional development. They endorsed the Plan of Action of the Working Group on Energy for 2007-2009 and invited the EU to support BSEC efforts in ensuring energy security in the region. The meeting was crowned by the adoption of the "BSEC Declaration on Cooperation with the EU in the Field of Energy."

The Declaration embodies a series of objectives. Some of these objectives are to expedite the completion of the regional energy study; to develop a coordinated process of harmonization of legislation and regulation in the field of energy between BSEC Member States and the EU; to develop cooperation with the European Commission to enhance synergies of the EU and BSEC regional initiatives in the field of energy; to explore the possibilities of elaborating a joint BSEC-EU Action Plan in the field of energy; and to explore the possibilities of developing multilateral legal instruments in the field of energy within the framework of BSEC, among others.

For implementing these objectives, the BSEC Ministers agreed to consider the ways and means of improving the modalities of cooperation in order to increase the efficiency and effectiveness of cooperation among the BSEC Member States in the field of energy.

Meeting of the Ministers of Transport of the BSEC Member States, Odessa, 10 April 2008

The Meeting of the Ministers of Transport held on 10 April 2008 in Odessa was also a success. The Ministers adopted the "Joint Declaration on Cooperation in the Sphere of Transport in the BSEC Region." As reflected in the Declaration, the Ministers agreed to make every effort to develop environment friendly transport in the BSEC region; to promote the development of transport infrastructure, multimodal transport connections and logistics centers, sea ports in the BSEC region; to encourage BSEC and the EU to develop cooperation on an equal footing in the BSEC region, and work towards the establishment of a Black Sea Partnership on Transport, which will support the implementation of the Memoranda of Understanding on the Coordinated Development of the Black Sea Ring Highway and on the Development of the Motorways of the Sea at the BSEC region, as well as any future projects in the field of transport in the region; to take appropriate measures for the removal of both physical and non-physical barriers in the BSEC region at key transport nodes and trans-shipment points including maritime ports; as well as to develop cooperation in civil aviation.

Sixth Coordination Meeting of Regional Organizations and Initiatives, Istanbul, 31 March 2008

BSEC has not only been contributing to the relations among its Member States, but it has also been undertaking the role of initiating the coordination of activities among the other cooperation fora in the region. Within this framework, the Sixth Coordination Meeting of Regional Organizations was held on 31 March 2008 at the BSEC Headquarters in Istanbul. The meeting, hosted by BSEC, was attended by the Adriatic and Ionian Initiative, the Central European Initiative, the Danube Co-operation Process, the Regional Cooperation Council and the South East European Cooperation Process.

At the meeting, the participants exchanged information about their ongoing projects. They agreed to establish and maintain a list of the main ongoing projects to seek synergy in planning and implementing regional projects, as well as a list of their main events to avoid holding high level events at the same period of time.

Energy, transport, infrastructure, environment, disaster response and combating crime were agreed upon as areas of interaction among these organizations and initiatives. A network of contact points for each of these areas will be established. A list of modalities for interaction was also agreed upon. Within this framework, a network of persons in charge of the overall interaction process is envisaged.

The next Coordination Meeting of Regional Organizations and Initiatives will be held in Sarajevo in October this year.

Meeting of the BSEC Working Group on Cooperation in Tourism, Istanbul, 10-11 March 2008

The meeting of the Working Group on Cooperation in Tourism was held in Istanbul, on 10-11 March 2008.

The participants discussed the outstanding issues on cooperation in tourism among the BSEC Member States, in particular cooperation between the private and public sectors in tourism, as well as the issue of creating a common BSEC tourist brand.

The Country Coordinator - the Hellenic Republic - proposed to hold a Forum on the Establishment of a Network of the Associations of the Travel Agencies of the BSEC Member States" in Athens in July 2008.

The next meeting of the Working Group is planned for November 2008.



Meeting of the Ministers of Energy of the BSEC Member States in Kyiv on 9 April 2008.

Exchange of information among the customs administrations of the BSEC Member States discussed

The issue of establishing a mechanism of preliminary exchange of information among the customs administrations of the BSEC Member States is on the BSEC agenda. The topic was discussed at the meeting of the Ad Hoc Expert Group on Cooperation in Customs Services in Istanbul, on 5-6 February 2008 and at the meeting of Heads of Customs Administrations in Kyiv, on 17-18 March 2008.

The objective of this mechanism is to exchange information on goods and vehicles moved through the borders of the BSEC countries based on a multilateral legal document to be negotiated and concluded among the Member States.

The discussions on the issue are expected to continue at the meeting of the Working Group on Customs Matters which will take place in Yalta in October this year.

Workshop on Training on Opportunities of Project Financing, Chisinau, 19 March 2008

A workshop titled "Training on Opportunities of Project Financing" was organized on 19 March 2008 in Chisinau upon the initiative of the Ministry of Foreign Affairs of Moldova.

The target groups were the SMEs. The main objectives of the Workshop were to raise the awareness of the local small business community of the existing opportunities in project development and financing within the framework of regional organizations and initiatives. It also aimed to encourage small private enterprises in initiating and developing regional projects.

