



BACKGROUND NOTE

Delegation to Kaliningrad in the context of economic and financial impact for the Union by having a Russian enclave within the Union's border

CONT Delegation to Kaliningrad

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EN

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1. BACKGROUND INFORMATION ON KALININGRAD

1.1. Basic Data¹

Kaliningrad Region is located on the south-eastern coast of the Baltic Sea. It is the **Russian Federation's** western most territory, not directly connected to Russia by land. Kaliningrad is located between Lithuania and Poland, and has 140 km of shoreline along the Baltic Sea. The Kaliningrad Sea Commercial Port is **the only ice-free Russian port on the Baltic Sea** and the largest regional port complex, both in terms of volume, technical support and services granted to the cargo owners. Kaliningrad's big advantage is its physical location. It is within short flight distances of all the main Western European economic centres, while at the same time it offers full access to the Russian market. It is safe, offers a European lifestyle, and attracts intellectual, creative and entrepreneurial potential.

Map 1 - General map



Source: Kaliningrad Region - The territory of opportunities

¹ Wikipedia - www.wikipedia.org/wiki/kaliningrad_oblast
Europa World+ - www.europaworld.com/entry/k.essay.11
Kaliningrad Regional Duma - www.duma39.ru

Federal district	Kaliningrad Oblast [Калининград область]
Capital of the district	Kaliningrad [Калининград]
Total land area	Area: 15,125 km ² .
Borders	The Kaliningrad region shares its borders in the north and the east for a distance of 280,5 km with the Lithuanian Republic, in the south along the length of 231,98 km with the Polish Republic and in the west with the Baltic Sea. The maximum length of the region from the east to the west is 205 km, from the north to the south - 108 km. It is just 35 km from Kaliningrad to the Polish border, and 70 km from the Lithuanian border. The nearest regional centre of Russia - Pskov – is at 800 km distance from Kaliningrad, and Moscow is at 1 289 km distance.
Population	945 996 ²
Ethnicity	86.4 % were Russian, 3.7 % were Ukrainian, 3.6 % Belarusian, 1.1 % Lithuanian and 1 % Armenian ³
Languages	Russian
Religion	30.9 % of the population of Kaliningrad Oblast adhere to the Russian Orthodox Church, 1 % to the Catholic Church, 1 % are unaffiliated generic Christians. 34 % of the population declare themselves to be "spiritual but not religious", 22 % are atheist, and 11.1 % follow other religions
Big Cities	Sovetsk (former Tilsit - 43,6 thousand people) Chernyakhovsk (former Insterburg - 43,3 thousand people) Baltiysk (former Pillau - 31,3 thousand people) Gusev (former Gumbinnen - 28,1 thousand people)
Currency	Rubles
Time zone	GMT+3
Natural resources	petroleum, amber, peat, sand-and-gravel material, sand, clay, fresh and mineral water, therapeutic muds, potassium salt, brown coal; 18 % of the territory is occupied with forests

1.2. Political Structure - Overview

² estimate at 01/01/2012; 941,873 people at 2010/10/14 census

Official name	Russian Federation
Head of state	Vladimir Putin
Constitution and Government	Under the Constitution of December 1993, the Russian Federation is a democratic, federative, multi-ethnic republic, in which state power is divided between the legislature, executive and judiciary, which are independent of one another

1.2.1. Federal district: Kaliningrad Oblast

Governmental authorities implementing the governmental power in the Kaliningrad region are:

Kaliningrad Regional Duma	The Kaliningrad Regional Duma headed by a Chairman exercises legislative authority in Kaliningrad Region.
The Governor of Kaliningrad region and the Government of the region	The Governor of Kaliningrad region and the Government of the region is an executive branch of power.
Courts of the Russian Federation on the regional territory	The Courts of the Russian Federation on the regional territory is a judicial branch of power

³ at 2010 census

KALININGRAD REGIONAL DUMA⁴

Chairman of the Regional Duma	Marina E. Orgeeva (since 2011)
Parliament of Kaliningrad Oblast (elected in March 2011)⁵	United Russia - 24 seats Communists - 6 seats Patriots of Russia - 2 seats A Just Russia - 2 seats LDPR - 2 seats Independent MPs - 4 seats Total 40 MPs

The election for the fifth term of the Kaliningrad Oblast Duma was held on 13 March 2011. Kaliningrad Duma is a legislative body. The Regional Duma adopts the Statute of the Kaliningrad Region, laws of the region and other legal acts.

THE GOVERNOR OF KALININGRAD REGION AND THE GOVERNMENT OF THE REGION⁶

Governor	Nikolai N. Tsukanov (since 2010) A politician who was born in Kaliningrad Oblast, a member of United Russia
Head of the government of the Kaliningrad region	Egorychev Alexander

The government of the region is a public body established in accordance with the laws of the Kaliningrad region for the legal, organizational and logistical support of the Governor of the Kaliningrad area of the Kaliningrad region.

⁴ www.duma39.ru

⁵ OSW - Centre for Eastern Studies - "A captive island - Kaliningrad between Moscow and the EU" - July 2012

⁶ www.gov39.ru

KALININGRAD REGIONAL COURT⁷

Chairman of the court

Faleev Viktor

The Supreme Court of the regional court in accordance with established federal law has jurisdiction to hear cases as a court of first instance, appeal, cassation, new or newly discovered facts, and also carry out other authorities in accordance with federal laws.

The "City of Kaliningrad" is a city district. The head of the city district (elected in municipal elections) heads the administration of the city district.

THE CITY OF KALININGRAD⁸

Head of the city district

Yarashuk Alexander G.

The head of the city district is the highest official of the city district. The head of the city district is elected in municipal elections for 5 years and heads the administration of the city district "City of Kaliningrad."

The head of the city district within its authority established by federal and other laws, decides on the administration of the city district and the organization of its work. The head of the city district issues decisions and orders within its competence in accordance with the Federal Law "On General Principles of Local Self-Government in the Russian Federation".

⁷ www.kaliningrad-court.ru

⁸ www.kldg.ru

1.3. Economy Overview

In 2012, Kaliningrad Region saw a strong economic growth, a steady growth of industrial production, a moderate rise in real incomes as well as a fall of the unemployment rate. The gross domestic product of Kaliningrad Region increased by 8.6 % compared to 2011, well above the Russian average of 3.4 %. The value registered is about 247 billion roubles (approximately EUR 5, 7 billion). In recent years the structure of Kaliningrad economy has not undergone any substantial changes, with manufacturing, wholesale and retail being the most important sectors.

ECONOMIC KEY INDICATORS	2007	2008	2009	2010	2011	2012
GDP of Kaliningrad Region (billion roubles)⁹	144	179	170	198	229	247
The registered unemployment rate (%)	1,3	1,6	2,9	2	1,6	1,4
Consumer Price Index (%)	111,2	115,2	108	108	105,7	105,6
Gross regional product (million)	143 927.7	179 266.7	169 519.6	195 063.2	228 034.4	247 580.1
The gross regional product per capita (thousand)	154.0	191.5	180.8	207.5	241.5	260.4
Index of GRP, in comparable prices of the previous year,%	119.9	104.7	91.5	107.6	107.3	103.9
The regional component of the tax burden on the economy of the region,% of GRP%	11.86	11.86	11.39	12.4	11.69	12.12
Debt,% of GRP%	4.3	4.1	4.8	5.82	5.31	5.4

Source: http://www.gov39.ru/zip/drond2012_svod.zip

The sub-sectors with the highest growth rate were in car assembly, television equipment as well as production and design of reinforced concrete structures and prefabricated elements. The development prospects of the automobile production sector are based on the plans of AVTOTOR management group. They envisage that by the year 2020, on the basis of joint ventures in Kaliningrad region, to form a cluster of full profile automobile manufactures with the general capacity of 350 000 cars a year.

⁹ Kaliningrad Region - The territory of opportunities - Ministry of economy of Kaliningrad region - <http://economy.gov39.ru>

Overall, the manufacturing sector increased by 7.0 % in 2012. The average nominal monthly wage per employee in 2012 was 31.845 roubles (about EUR 795), about 16.9 % below the Russian average. The positive development in the economy stabilized the situation in the labour market. In December 2012 the official unemployment rate was 1.4 %. The annual inflation rate in the region stands at 6.5 %.

The **Figure 1** shows the breakdown of the Gross Regional Product in Kaliningrad since 2005.

