



Wider Europe Initiative

Framework Programme for Finland's Development Policy
Implementation Plan for 2009 – 2013

MINISTRY FOR FOREIGN AFFAIRS

June 2009

CONTENTS:

Wider Europe Initiative	3
Priorities of the initiative	4
Flagship projects	6
Development prospects of partner countries	7
Eastern Europe (Moldova, Ukraine, Belarus)	7
South Caucasus (Armenia, Azerbaijan and Georgia)	9
Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan)	10
Wider Europe Initiative: implementation plan (june 2009)	13

WIDER EUROPE INITIATIVE

The Wider Europe Initiative is a new initiative that strengthens Finland's development policy through a comprehensive approach to Finland's development cooperation in the European Union's eastern neighbourhood, the South Caucasus and Central Asia. The framework programme, which was announced in October 2008, aims to widely promote stability and prosperity in the partner countries of the initiative as well as in the wider European region. The Wider Europe Initiative is based on Finland's Government Programme which emphasises crisis prevention, support for peace processes and environmental cooperation.

The framework encompasses **three regional cooperation programmes** – in **Eastern Europe** (Moldova, Ukraine, Belarus), the **South Caucasus** (Armenia, Azerbaijan, Georgia) and **Central Asia** (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan) – which will be launched in stages, starting in 2009. A **total of EUR 8.5 million** has been allocated for activities in **2009** under the development cooperation operating and financial plan, **and the aim is to double the allocation by the year 2013.**



PRIORITIES OF THE INITIATIVE

The emphasis of the Wider Europe Initiative is on **strengthening stability and security through a regional and thematic approach**. The framework programme sets out five themes that will be implemented in each region according to its circumstances, needs and priorities. The themes are **security, trade and development, information society development, energy and the environment, and social sustainability**. Cooperation instruments include bilateral and multilateral cooperation, institutional cooperation and support for business partnerships, as well as cooperation with NGOs.

The Wider Europe Initiative aims to meet development challenges in partner countries through the promotion of **ecologically, economically and socially sustainable development**. Particular problems to be addressed include the risk of social instability caused by underdeveloped civil societies and the uneven distribution of wealth; deficiencies in the development of the rule of law and democracy; weakly developed public administrations, as well as corruption.

Countries in the region suffer from serious environmental problems and crumbling infrastructure.

For a number of the countries, border control is challenged by drug traffic originating from Afghanistan, while the proximity to the Middle East causes concerns related

to the spread of fundamentalist Islam. Political and geopolitical tensions with implications for the wider European region are increased by the potential for conflicts related to energy and natural resources, as well as by the existing, protracted conflicts in the area.

Pan-European cooperation under the Wider Europe Initiative aims to prevent and end conflicts and to promote cooperation and mutual understanding between the countries in the region, as well as with the EU and Russia.

Finland's relations with the partner countries of the Wider Europe Initiative are developing dynamically and Finland has the potential to make a positive contribution to the region's development. The use of Finnish expertise will both strengthen Finland's relations with actors in the partner countries and ensure Finnish added value in promoting the region's development.

The Wider Europe Initiative consists of cooperation programmes that cover the entire region and programmes that have been designed specifically for each of the three sub-regions. These will promote regional cooperation. The regional impact of the projects will also be taken into account in the national programmes.

Finland's bilateral contribution to the region's development corresponds with the objectives and measures of European Union. The Wider Europe Initiative comple-



A group of children obtaining clean water in Kyrgyzstan. Photo: Ari Mäkelä

ments the European Neighbourhood Policy and the strategic objectives of its Eastern Partnership, particularly in sectors in which Finland has special expertise and strengths. The themes of the framework programme are also consistent with the priorities of the EU's Central

Asia Strategy. The EU's project activities in the region are funded through the European Neighbourhood Partnership Instrument (ENPI) and the Instrument for Development Co-operation (DCI), which are administered by the Commission.

FLAGSHIP PROJECTS

At the heart of the programme are flagship projects that cover the Wider Europe Initiative's five themes and correspond with the priority areas.