Over 50 representatives from SMEs from Moldova participated in the event. Senior representatives from the BSEC Secretariat, along with the representatives of the CEI Secretariat, actively contributed to the event.

Participants were informed about BSEC, its activities aimed at transforming the Organization into a project-oriented endeavor, as well as the organizational setup designed to support the development of regional projects. Detailed information was also provided on the BSEC Project Development Fund (PDF) and applications to PDF for financial support. For viable regional project proposals, additional opportunities for financial support can be also available through the Black Sea Trade and Development Bank and its subsidiaries operating in the BSEC countries.



Workshop on Training on Opportunities of Project Financing in Chisinau on 19 March 2008.

Promoting business opportunities in the packaging industry in the Black Sea region: "Black Sea Pack" Partnership Forum

The United Nations Development Programme (UNDP) organized the first Black Sea Partnership Forum for the Packaging Industry, the "Black Sea Pack", in Istanbul, on 18-19 June 2008. The Forum was organized within the framework of the Black Sea Trade and Investment Promotion Programme (BSTIP) which is co-financed by Turkey, Greece, the UNDP and BSEC.

The "Black Sea Pack" focused on the packaging industry. The event was hosted by the Istanbul Chamber of Commerce, a leading partner and sponsor of the BSTIP in Turkey. Companies attending the Forum represented the business community of the 12 countries of BSEC engaged in the packaging industry. These companies were screened by the UNDP to match-make them with other business partners in the region, based on their expressed interest to pursue business opportunities in a specific area of the packaging industry.

During the event, business-to-business meetings were organized on behalf of the companies to provide them with a platform to discuss such opportunities, as well as to explore other options such as joint ventures, transfer of know-how and networking arrangements. A series of presentations on the current trends, environmental aspects and compliance with the EU requirements for the packaging industry were also held.

As is known, the BSTIP, within the framework of which the "Black Sea Pack" was organized, is the first partnership project between BSEC and UNDP. It is also the first programme jointly financed by Turkey and Greece under the auspices of the UNDP. The overall aim of the Programme is to support economic growth and development in the Black Sea sub-region through closer economic integration and to expand intra-regional trade and investment links among the BSEC Member States. The BSTIP is expected to have a positive impact on the reduction of poverty as well. New partnerships will be developed with business support organizations. The beneficiaries of the BSTIP are SMEs and special emphasis is given to enterprises managed by young and women entrepreneurs. The Programme is being implemented in cooperation with the local chambers of commerce and business support organizations in each of the BSEC countries.

Last year, on 3 December 2007, the BSTIP Kick-off Meeting was organised in Athens which brought together business support institutions, representing the focal points of BSTIP in each BSEC country, to discuss and reach a consensus on the priority sectors.

After the launching of the BSTIP in December 2006, BSEC and UNDP strengthened their partnership with the signature of an Agreement on Cooperation on 28 June 2007, in Istanbul.



Ambassador Leonidas CHRYSANTHOPOULOS, Secretary General of the BSEC Permanent International Secretariat, addressing the First Black Sea Partnership Forum for the Packaging Industry in Istanbul on 18 June 2008.



Business-to-business meetings during the First Black Sea Partnership Forum for the Packaging Industry in Istanbul on 18-19 June 2008.

BSEC PROJECT DEVELOPMENT FUND

New PDF application approved

The Steering Committee of the Project Development Fund (PDF) held its meeting in Istanbul on 29 February 2008 and decided to approve an application forwarded by the BSEC Working Group on Energy titled "Market potential for Hydrogen production from Hydrogen Sulphide in Black Sea and industrial waters." Hence, the total number of project applications approved for funding by the Steering Committee is now eighteen.

The International Center for Hydrogen Technology (ICHET) of the United Nations Industrial Development Organization (UNIDO), which is based in Istanbul, has decided to grant this project additional financial support. Therefore, the approved application on hydrogen technology marks the first time that a PDF project is co-funded by another international organization.

BSEC Hellenic Development Fund established

The meeting of the BSEC Council of Ministers of Foreign Affairs in Kyiv, on 17 April 2008, was marked by the establishment of the BSEC Hellenic Development Fund (HDF). The HDF will constitute an additional instrument for strengthening the project-oriented approach of BSEC. It will provide financial support to projects in specific key areas of regional cooperation such as transport, renewable energy sources, environmental protection, business cooperation, trade

facilitation, tourism and culture. It is also expected to create additional synergies with the PDF.

The decision taken by the OECD/DAC in June 2007 to include BSEC as eligible for up to 78% of Official Development Assistance (ODA), has made the establishment of the HDF possible. The OECD/DAC decision is envisaged to create additional opportunities for BSEC to attract ODA donor funds to the PDF in support of regional projects.

PDF Review Process continues

The PDF review process is progressing with the aim to improve the operations and performance of the Fund and thus further implement the project-oriented approach of BSEC. The new PDF operational framework is expected to be adopted before the end of this year, so as to improve regional cooperation, create additional synergies and increase the efficiency of the BSEC financial resources committed to projects.

PDF website being constructed

The PDF will soon have a distinct website to promote the operations of the Fund, provide practical information on regional projects and other useful links. The new website is expected to increase interest in the PDF and in turn lead to an increase of applications for funding.