Figure 1 - Breakdown of the Gross Regional Product, % (2005-2011)

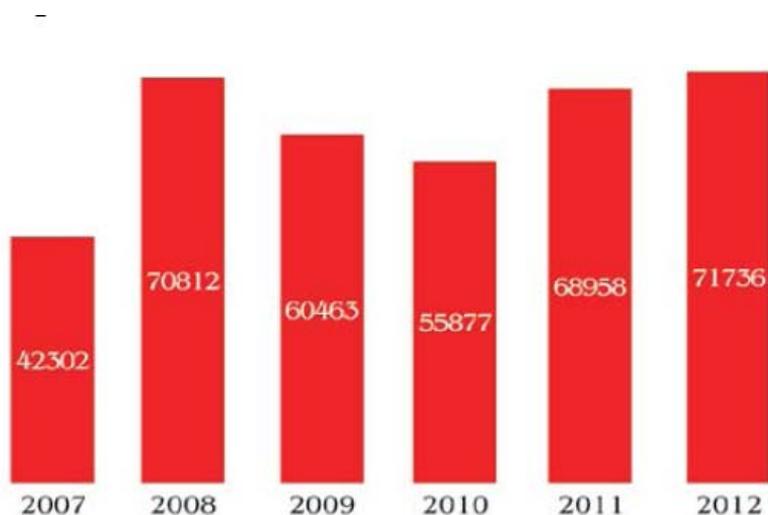
	2005	2006	2007	2008	2009	2010	2011 ²
Agricultural industry, hunting and forest sector	5.9	6.5	3.7	4.8	5.6	5.1	5.0
Fishing industry, fish-farming	2.2	2.3	1.8	1.1	1.6	2.1	N/A
Extraction of minerals	14.7	12.7	12.2	8.6	7.3	5.9	6.1
Manufacturing	17.3	14.1	17.2	18	16.5	16.4	22.0
Production and distribution of electric energy, gas and water	2.6	2.3	2.6	2.4	2.3	2.5	4.4
Construction	5.6	5.5	8.8	10.1	7.6	5.7	5.9
Wholesale and retail trade; repairs of motor vehicles, motorcycles, household goods and personal demand items	17.1	19.5	17.8	19.6	20.9	21.4	17.2
Hotels and restaurants	1.4	1.4	1.1	0.9	0.9	0.9	N/A
Transport and Communication	11.6	10.6	8.3	9.2	6.7	9.8	8.4
Financial activities	0.3	0.2	0.1	0.1	0.2	0.2	N/A
Real estate operations, rental and provision of services	6.5	8.2	9.1	8.5	11.6	13.2	12.2
Public administration and military security; social insurance	6.4	7.8	6.9	6.8	8.0	8.1	6.9
Education	3.4	3.7	3.6	3.4	3.8	3.1	2.9
Public health service and provision of welfare services	4.0	4.1	4.2	4.3	4.8	4.4	4.1
Provision of other utility, social and personal services	1.0	1.1	2.6	2.2	2.2	1.2	N/A

Source: Invest in Kaliningrad - Kaliningrad Region - The territory of opportunities http://issuu.com/tas69/docs/kaliningradregion-the_territory_of_opportunities

² Kaliningrad Region - The territory of opportunities - Ministry of economy of Kaliningrad region - <http://economy.gov39.ru>

In 2012, the capital investment increased by 6.3 %. The largest increase was in manufacturing and in particular in chemical industry and food industry.

Figure 2 - Capital Investment, million. rub (2007-2012)



Source: Kaliningrad Region - The territory of opportunities - Ministry of economy of Kaliningrad region - <http://economy.gov39.ru>

In 2012, Kaliningrad Region received USD 344.4 million of foreign investment, an increase of 111.1 % over 2011. These investments were mainly originated from Cyprus, Poland, Lithuania, Switzerland and Netherlands (**Figure 3** below).

Figure 3 - Foreign Investment, 2012

Country	mln. USD	%
Cyprus	128.4	37.3
Lithuania	46.2	13.4
Poland	40.7	11.8
Netherlands	26.9	7.8
Switzerland	23.8	6.9
Rest	78.4	22.8
Total	344.4	100.0

Source: Kaliningrad Region - The territory of opportunities - Ministry of economy of Kaliningrad region - <http://economy.gov39.ru>

Kaliningrad is becoming an important hub of exports (Russian wood and other raw material) and imports (manufactured goods).

Figure 4 - Export of Kaliningrad Region by countries - Transactors in 2012

Country-transactor	Share in export	Main goods
India	38,6 %	ships, boats and floating constructions
Lithuania	8,1 %	mineral substances, raw amber
The Netherlands	8,1 %	oil products
Germany	6,5 %	sunflower, soybean, rape oil
Norway	4,3 %	sunflower, soybean, rape oil

Source: Kaliningrad Region - The territory of opportunities - Ministry of economy of Kaliningrad region - <http://economy.gov39.ru>

Figure 5 - Import of Kaliningrad Region by countries - Transactors in 2012

Country-transactor	Share in import	Main goods
Germany	18,9 %	component parts for car assembly
Korea, Republic	13,3 %	component parts for car assembly
China	11,5 %	electronic packages
Slovakia	10,1 %	component parts for car assembly
Poland	6,7 %	electronic packages, organic chemicals
USA	6,7 %	component parts for car assembly

Source: Kaliningrad Region - The territory of opportunities - Ministry of economy of Kaliningrad region - <http://economy.gov39.ru>

1.3.1. Special economic zones in Kaliningrad region¹⁰

The Special Economic Zone in Kaliningrad Region (SEZ) covers the whole territory of Kaliningrad Region and implies a special legal regime for economic production, investment, and other activities.

The SEZ was initially established in the Kaliningrad region in 1996. In April 2006, a new Federal Law "On the Special Economic Zone in Kaliningrad Region and on Amendments to some legislative Acts of the Russian Federation" entered into force.

Legal entities included in the regime of the SEZ enjoy the following benefits:

- Full exemption from the income (corporate) and property tax for the first 6 calendar years after inscription. Upon the expiration of that period, these taxes are reduced by half (50%) for the additional 6 years period;
- The rent for a land plot for the purpose of the implementation of the project agreed will not change during the whole life-span of the project;
- Exemption from import duties and VAT payable on goods, which are imported into the territory of the Kaliningrad Region and placed under the customs procedure of customs-free zone.

Not only SEZ residents, but other juridical entities registered in the Kaliningrad region can also use a free customs zone regime according to which all import components used for further treatment as well as foreign engines and equipment applied by enterprises are not imposed by duties and VAT.

Until April 01, 2016 enterprises have the right to export goods manufactured on the base of imported components to the territory of Russia without paying any duties and taxes, and until 2031 an opportunity for such production to export goods remains, so the region can offer European investors to co-operate according with the following re-export order when relatively low-price energy resources provide a competitive ability of products in the EU market.

1.3.2. Main industries sectors

The major economy sectors in Kaliningrad Oblast are: Transport machine-building; hoisting machine building; ship building and ship repairing; motor vehicles assembly production; manufacture and assembly of equipment; construction materials industry and food industry

Mining operations include development of **amber and petroleum** fields. Several hundred tons of amber are mined every year and exported abroad. **More than 90 % world explored reserves of amber** is concentrated in Kaliningrad region. Petroleum extraction is performed at the sea ice-proof stationary platform at Kravtsovsky field.

¹⁰ Kaliningrad Region - The territory of opportunities - Ministry of economy of Kaliningrad region - <http://economy.gov39.ru>

Fisheries sector of the region provides **10-11 % of all fish** caught in Russia. Fish enterprises produce over 340,000 tons of fish food products every year, 90 % of them go to domestic market.

Natural resources: the mineral raw materials base of Kaliningrad Region includes fields of petroleum, amber, peat, sand-and-gravel material, sand, clay, fresh and mineral water, therapeutic muds, potassium salt (16 billion tons), brown coal. 18 % of the territory is occupied with forests. There are over 150 lakes and 148 rivers flowing across the region. The largest rivers are Neman and Pregolya with their tributaries.

Fuel and energy complex: Kaliningrad Region is energy-dependent from Baltic countries and Belorussia, which are involved in transit of up to 30 % electric energy, 100 % natural gas, oil products and coal supplied from the main territory of Russian Federation. Five Heat-and-Power stations provide primary power. Construction of Kaliningrad Atomic Power Station has been planned. The largest Russian Kulikovskaya wind-power station has been functioning in the region since 2002.

Foreign trade turnover made USD 8.6 billion in 2010, including export - USD 0.63 million, import – USD 7.97 million. In 2010, the region entered into trade relations with 145 countries. In 2010, Germany, Slovakia and China retained the leading positions; their total share reached 38 % of foreign trade turnover of the Kaliningrad Region

Transport system of Kaliningrad Region includes motor transport, railroads, sea and river transport, air transport. The only Russian ice-free port complex lying on the Baltic Sea is located here. The international airport lies 24 km away from Kaliningrad. Transport communications stretching across the region constitutes the shortest route from Russia to the countries of Western Europe.