1. Security: to promote and strengthen security, a cluster of research institutes in the field of foreign and security policy has been established. The aim is to set up a multi-year research programme in the target region of the initiative. Cooperation with the Organisation for Security and Co-operation in Europe (OSCE) will also be continued.

2. Trade and Development: Aid for Trade (Eastern Europe and the South Caucasus) and Trade for Development (Central Asia) programmes have been created in cooperation with the United Nations Development Programme UNDP and the Trade and Development Working Group of the Ministry for Foreign Affairs. The plan is based on Finland's Aid for Trade Action Plan. The global economic crisis and its effect on the economy and living conditions of partner countries underscore the importance of assistance and the rapid commencement of this project.

3. Information society development: A project to develop the region's telecommunication links and in particular the capacity of the telecommunication sector will

be launched with the European Bank for Reconstruction and Development (EBRD). This project will cover the countries of the South Caucasus and Eastern Europe.

4. Energy and the environment: A framework agreement will be concluded with the Finnish Environment Institute (SYKE) to contribute to strategically important initiatives in the water sector. One of these is the European Union's Water Initiative (EUWI) in the South Caucasus and Central Asia. Another flagship project will aim at significantly increased support for Environment and Security Initiative ENVSEC. This coalition of the United Nations Environment Programme UNEP, United Nations Economic Commission for Europe UNECE, UNDP, OSCE, REC (Regional Environmental Centre for Central and Eastern Europe) and NATO (observer) manages projects under the environment and security theme in the initiative's target region.

5. Social sustainability: The World Bank's support programme for the judicial sector is being planned as a flagship project. The programme aims to promote best practices in the target countries through cooperation and networking at the national as well as the regional level in order to enhance the transparency, capacity and accountability of the judicial sector.

DEVELOPMENT PROSPECTS OF PARTNER COUNTRIES



Collecting fish samples in Ukraine. Photo: Ari Mäkelä

Eastern Europe (Moldova, Ukraine, Belarus)

The situation in the Eastern European countries of Ukraine, Moldova and Belarus varies considerably. Ukraine and Moldova have existing country-specific European Neighbourhood Policy Action Plans dating back to 2005. Belarus has been offered the opportunity to

become part of the Neighbourhood Policy once it makes sufficient progress on the issues of human rights and developing the rule of law and democracy. Moldova and Ukraine have set themselves a clear objective of convergence with the European Union. After a long period of isolation, Belarus has shown nascent interest in improving relations with the West, and as of spring 2009, it will be possible to support the country's development

through EU policies under the new Eastern Partnership of the European Neighbourhood Policy.

Finland's activities in the region have focused on issues relating to security, trade and development, energy and environmental cooperation, and social sustainability. Problems typical of the Eastern European countries include the underdeveloped nature of the public sector and the slow pace of development in the rule of law and democracy, as well as challenges in developing good governance. The infrastructure, which dates back to Soviet times, is crumbling and the region has serious environmental, energy and natural resources problems.

Ukraine (population 46,2 million) is the most developed of the countries in the region; its economic growth has been rapid and World Trade Organisation (WTO) membership improves the predictability and growth potential of the country's economy. The impact of the global economic crisis has, however, weakened economic development considerably, as has the weakness of the country's public sector, which is typical of transition economies. The country's political instability creates an air of unpredictability over its economic prospects. Ukraine's position as a transit country for Russian energy and disputes over energy payments have also impacted strongly on the EU's energy security. With respect to the Eastern European countries, Finland's bilateral relations and cooperation with Ukraine are the most advanced.

Belarus (population 9,7 million) is cautiously opening up to the West after a long period of isolation. Finland aims to contribute to the development of democracy and the rule of law in Belarus and to support the dialogue,

initiated in autumn 2008, between the EU and Belarus. Relations between the EU and Belarus are improving as Belarus is taking steps towards implementing democratic and human rights values, which are shared by the Community, although the country still has major shortcomings in ensuring fundamental rights. Belarus is highly dependent on Russian energy and is striving to diversify its energy production. There are considerable problems in the environmental sector, such as nutrient deposits from rivers into the Baltic Sea.