Tourism: The main resorts of the region – Svetlogorsk and Zelenogradsk – enjoy wide popularity among Russian and European tourists. The special appeal of Kaliningrad resorts is medicinal spas and amber therapy¹¹.

2. EU FUNDS IN KALININGRAD

2.1. Eu-Russia Cooperation Programme (TACIS/ENPI)

2.1.1. Objectives of financial cooperation

The EU-Russia Cooperation Programme works with Russia in major economic and public developments by combining EU experience in market economies and democracies with Russia's local knowledge and skills.

The EU-Russia Cooperation Programme has focused on support for reform of the institutional, legal and administrative sectors, as well as support to the private sector in the areas of economic development, social consequences of transition, and nuclear safety.

¹¹ <http://eng.spb-venchur.ru/regions/9.htm>

Increasingly the EU and Russia are moving towards equal partnerships with co-financing of projects and focusing on areas of strategic importance and mutual interest for both parties.

2.1.2. Policy framework for financial cooperation

Since 1997 the EU-Russia Cooperation Programme has drawn inspiration from the EU-Russia Partnership and Cooperation Agreement (PCA).

More recently, the EU-Russia strategic partnership has been developing within the four common spaces:

- 1) Common economic space;
- 2) Common space for freedom, security, and justice;
- 3) Common space for external security;
- 4) Common space for education, research and culture.

The May 2005 EU-Russia summit adopted a package of road maps for these four common spaces. These road maps set out shared objectives for EU/Russia relations and the actions necessary to make these objectives a reality. All new projects implemented in the Russian Federation will also follow the priorities set out in the roadmaps.

North West Russia and Kaliningrad Oblast are priority geographic regions for EU-Russia cooperation programmes. The themes, objectives and priorities for projects are drawn not only from the four EU-Russia common spaces but also from the Northern Dimension framework, which goes beyond the common spaces and also covers issues such as public health, social well-being, environment and cross border cooperation.

In the period 1994 – 2006 the EU-Russia Cooperation Programme was funded through TACIS (**Programme of Technical Assistance to CIS Countries**). Russia has been the biggest beneficiary of support to the countries in the post-Soviet region receiving about half of all funding. Since 1991, when the Programme was launched, **2.7 billion** Euro has been granted to Russia and has been used in 1 500 projects in 58 regions.

In addition to national TACIS programmes, Russia has received support through TACIS multi-country programmes, including the Regional Programme and the Cross-Border Cooperation Programme. This funding has covered projects in the fields of telecommunications, the environment, Information Society networks, crime and migration.

The TACIS regulation expired at the end of 2006. From 1 January 2007 it has been replaced by a new regulation for the **European Neighbourhood and Partnership Instrument (ENPI)**. Financial cooperation between the EU and Russia will continue as before relying on this new legal basis for financing projects. The change from TACIS to ENPI has nevertheless brought some changes. The two parties will now more than before try to ensure co-financing of projects and focusing projects on

strategic priorities. The areas of cooperation have been narrowed down to cover only areas mentioned in the roadmaps to the four common spaces and the northern dimension.

2.1.3. Cooperation based on dialogue

The EU-Russia Cooperation Programme is unique for several reasons. Firstly, all activities are the result of continuous dialogue between Russia and the EU, which fosters a sense of partnership and strong commitment on both sides. Secondly, the EU combines the knowledge and expertise of all 27 Member States, which brings a greater wealth of knowledge and experience than programmes supported by a single country. Thirdly, the Programme is integrated with the government through a framework established by the PCA and the four common spaces which furthers the strength of the commitment on both sides. The financing provided by the European Commission for cooperation with Russian counterpart organizations is in the form of grants, not loans, and it is increasingly co-financed by the Russian Federation¹².

2.1.4. Why Cross Border Cooperation?

The new stage in reinforcing cooperation with countries bordering the European Union has been opened with the adoption in 2007 of the European Neighbourhood and Partnership Instrument (ENPI) which includes a component specifically targeted at cross-border cooperation (CBC).

At the EU-Russia Summit 18 November 2009, the Commissioner for External Relations and European Neighbourhood Policy and the Russian Minister for Regional Development signed the Financing Agreements for five land border cross-border co-operation programmes (CBC). These financing agreements are central to the implementation of cooperation programmes between the border regions of the European Union and Russia.

The programmes have a total budget of approximately **EUR 437 million** until 2013, and are funded by different sources: European Commission (**EUR 267 million**), Member States (**EUR 67 million**) and the Russian Federation (**EUR 103.7 million**). The cofinancing by the Russian Federation confirms the spirit of partnership at the core of the European Neighbourhood and Partnership Instrument (ENPI).

2.1.5. What kinds of programmes exist and which geographic regions will be covered?

Cross-border Partnership Programmes involving Russia shall build on experience of former cross-border cooperation and Neighbourhood programmes and have a similar geographic coverage. Projects from the following Russian regions shall be eligible under the proposed programmes:

¹² http://eeas.europa.eu/delegations/russia/eu_russia/tech_financial_cooperation/index_en.htm

PROGRAMME	RUSSIAN REGIONS COVERED	EU REGIONS COVERED
Kolarctic	Murmansk and Arkhangelsk oblasts, Nenets okrug, Leningrad oblast (St Petersburg)	Northern parts of <i>Finland, Sweden and Norway</i>
Karelia	Republic of Karelia and Murmansk, Arkhangelsk, Leningrad oblast (St Petersburg)	<i>Finland: regions of Kainuu, North Karelia and Oulu</i>
South-East Finland - Russia	Leningrad oblast (St Petersburg) and Karelia	<i>Finland: South Karelia, South Savo, and Kymenlaakso regions</i>
Estonia-Latvia-Russia	Leningrad oblast (St Petersburg) and Pskov oblast	<i>Estonia: Hiiu, Ida-Viru, Jogeva, Laane, Polva, Parnu, Tartu, Saare, Valga, Viljandi, Voru</i> <i>Latvia: Kurzeme, Zemgale, Riga, Vidzeme, Latgale</i>
Poland-Lithuania-Russia	Kaliningrad Oblast	Lithuania: Klaipėda, Tauragga, Alytus and Marijampolė regions (21 municipalities) Poland: Pomorskie, Warminko-Mazurskie and Podlaskie voivodeships

2.2. Lithuania-Poland-Russia Cross-Border Cooperation Programme under the ENPI 2007-2013

2.2.1. Legal basis

After the EU enlargement in 2004, a new EU supporting programme for the Kaliningrad Oblast and its regional neighbours from Lithuania and Poland was launched: the **Neighbourhood Programme Lithuania, Poland and Kaliningrad Region of Russian Federation**.

More than **EUR 44,5 million (EUR 36,5 million from ERDF and EUR 8 million from TACIS)** were allocated to the programme for the period 2004 - 2006, which resulted in 162 cross-border projects granted, along two priorities: competitiveness and productivity growth of the cooperation area through **development of cross-border infrastructure and border security, economic and scientific/technological co-operation (priority 1); and people to people cooperation, socio-cultural integration and the labour market (priority 2)**¹³.

The Lithuania-Poland-Russia ENPI Cross-border Cooperation Programme (ENPI CBC LT-PL-RU) 2007 - 2013 will be implemented under the 2007 - 2013 financial perspective. It has been based on the joint planning effort of all participating countries. **The total allocation for the 2007 - 2013 period is**

¹³ Lithuania – Poland - Russia Cross-Border Co-operation programme 2007-2013, Document Adopted By The European Commission On 17 December 2008, Amended On 7march 2011

EUR 132 million¹⁴. An indicative financing plan of the ENPI CBC LT-PL-RU Programme and the Programme's Financial Table are presented in Annex A.

2.2.2. Strategic focus and objectives

The overall objectives of the Programme are the following:

- Promoting economic and social development on both sides of the common border,
- Working together to address common challenges and common problems,
- Promoting people to people co-operation.

The total Programme area encompasses 156.1 thousand km² (including 77 751 km² of adjacent regions).

Map 2 - Eligible area of the Programme



Source: Cross border Cooperation Programme Lithuania-Poland-Russia 2007 - 2013 (site: <http://lt-pl-ru.eu/en,1,7>)

¹⁴http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-cross-border/documents/enpi_cbc_lithuania-poland-russia_fact_sheet_en.pdf

2.2.3. Joint structures and competent authorities

In order to implement the Programme the following joint structures were set up:

- Joint Monitoring Committee (JMC)
- Joint Managing Authority (JMA) - the Ministry of Regional Development of the Republic of Poland
- Joint Technical Secretariat (JTS) - the joint operational body assisting the Joint Managing Authority and the Joint Monitoring Committee in carrying out their duties. The JTS is located in the Centre of European Projects - budgetary unit of the Ministry of Regional Development of Poland.

The following National Authorities (NAs) collaborate with the JMA for the Programme preparation and implementation period, are responsible for the coordination of the programming process in Lithuania and Russia:

- National Authority in Lithuania: Ministry of the Interior
- National Authority in Russia: Ministry of Regional Development, Ministry of Foreign Affairs.

3. GRZECHOTKI-MAMONOWO BORDER CROSSING POINT

Border crossings presented in the table below belong to the generally available border crossing on the North-Eastern and Eastern fragment of the Polish border with the Russian Federation (Kaliningrad Oblast).

BORDER CROSSINGS ON THE POLISH AND RUSSIAN FEDERATION BORDER NO.	NAME OF BORDER CROSSING	CATEGORY	REMARKS
1	Bezledy-Bagratiowski	road	passenger, freight up to maximum weight-per-axle: 8 t
2	Braniewo - Mamonowo	rail	passenger, freight
3	Głomno-Bagratiowski	rail	passenger, freight
4	Goldap-Gusiew	road	passenger, freight, cars up to 7,5 tons
5	Gronowo-Mamonowo	road	passenger, freight, cars up to 6 tons
6	Grzechotki - Mamonowo II	road	passenger, freight
7	Skandawa-Zeleznodoroznyj	rail	freight (excluding goods liable for phytosanitary control carried into Po-land)

Source: http://baltictransportoutlook.eu/files/BTO_R4RBF_005_Main%20Task%204%20Report%20-%20final.pdf

The **Annex C** presents the TACIS Project 2007/126-111 concerning the design and construction of Mamonowo-Grzechotki border crossing.

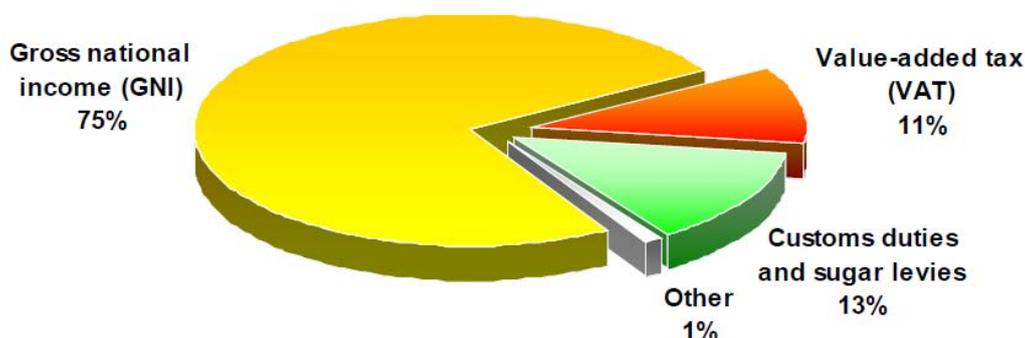
4. TRADITIONAL OWN RESOURCES¹⁵

The EU budget is funded from the EU's own resources. There are three kinds of own resources:

- i) Traditional own resources (i.e. custom duties and sugar levies),
- ii) Own resource from value added tax (VAT) and
- iii) Own resource based on gross national income (GNI).

However, the budget is not entirely financed from own resources but also by other revenue. These other revenues comprise taxes and deductions from staff remuneration, bank interest, fines, third-country contributions to certain Community programmes (e.g. research), reimbursement of Community grants not used, interest on late payments and balances from previous years. Nevertheless, these other revenues represent only around 1 % of the European budget.

Source of financial resource to the EU Budget (2011)



Source: Statistical Evaluation of Irregularities reported for 2011 - Own resources, Natural resources, Cohesion Policy, Pre-Accession Funds and Direct Expenditure , European Commission Staff Working Document SWD (2012) 229 final.

¹⁵ European Parliament - Policy Department D - CONT delegation to the Ports of Rotterdam and Antwerp 19-20 September 2012-briefing note EP

4.1. What the traditional own resources are?

Traditional own resources comprise **customs duties, agricultural duties, and sugar and isoglucose levies** and were introduced in 1970. They are levied on economic operators and **collected by Member States** on behalf of the EU.

Revenue deriving from traditional own resources are "levies, premiums, additional or compensatory amounts, additional amounts or factors, Common Customs Tariff duties and other duties established or to be established by the institutions of the Communities in respect of trade with non-member countries, customs duties on products under the expired Treaty establishing the European Coal and Steel Community as well as contributions and other duties provided for within the framework of the common organisation of the markets in sugar"¹⁶. Assigning customs duties to the financing of common expenditure is the logical consequence of the free movement of goods within the EU.

Since 2001 **Member States** have retained, as **collection costs, 25 %** of the established amounts of traditional own resources. Before 2001, 10 % was retained, but this percentage was increased to 25 % by Council Decision 2000/597/EC.

Article 8(1)(a) of Council Decision 2007/436/EC states that the traditional own resources shall be collected by the Member States in accordance with the national provisions imposed by law, regulation or administrative action, which shall, where appropriate, be adapted to meet the requirements of Community rules.

The Commission shall examine at regular intervals the national provisions communicated to it by the Member States, transmit to the Member States the adjustments it deems necessary in order to ensure that they comply with Community rules and report to the budgetary authority.

4.2. Importance of Traditional Own Resources in the EU Budget

Over the last decade, the **share of the traditional own resources** in the EU budget has **decreased**. It was above 16 % in 2000 and since 2009 it is now close to **12 %**. Decrease in the sugar levies can be seen as the main cause of this declining trend. Custom duties look more or less stable over time.

By contrast, over the same period the share of the **GNI resource** jumped from around 40 % in 2000 to **above 71 % in 2010**.

¹⁶ Article 2(1)(a) of Council Decision 2007/436/EC.

4.3. Recovery of Traditional Own Resources

4.3.1. Member States responsibility

Member States are responsible for making traditional own resources available to the Commission¹⁷. Member States make available established amounts of customs or agricultural duties, that have been recovered, and debts, which have not been recovered yet and that are guaranteed and not under appeal. These amounts are entered in what is called A-account and are made directly available to the EU budget.

If customs debts have been established by a Member State but not yet recovered while no security has been provided or the secured amount has been disputed, Member States may enter these traditional own resources amounts in an account named the B-account. These amounts of traditional own resources are not made available to the EU budget until actually recovered.

EU legislation requires the Member States to report to the Commission, on a quarterly basis, any irregularities that they may have detected. The Member States must also inform the Commission whether reported irregularities raise suspicions of fraud¹⁸.

Most fraud and irregularity cases relate to B-account items. In case of a recovery failure, the Member State is financially liable of the damage done to the EU budget as long as the non-recovery is attributable to the Member State in question.

Member States are therefore strongly encouraged to improve their administrative performance and to address weaknesses leading to a loss of traditional own resources. It also prevents that the financial burden of these losses is shared with all other Member States.

It must be highlighted that **over 97 % of all amounts of traditional own resources established are subsequently recovered without any particular problem**. These amounts are then entered into the A-account and made available to the Commission.

Given the nature of customs transactions and their relation with underlying trade operations account should be taken of the particular situation of individual Member States. This may qualify for some differences between Member States.

4.3.2. The European Commission responsibility

The Treaty states that the Union and the Member States share responsibility for protecting the Union's financial interests and fighting fraud. The Commission exercises overall oversight, sets standards and verifies compliance. Therefore close cooperation between the Commission and the Member States is essential in order to protect the Union's financial interest effectively.

¹⁷ Regulation 1150/2000 22 May 2000

¹⁸ In other words, if they give rise to the initiation of administrative and/or judicial proceedings at national level in order to establish the presence of intentional behaviour, such as fraud.

Reporting of irregularities¹⁹ to the Commission is done through the electronic reporting system OWNRES managed by the Directorate General for Budget.

Of all the cases registered in the OWNRES databases in 2011 **15 % are categorised as fraud**²⁰, but the **fraud amount represents 34 % of the total amount of irregularities**²¹. These two figures are however lower than in 2010, respectively 18 % and 43 %.

The Commission monitors the establishment and the recovery of traditional own resources using i) **Overall monitoring** of recovery of traditional own resources via the write-off procedure²², ii) **Regular inspection** in Member States, iii) **Specific monitoring** of Member States' follow-up of recovery in individual cases, which have a significant financial impact and usually involve Mutual Administrative Assistance.

4.4. A Case Study on Kaliningrad²³

A case study on Kaliningrad regarding the Agricultural trade (sugar) was mentioned in the Olaf report of 2009:

"Export refunds enable the EU to sell surplus agricultural products at prices which are competitive on the world market. After examining shipping records, the customs authorities spotted regular large shipments of sugar from the EU to Croatia, all via the Russian port of Kaliningrad. The exporters declared that Russia was the final destination of the sugar, which was therefore eligible for export refunds totalling several million euros. At the request of OLAF, the Russian authorities carried out investigations into the company in Kaliningrad and were able to confirm that the sugar did not remain in Russia, but was re-exported to Croatia and was therefore not eligible for export refunds. OLAF carried out a control visit in cooperation with the Croatian customs authorities and found that over 3400 tonnes of sugar had been imported into Croatia under this scheme.

Based on OLAF's findings, the Belgian paying agency proceeded to recover unduly paid export refunds totalling **EUR 1.2 million**. A further **EUR 1.5 million** was blocked by the paying agency and not released."

¹⁹ For all amount exceeding EUR 10 000

²⁰ which correspond to 723 out of 4 696 registered cases.

²¹ EUR 109 386 483 compared to EUR 320 694 001, see annexes II and III

²² as provided in Article 17(2) of Regulation No 1150/2000.

²³ Annual Report 2010 - European Anti-fraud office - Summary - Tenth Activity Report 1 January to 31 December 2009, p.11

5. CIGARETTE SMUGGLING²⁴

Another phenomenon which influences the EU budget negatively is cigarette smuggling. There are two types of cigarette smuggling in the EU: smuggling with contraband cigarettes and smuggling with counterfeit cigarettes.

Contraband Cigarettes: cigarettes that have been imported into, distributed in, or sold in, the territory of a Member State (or where en route to the Territory of a Member State for sale in that Member State) in violation of the applicable tax, duty or other fiscal laws of that Member State or the EU.

Counterfeit Cigarettes: cigarettes bearing a Trademark of a cigarette manufacturer that are manufactured by a third party without the consent of that cigarette manufacturer (the so called fake cigarettes). Counterfeit cigarettes shall in no event include:

- i) Cigarettes manufactured by the trademark holder or any affiliate thereof, regardless of the actual or intended market of distribution;
- ii) Cigarettes bearing a trademark of a cigarette manufacturer using tobacco either produced by or sold by that cigarette manufacturer;
- iii) Cigarettes bearing a trademark of a cigarette manufacturer that are packaged in genuine packaging of that cigarette manufacturer, including genuine cartons and packs of that cigarette manufacturer.

Since the European Communities have a Common Customs Tariff, contraband affects the collection of customs duties to the detriment of the Communities' financial interests through its impact on own resources. Cigarette smuggling causes a loss in excises and duties for Member States, which are part of the EU resources. This budget directly finances the legislative and democratic activities of the European Institutions.

Cigarette smuggling requires the construction of supply and distribution chains which can, by definition, be classified as organised crime. The international nature of cigarette smuggling results in formal and informal links between criminal groups in different geographical locations. Given the high taxes and excise duties of the goods involved, and the profits generated, perpetrators must also become involved in other types of serious crime, for example protecting themselves through extreme violence and money laundering²⁵.

It is difficult to evaluate the magnitude of cigarette smuggling²⁶, but it is well-known that cigarette smuggling is widespread and well organised. Cigarette smuggling is a growing problem worldwide,

²⁴ How does organised crime misuse EU funds?- 2011 - EP Study

²⁵ OLAF's official contribution to the study on *How does organized crime misuse EU funds?* 13 May 2011.

²⁶ Van Heuckelom, C., Europol: Smoke, Europol's fight against the illicit tobacco trade, AWF smoke presentation to illegal trade excise conference, p. 26, <http://www.slideshare.net/illegalehandel/awf-smoke-presentation-to-illegal-trade-excise-conference-2>

which is costing thousands of millions of dollars globally in lost tax revenue²⁷. Because a certain amount of excises and duties of Member States are a means of resource for the EU general budget, the EU is indirectly affected too. Annual losses of revenue in the European Union can be estimated, on the basis of seizures of cigarettes notified by the Member States, at about EUR 10 billion per year, of which about 10 % would be revenue for the European Union budget. Also, it is estimated that about 65 % of the seized cigarettes are counterfeit²⁸.

According to Europol: "The smuggling of contraband cigarettes and counterfeit cigarettes is a process throughout Europe. The routing of cigarettes is often a complex process which abuses the free movement of goods in the EU and changes constantly. Italy plays an important role in cigarette smuggling." Italian organised crime cooperates with foreign criminal groups to smuggle both genuine and counterfeit cigarettes to Italy and the EU. Currently around half of all cigarettes seized in Italy are counterfeits and there are indications that counterfeit cigarettes are currently introduced relatively aggressive into the EU markets.

In any case, Greece, Dubai, China and Poland/East Europe play important roles in supplying cigarettes either for the Italian market or through Italy to the other EU countries. These countries do not necessarily produce the cigarettes but are rather used as transit points towards the north of Europe. Community customs procedures can be extensively abused for criminal ends: cigarettes may be imported into the EU and placed in Community transit; after this, the transit procedure may be changed into export procedure so that the cover load (often consisting of low-value goods such as counterfeit products) is exported but the counterfeit cigarettes stay in the EU; alternatively the cigarettes may be legally exported and then smuggled back into the EU and redirected to the relevant black markets²⁹.

Other organised crime groups which are involved in cigarette smuggling are Lithuanian groups. They redirect and traffic cigarettes from the east towards the west. Besides cigarette smuggling, these groups are involved in trafficking women for sexual exploitation, illegal immigrants, counterfeit goods, synthetic drugs precursors and heroin³⁰. Also **Kaliningrad** appears to have a similar but more limited role in relation to cigarette smuggling into the EU.

²⁷ Joossens, L. and Raw, M. Cigarette smuggling in Europe: who really benefits?, International Union Against Cancer, EU Liaison Office, Brussels, Belgium, p.66,

<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1759658/?tool=pubmed>

²⁸ Europa - Summaries of EU legislation - Contraband and counterfeit cigarettes: frequently asked questions, MEMO/10/448,

27.09.2010 <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/448&type=HTML>

²⁹ Europol, EU Organised Crime Threat Assessment 2009 (OCTA), The Hague, 2009, p.33,

[http://www.europol.europa.eu/publications/European_Organised_Crime_Threat_Assessment_\(OCTA\)/OCTA2009.pdf](http://www.europol.europa.eu/publications/European_Organised_Crime_Threat_Assessment_(OCTA)/OCTA2009.pdf)

³⁰ Europol, EU Organised Crime Threat Assessment 2009 (OCTA), The Hague, 2009, p.30,

[http://www.europol.europa.eu/publications/European_Organised_Crime_Threat_Assessment_\(OCTA\)/OCTA2009.pdf](http://www.europol.europa.eu/publications/European_Organised_Crime_Threat_Assessment_(OCTA)/OCTA2009.pdf)

In 2008, an article published by The Center Of Public Integrity, a non profit investigative news organisation, which has for mission to enhance democracy by revealing abuses of power, corruption and betrayal of trust by powerful public and private institutions, using the tools of investigative journalism. The article talks about Europe being flooded by Russian made cigarettes, worth at least USD1 billion a year:

5.1. Baltic Tobacco Factory (BTF) of Kaliningrad³¹

The freewheeling Russian exclave is known as a hotspot for smuggling. In the city of Kaliningrad, the regional capital, Baltic Tobacco's eight-acre complex of factories, offices and warehouses is discreetly set back from main roads. From the riverbank, an unmarked wandering track leads eventually to the company's three-story red-brick office block. No signs or nameplates mark or identify the factory or the office buildings.

From Kaliningrad, BTF's cigarettes are smuggled by the billion directly through Poland, or routed more circuitously through Lithuania, Latvia, Belarus, and Russia. Officials at Baltic Tobacco recommend sea routes to their clients, as they can deliver containers direct and tax-free to Kaliningrad's port. They also offer shipments from their Lviv factory in Ukraine, through the Black Sea port of Odessa.

Overland to Germany, and from Baltic or Black Sea ports, the cigarettes are passed to criminal networks in at least 12 countries — Germany, the United Kingdom, Poland, Latvia, Romania, Greece, Turkey, Italy, Bulgaria, the Netherlands, Belgium, and France.

None of the packs contains the correct large mandatory health warning notices now compulsory in all EU states, making their illegality clear. Some Jin Ling packs found in Europe, however, sport "duty free" stickers, or meaningless Russian tax paid stamps, apparently as a marketing tactic to confer prestige and credibility on the product. BTF is believed to print the "duty free" labels themselves, to make their black market handiwork appear as leakage to the "gray market" — as if the cigarettes are simply an unauthorized diversion of otherwise legitimate goods.

According with experts "Jin Ling cigarettes are being legally manufactured in Russian factories but are intended for the European illegal market".

³¹ <http://www.publicintegrity.org/2008/10/20/6353/made-be-smuggled>

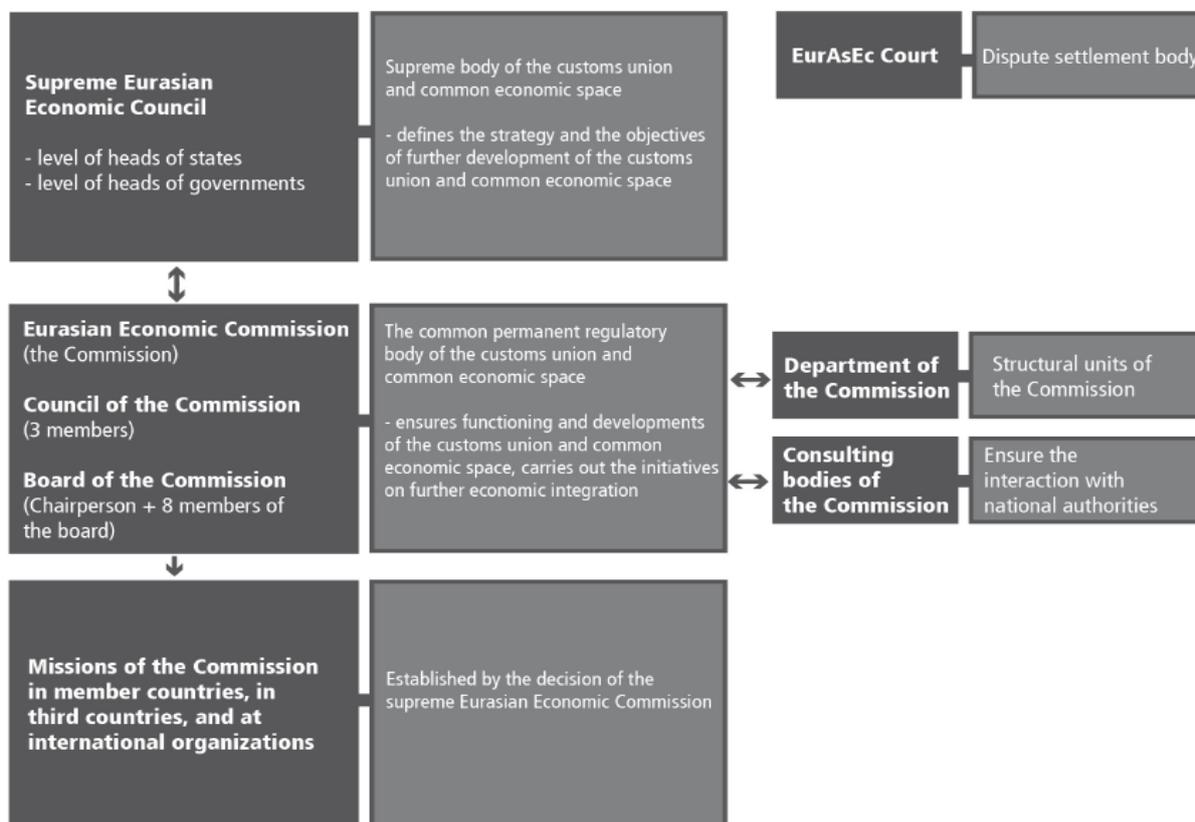
6. EURASIAN ECONOMIC COMMUNITY (EurAsEC) CUSTOMS UNION³²

The Treaty on Establishment of the Eurasian Economic Community was signed on October 10, 2000, by the presidents of five Commonwealth of Independent States (CIS): Belarus, Kazakhstan, Kyrgyzstan, the Russian Federation and Tajikistan. Uzbekistan applied for membership in 2005 and was formally accepted in 2006, but suspended its membership in December 2008. Additionally, Armenia, Moldova, and Ukraine have "associated status".

Integration in Practice

In November 2011, the Supreme Eurasian Economic Council, made up of the heads of state from Russia, Kazakhstan, and Belarus, signed a treaty on the creation of the regulatory body of the customs union and the common economic space, the Eurasian Economic Commission (see figure below). It replaced a somewhat consultative commission of the customs union and started functioning in February 2012.

Bodies of the Customs Union and Common Economic Space



Source: The Eurasian Customs Union: Friend or Foe of the EU? Olga Shumylo-Tapiola, October 2012

The new commission is responsible for the implementation of the agreements within the customs union and common economic space and for the evolution of these two projects. The commission is now based in Moscow.

³² An Initial Estimation of the Economic Effects of the Creation of the EurAsEC Customs Union on its Members, Lucio Vinhas de Souza, Economic Premise, The World Bank, January 2011, Number 47 and "The Carnegie Papers - The Eurasian Customs Union: Friend or Foe of the EU? - Olga Shumylo-Tapiola - October 2012"

7. EUROPEAN AGENCY FOR THE MANAGEMENT OF OPERATIONAL COOPERATION AT THE EXTERNAL BORDERS OF MEMBER STATES

On the 26 October 2004 the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (**FRONTEX**) was established by Council Regulation (EC) 2007/2004 (as a step forward on the matter of cooperation in the area of migration, asylum and security).

7.1. Roles and Responsibilities

EU and Schengen Associated Countries assist each other with the effective application of border controls via operational cooperation, coordinated by the EU agency Frontex.

Its main task is to augment and to add value to, border control activities of the Member States. Thus the agency is also mandated to assist EU countries in raising and harmonising border management standards with the aim of combating cross-border crime while making legitimate passage across the external border of the EU faster and easier.

The Schengen Borders Code includes a series of detailed measures designed to compensate for the abolition of internal border controls by tightening security at the Union's external frontiers. One key requirement is that Member States having an external frontier must ensure that proper checks and effective surveillance are carried out there.

7.2. How it works

While regular border control is the exclusive responsibility of the Member States, Frontex's role focuses on coordination of deployment of additional experts and technical equipment to those border areas which find themselves under significant pressure. Frontex also builds the capacity of the member states in various areas related to border control, including training and sharing of best practices.

Frontex joint operations are planned and developed on the basis of an Annual Risk Analysis Report which analyses the likely future risk of irregular migration and cross-border crime along the EU external border.

Despite measures already undertaken, the EU Eastern border also continues to be a target for illicit trade, particularly the Baltic region. The main countries of provenance there are Russia, Ukraine and, increasingly, Belarus. In the case of Russia (and also UAE), most of the products seized are genuine. This means that they are produced legally, but in quantities greatly exceeding local demand in source countries. Whether duties are paid in their originating country or not, these products are then smuggled into the EU. Analysis by FRONTEX confirms that cigarette smuggling is one of the main problems affecting the EU Eastern border, and suggests a significant scale of smuggling from the Western Balkan countries. It also suggests that cigarette smuggling significantly affects the work of order authorities on the Eastern land borders, including on the land borders with Turkey, and with Western Balkan countries.³³

³³ Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products - A comprehensive EU Strategy - COM(2013) 324 final

7.3. Figures

The tables below present the data regarding the FRONTEX staff and revenue.

STAFF	OCCUPIED AT 31.12.2012	ESTABLISHMENT PLAN 2012	ESTABLISHMENT PLAN 2013
TEMPORARY AGENTS	141	143	153
CONTRACT AGENTS	85	87	84
SECONDED NATIONAL EXPERTS	78	83	78

Source: <http://www.frontex.europa.eu/about-frontex/governance-documents/2013>

REVENUE SOURCE	BUDGET 2011	BUDGET 2012	BUDGET 2013
Subsidy from the Commission	111 000 000	84 000 000	79 500 000
Contribution from Schengen Associated Countries	6 337 000	4 758 000	5 207 100
Contribution from the United Kingdom and Ireland	850 000	820 000	1 000 000
Voluntary contributions from Member States and Schengen Associated Countries	0	0	<i>p.m.</i>
TOTAL Subsidies and contributions	118 187 000	89 578 000	85 707 100
Other Revenue	0	0	<i>p.m.</i>
Earmarked Revenue	0	0	<i>p.m.</i>
TOTAL REVENUE	118 187 000	89 578 000	85 707 100

Source: <http://www.frontex.europa.eu/about-frontex/governance-documents/2013>

EXPENDITURE	TOTAL USE OF PAYMENT APPROPRIATIONS 2011	BUDGET 2012	BUDGET 2013
TOTAL STAFF RELATED EXPENDITURE	20 230 218	20 550 000	21 641 000
TOTAL OTHER ADMINISTRATIVE EXPENDITURE	7 468 725	10 077 000	9 758 100
TOTAL OPERATIONAL ACTIVITIES	49 972 320	58 951 000	54 308 000
GRAND TOTAL	77 671 262	89 578 000	85 707 100

Source: <http://www.frontex.europa.eu/about-frontex/governance-documents/2013>

8. HUMAN RIGHTS³⁴

With democracy, respect for human rights, fundamental freedoms and the rule of law being at the very core of EU-Russia relations, it is only natural that these issues are regularly discussed at all levels.

In 2005 regular, six-monthly EU-Russia human rights consultations were established.

They have provided for a substantial dialogue on human rights issues in Russia and the EU and on EU-Russian cooperation on human rights issues in international fora. The EU also maintains a regular dialogue with both Russian and international NGOs on human rights issues.

Issues that the EU raises with Russia in the human rights consultations include: the human rights situation in Chechnya and the North Caucasus, including torture and ill treatment; freedom of expression and assembly, including freedom of the media; the situation of civil society in Russia, notably in light of the laws on NGOs and extremist activities; the functioning of the judiciary, including independence issues; the observation of human rights standards by law enforcement officials; racism and xenophobia; legislation relating to elections. For its part the Russian side raises matters of concern to it in developments inside the EU.

The EU has supported the development of democracy, the protection of human rights and the development of a healthy civil society in Russia notably through the **European Initiative for Democracy and Human Rights (EIDHR)**. This has enabled the EU to work with NGOs and partners as for example the Council of Europe in fields such as: penal reform; improving the capacity of lawyers and law enforcement officials to apply the European Convention on Human Rights; combating human rights violations in the North Caucasus; human rights of conscripts in the armed forces; promoting children's rights; promoting the rights of indigenous peoples.

Since its launch in Russia in 1997, EIDHR has supported approximately 320 projects.

In 2012, EIDHR funded a project called "**Open dialogue of mass media and HIV experts: HIV in focus of press**"³⁵. This project aims to encourage and raise commitment of regional mass media outlets to non discriminative coverage of HIV in the regions that are most affected by the HIV/AIDS epidemic (Moscow, Saint Petersburg, **Kaliningrad**, Samara, Orenburg, Irkutsk and their neighbouring towns). In **each region** open dialogues are held and bring together reporters and HIV experts from governmental and non-governmental organizations. The dialogues include training for journalists on non-discriminative HIV coverage in the media as well as field visits to nongovernmental organizations that deal with this problem at the local level. The project started in January 2012 (with a 18 month duration) with EUR 96,000 grant.

In **2010**, EIDHR funded projects in the Kaliningrad Region.

³⁴ The European Union and Russia: Close Neighbours, Global Players, Strategic Partners - 2007 - http://eeas.europa.eu/russia/docs/russia_brochure07_en.pdf

³⁵ European instrument for Democracy and human rights Projects 2012 - Delegation of the European Union to the Russian Federation - http://eeas.europa.eu/delegations/russia/documents/eu_russia/eidhr_2012_en.pdf - p.7

"Human Rights Resource Centre for Citizens and NGO's of North-West Russia"³⁶, the grantee is the "Soldiers' Mothers of St Petersburg", target regions are St Petersburg, Petrozavodsk, Vologda, Arkhangelsk, Murmansk, **Kaliningrad**, Pskov, with EUR 140,000 grant. "Soldiers' Mothers of St Petersburg" receives more than 300 calls every week from people in St. Petersburg and the North-West region seeking advice on the law and legal matters, as well as literature on military conscription and military service.

"How to protect the Rights of People with Mental disorders: Cooperation between Human Rights Activists and Psychiatrists"³⁷, the grantee is "The Independent Psychiatric Association (IPA)", target regions are Moscow, St. Petersburg, Arkhangelsk, **Kaliningrad**, Voronezh, Nizhny Novgorod, Oryol, Rostov, Ryazan, Perm, the Leningrad and Moscow regions, republics of Tatarstan and Altai, and others, with EUR 88,000 grant. The Independent Psychiatric Association (IPA) is Russia's leading expert organisation working to protect the rights of people with mental disorders.

"Stalker International Human Rights Film Festival in Russian Cities from 2009-2010"³⁸, the grantee is "Moscow Guild of Theatre and Film Actors", target regions are Moscow, Rostov-on-Don, Yekaterinburg, **Kaliningrad**, with EUR 120,000 grant. The main purpose of the Stalker Festival is to encourage filmmakers to shoot films about human rights.

On 13 June 2013 the European Parliament voted a resolution on the rule of law in Russia that echoes the deteriorating human rights situation since the latest presidential elections and its repeated calls on the EU institutions to take a stronger stand.

The European Parliament condemns the new corpus of laws which offer the authorities a range of tools to harass civil society and denounces the "widespread, targeted and intrusive inspections, confiscation of property and administrative fines imposed on Russian NGOs" and "considers it deeply regrettable that a few NGOs are already facing trial."

The European Parliament recalls that "states have an obligation to support, directly or indirectly, the funding of civil society activities, in particular by creating a favourable environment without interfering in their independence" and asked the European Commission to provide for a "significant increase" in the union's financial support to NGOs and civil society.

³⁶ Non-governmental Organisations and the Defence of Human Rights in Russia - European Instrument for Democracy and Human Rights - 2010 -

http://eeas.europa.eu/delegations/russia/documents/eu_russia/part2_pages_18_36_en.pdf, p.16

³⁷ Non-governmental Organisations and the Defence of Human Rights in Russia - European Instrument for Democracy and Human Rights - 2010 -

http://eeas.europa.eu/delegations/russia/documents/eu_russia/part2_pages_18_36_en.pdf, p.21

³⁸ Non-governmental Organisations and the Defence of Human Rights in Russia - European Instrument for Democracy and Human Rights - 2010 -

http://eeas.europa.eu/delegations/russia/documents/eu_russia/part2_pages_18_36_en.pdf, p.21

ANNEX A - INDICATIVE FINANCING PLAN OF THE ENPI CBC LT-PL-RU PROGRAMME AND THE PROGRAMME'S FINANCIAL TABLE

INDICATIVE FINANCING PLAN OF THE ENPI CBC LT-PL-RU PROGRAMME, GIVING, FOR THE WHOLE PROGRAMMING PERIOD, THE INDICATIVE AMOUNT OF FUNDING BY PRIORITY					
<i>PRIORITIES BY SOURCE OF FUNDING (IN EUROS):</i>					
	EC Funding (a) *	Russian funding (b)	Co-financing (c)	Co-financing rate (in %) (d) **	Total funding (e) = (a)+(b)+(c)
Priority 1	72 671 353.10	26 888 229	7 267 135.31 + 2 688 822,90	10 %	79 938 488.41 + 29 577 051,9
Priority 2	46 245 406.60	17 110 771	4 624 540.66 + 1 711 077,10	10 %	50 869 947.26 + 18 821 848,10
Technical Assistance	13 212 973.30	-	0,00	-	13 212 973.30
Total	132 129 733	43 999 000	11 891 675.97 + 4 399 900	9 %	144 021 408.97 + 48 398 900

Source: Lithuania – Poland - Russia Cross-Border Co-operation Programme 2007-2013 Document Adopted By The European Commission On 17 December 2008, Amended on 7march 2011

* In accordance with the Strategy Paper.

** Cofinancing rate shall be calculated on the basis of the Community contribution to the joint operational programme, minus the amount of technical assistance financed from the Community contribution (see: Art. 20.1 of the Regulation n° 9 51/2007).

ANNEX B- TACIS PROJECT 2007/126-111 DESIGN AND CONSTRUCTION OF MAMONOVO-GRZECHOTKI BORDER CROSSING³⁹

PROJECT TITLE	DESIGN AND CONSTRUCTION OF MAMONOVO-GRZECHOTKI BORDER CROSSING
Contractor/beneficiary	Federal Customs Service of the RF (FCS)
EU Contribution:	13.3 million EUR under Tacis CBC Programme, AP 2004
Country:	Russian Federation (RF), Kaliningrad region
Project objectives:	<p>Overall Objective To facilitate the legal flow of, goods and services, increase border security, reduce crime, and promote trade across the European Union's external borders.</p> <p>Specific Objectives To build a completely new international border crossing, responding to modern management practices, at Mamonovo II to cater for all modes of road transport. The new border post is located on the old German motorway Berlin-Elbag-Koenigsberg ("Transbaltica") that is nowadays a part of the Pan European Transport Corridor I, Branch A (Riga-Kaliningrad-Gdansk-Berlin). The main goal of the EU investment was to eliminate a bottleneck on that Pan-European Transport Corridor and thereby speed up the traffic flow between the EU and the Russian Federation.</p>
Project progress:	<p>The construction works of the EU funded part of this joint project commenced in August 2007 and were completed on time, on budget and to a very good construction standard and all concerned with its implementation can take a good deal of pride in their achievements. The Final Acceptance Certificate of the construction works was issued by the Supervisor in December 2010.</p> <p>In addition to the EU investment the Russian Government provided funds (about EUR 9 million) for the construction of road that links the site to the border and for the equipment at the border post.</p> <p>The border crossing was officially opened for international traffic on 7 December 2010.</p> <p>The corresponding crossing on the Polish side is Grzechotki, construction works of which were completed in 2006. Construction works were supported by the under PHARE programme.</p> <p>The new international border crossing at Mamonovo has the capacity of catering for a traffic flow of 4000 vehicles (2600 cars, 150 buses and 1250 trucks) per day. It is the largest border crossing on the Russian Polish border, nearly three times higher traffic flow capacity that existing border crossing points at Bagrationovsk and Mamonovo I and has therefore reduced remarkable the load and waiting times at these two crossings.</p>
Related border crossing project cancelled: Sovetsk	In the Tacis CBC 2006 Action Programme the Commission allocated EUR 10 million for support for the construction also of the new Border Crossing Post at Sovetsk. With the operation of these two new border crossings at both,

³⁹ European Commission - TACIS projects

Polish and Lithuanian borders (Mamonovo and Sovetsk, respectively) would have been created an efficient transit route from North to South-West of Kaliningrad Oblast. However, in the circumstance where - due to the negative impact of the global financial crisis - the RF funding for the construction works of Sovetsk border crossing post in Kaliningrad Oblast was deferred until 2011, the necessary preliminary works could not be completed within the time period that the EU funding was available. The Commission therefore had unfortunately no alternative other than to cancel the tender for the EU funded part of construction works and the EUR 10 million EU support was lost to the Russian Federation.

ANNEX C - TAKING UP THE CHALLENGE: DEVELOPING SERVICES TO CONTAIN THE SPREAD OF HIV AND TB AMONG INJECTING DRUG USERS IN KALININGRAD OBLAST

PROJECT TITLE	DEVELOPMENT OF MODERN AMBULANCE STATION BASED ON THE RECONSTRUCTION OF INFRASTRUCTURE, INCREASE OF MEDICAL ASSISTANCE AND EXPERIENCE IN CROSS-BORDER COOPERATION REGION
Lead partner:	Kaliningrad regional non-governmental youth organisation "Young Leaders' Army" (YLA) (Russia)
Partner:	The MONAR Association (Poland) Deutsche AIDS-Hilfe e.V. (Germany)
Total budget:	416 518 EUR
Programme Contribution:	330 715 EUR
Country:	Russian Federation (RF), Kaliningrad region
Project objectives:	<p>The overall objective of this project is to contribute to the prevention of the spread of HIV and TB in the Kaliningrad Oblast. The specific objectives are two-fold:</p> <p>(1) To improve the provision of services to contain the spread of HIV and TB among IDUs; and</p> <p>(2) To strengthen the partnership between stakeholders from Kaliningrad and their counterparts from Germany, Lithuania and Poland in responding to the HIV and TB epidemics.</p>
Project progress:	<p>The main objectives of the Northern Dimension policy are to provide a common framework for the promotion of dialogue and concrete cooperation, strengthen stability and well-being, intensify economic cooperation, and promote economic integration, competitiveness and sustainable development in Northern Europe. The overall objective of this grant scheme with a total budget of 3.5 million euro was to support the cooperation between the EU and Russia by encouraging local stakeholders to participate more effectively in addressing common challenges</p> <p>Main project activities:</p> <p>WP1. Developing Service Chain to Contain the Spread of HIV and TB among IDUs. Seminar for Professionals "Improving Inter-Agency Cooperation in Prevention, Treatment, and Social Support for the IDUs". Training Workshop for NGOs On Promoting Advocacy and</p>

Leadership Skills.

WP2. Establishing Low-Threshold Service Point (LTSP). Renovating and Equipping LTSP.

WP3. Improving Treatment Services for IDUs. Holding Internship at the MONAR's Rehabilitation Centre in Gaudynki. Training Seminars in Local Hospitals on Promoting User-Friendly Services.

WP4. Developing Action Plan to Contain the Spread of HIV and TB among IDUs.

WP5. Establishing Partnership Among Specialists from Germany, Lithuania, Poland and Russia. Study Tour to Germany (Berlin). Study Tour to Poland (Warsaw). Study Tour to Lithuania (Klaipeda). Final Conference.

ANNEX D - TACIS PROJECT - KALININGRAD WASTE WATER IN SMALL TOWNS/NEFCO⁴⁰

PROJECT TITLE	KALININGRAD WASTE WATER IN SMALL TOWNS
Contractor/beneficiary	NEFCO /Kaliningrad Regional Government, municipalities and water and waste water companies in the region of Kaliningrad
EU Contribution:	EUR 9,500,000.00
Country:	Russian Federation (RF), Kaliningrad region
Project objectives:	<p>The overall objective of the Action is to develop the waste water collection and treatment capacity in the region, reducing the pollution from waste water and the risks of contamination to drinking water supplies and of waterborne diseases. The specific objectives of the project are:</p> <ol style="list-style-type: none"> (1) Preparation of investment in OKOS, the United WWTP. (2) Reconstruction of main pumping station in Zelenogradsk, booster pumping station in Kulikovo and pressure collector from Zelenogradsk to OKOS. (3) Reconstruction of gravity pipeline from Svetlogorsk to OKOS.
Project progress:	<p>Overall, the project is extremely important to current policy priorities for the Kaliningrad Regional Government. However the project experienced continuous delay in its implementation due to financial and legal position of some local entities, proposed by the Kaliningrad region government (KRG) for participation.</p> <p>In response to the request of the Ministry of Regional Development RF, DEVCO approved an extension of the Financing Agreement until 31.12.2013 and an extension of closure phase until 31.12.2015.</p> <p>Given the financial difficulties faced by the beneficiaries (local municipalities) the legal aspects of the project are more difficult to implement than may have been foreseen.</p>

⁴⁰ European Commission - TACIS projects

ANNEX E - TACIS PROJECT 2007/138-267 CREATION OF CROSS-BORDER BICYCLE TRAIL ALONG OLD POST ROAD ON CURONIAN SPIT: EUROVELO-BALTICA

PROJECT TITLE	CREATION OF CROSS-BORDER BICYCLE TRAIL ALONG OLD POST ROAD ON CURONIAN SPIT: EUROVELO-BALTICA
TACIS responsible partner:	Administration of Neringa city, Lithuania
Partners:	Curonian Spit National Park, Kaliningrad Region; Ministry of economy of Government of Kaliningrad Region; Administration of Zelenogradsk Municipality
Project budget:	224 880 euro (including 194 380 euro TACIS)
Country:	Russian Federation (RF), Kaliningrad region
Project objectives:	<p>Cooperation in the frontier integration of cultural and natural heritage on the territory of the Curonian Spit.</p> <p>Settlement of the frontier cooperation in tourism, education, ecology and other sectors.</p> <p>Immediate (short-term) objective: creation of the conditions necessary for the development of the frontier tourism through elaboration of technical documentation for construction of the bicycle route which will unite Russia and Lithuania and in the course of time will fill the missing section of the international bicycle route "EuroVelo" (Poland, Russia, Lithuania).⁴¹</p>
Project progress:	<p>The main result of the project was the technical documentation prepared for building of the bicycle path in the Russian part of the Curonian Spit, which would later be integrated into the international bicycle path Eurovelo. The partner from Lithuania, which has already built the part of the Eurovelo on the Lithuanian side of the Curonian Spit, actively consulted the Russian partner in preparing the technical documentation. Also, the staff of the national parks, local municipalities, government of the Kaliningrad region, inhabitants of the Curonian Spit participated in round tables, conferences and seminars on the topic of the development of tourism in the Curonian Spit.</p>

Source: <http://www.interreg3a.org/interregen/images/stories/dokumentai/158%20PROJECTS.pdf>

⁴¹ <http://europrojekt-kosa.ucoz.com/index/0-4>

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