Moldova (population 4,1 million) is Europe's poorest country and the development of its economy and the rule of law are still fragile. The country is following the path led by Ukraine in terms of the European Neighbourhood Policy and European integration, although it has progressed more slowly in its reforms. Moldova's status as a channel for human trafficking and the problems more broadly linked to migration management are felt in Finland and elsewhere in the EU area. In terms of security, the frozen conflict in Transnistria raises tensions throughout the entire area.

The aim of the **Wider Europe Initiative** in Eastern Europe is to contribute to stability, security and socially sustainable development. Environmental, water and climate issues play a key role with respect to ecologically sustainable development. Finland is well qualified to participate in cooperation to develop energy efficiency and renewable energy in particular. Developing the private sector operating environment and improving infrastructure are also important for the aim of promoting economically sustainable development.



Partners countries' financial growth and capacity to trade are promoted by supporting small-scale entrepreneurs. Photo: Karri Eloheimo

South Caucasus (Armenia, Azerbaijan and Georgia)

The importance of the South Caucasus to Europe is growing, as the latest European Union enlargement has brought the region and its challenges closer to Europe. European Neighbourhood Policy Action Plans were concluded with the countries of the South Caucasus in 2006. The region's importance is increased by the major energy transmission routes from the Caspian Sea to Europe which run through the South Caucasus.

The countries of the South Caucasus have drawn closer to Europe at their own pace. The countries have focused their efforts on economic reforms. Rapid economic growth has slowed as a result of the global economic crisis, the effect of which has to date been the most serious

in Armenia. The countries suffer from problems typical of transition economies, including poverty, regional inequality, an underdeveloped public sector, environmental problems, human rights problems and challenges to the development of democracy. Reforms required by the European Neighbourhood Policy include the strengthening of the operational scope of the media, NGOs and the opposition.

There are protracted conflicts within the region of the South Caucasus: the Nagorno-Karabakh conflict causes tensions between Armenia and Azerbaijan. Georgia's development is hampered by long-standing conflicts in Abkhazia and South Ossetia, the latter of which erupted into a war between Georgia and Russia in August 2008. As a result of the conflicts, there are many internally displaced persons living in the region. The conflicts have also hampered the overall security, notably in the conflict areas and their close vicinity.

Development in **Armenia** (population 3,1 million) has been hindered by the lack of energy routes through the country due to the Nagorno-Karabakh conflict, and the closed border with Turkey. Investments in the construction sector and industry have boosted economic growth, but poverty is still extensive, especially in rural areas. Armenia has ambitious plans to develop its ICT sector and is in the process of modernising its energy production network. Armenia's economy has, in the past, received considerable assistance from the diaspora living in the West. This aid has now decreased as a result of the crisis in the world economy.

Azerbaijan (population 8,7 million) is the most prosperous of the countries in the region because of its oil and gas reserves and its position as a transit country for energy in the Caspian Sea region. The internal political situation is stable, although political reforms have progressed slowly. Azerbaijan is actively developing its ICT sector, which is predicted to become, along with its energy sector, another economic pillar in the near future.

Georgia (population 4,6 million) does not have its own oil and gas reserves but energy is transmitted through the country to Europe. Georgia has made good progress in its economic reforms, although social and economic inequality continues to be a problem. The repercussions of the conflicts in South Ossetia and Abkhazia will be felt for a long time. The challenges include not only the global economic crisis but also the maintenance of domestic political stability, the continuation of economic and social reforms, the post-war recovery and the settling of internally displaced persons.

Through the **Wider Europe Initiative**, Finland aims to respond to the development needs in the South Caucasus region and to strengthen its bilateral relations with the countries in the region. The focus will be on security and sustainable development. The main regional themes for the South Caucasus are information society development, scientific and technological cooperation and trade and development. Since the regional conflicts pose a challenge for regional inter-governmental cooperation, international actors and NGOs will be approached as cooperation partners at the initial stage. Cooperation on research into security and development will be promoted.

Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan)

Central Asia's significant reserves of energy and other raw materials and the region's strategic location have increased international interest in the region. As a result of the enlargement of the European Union, the Central Asian states, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, have become closer to Europe. The geopolitical situation in Central Asia is challenging: drug routes run from Afghanistan through Central Asia to Russia and Europe, and the unpredictability of the situation in Afghanistan and the neighbouring states causes concern about a build-up of extremist Islamic movements in the region. Central Asia is becoming an increasingly important area in terms of border security and international cooperation between border officials.

Problems that are common to these Central Asian countries include an underdeveloped public sector and civil society, as well as inadequate development of the rule of law and democracy. The region also has ethnic tension, frontier disputes and serious environmental, energy and natural resources problems. The willingness of Central Asian countries to engage in mutual cooperation is often weakened by controversies between the countries. The management of cross-border water reserves, for example, causes disputes in the region. In some countries, women's status is weak and insecure. The global economic crisis particularly undermines the situation of the poorest countries.

In Kazakhstan and Turkmenistan, the economy has benefited over recent years from the high world market prices for the countries' supply of raw materials. Uzbekistan has also profited from supplying raw materials. The countries are now suffering from the collapse of world market caused by the international economic crisis. However, because of their oil and gas reserves, Kazakhstan, Turkmenistan and Uzbekistan will be able to recover from the recession more easily than their poorer neighbouring countries. Kyrgyzstan and Tajikistan are among the poorest Central Asian states, and remittances from migrant workers make up from 20% to 50% of the countries' GDP. The loss of jobs as a result of the economic crisis has started to drive migrant workers back to their home countries, where the loss of revenues creates significant pressures on society.

Kazakhstan (population 15,7 million) is the most prosperous and stable state in Central Asia and is the region's engine of economic development. Its aim is to be among the world's 50 most competitive countries. The steep fall



Monitoring the condition of water in Kyrgyzstan. Photo: Ari Mäkelä

in the price of oil as a result of the international economic crisis has, however, weakened the country's economy and financial market. In addition to the oil and gas sector, metallurgy and metal industry together with food industry and agriculture occupy a central role in the economy. The undiversified economy based on oil exports is a major challenge for Kazakhstan, and the goal of the country's industrial policy is to diversify production. The environmental problems in the Aral Sea region are very considerable.

Kyrgyzstan (population 5,2 million) has made faster progress in democratic development than its neighbouring countries. However, the political situation is not stable and development is in danger of being reversed. Alongside Tajikistan, it is one of the poorest states in Central Asia. Kyrgyzstan is at present the only Central Asian country that is a member of the WTO, although it has not been able to fully capitalise on its membership. The economic and investment

climate is weak. Kyrgyzstan has water resources in addition to mineral reserves. Long standing disputes exist with respect to the use of water resources and energy needs.

The difficult terrain of **Tajikistan's** (population 7,3 million) long border with Afghanistan makes it virtually impossible to control. Hence, the poor security situation of Afghanistan also makes itself felt in Tajikistan, and opens the way for extensive trafficking in drugs. The impact of the international financial crisis is affecting the economic situation of the entire country, as well as more than one million Tajikistan migrant workers who work in Russia and Kazakhstan. The position and livelihood of women and children is weak due to migration, especially in rural areas. Agriculture has concentrated on growing cotton. As a country upstream of the Amu Darya river, Tajikistan has the potential to exploit hydroelectric power. Current production of electricity is not sufficient to cover the energy requirement, but the use of water resources for crop production in neighbouring countries creates regional tensions, similar to those in Kyrgyzstan.

Turkmenistan (population 5,2 million) has some of the world's largest natural gas reserves. The country's oil reserves are significant as well. In spite of generous subsidies for basic commodities, poverty is extensive, especially in rural areas. The investment climate is difficult because of the country's isolation, weak governance and legislation. Social development and reforms to the health and education sectors play a key role in the development of civil society. Turkmenistan, which has strongly protected its status as a neutral country, only started establishing contacts to the international community and strengthening its relationship with the EU and its member countries in 2007.

Uzbekistan (population 27,2 million) has oil and gas as well as mineral reserves. The world's fourth largest gold deposits are to be found in Uzbekistan. The adherence to a policy of extensive cultivation of cotton and wheat means the country's economy has not been diversified. Challenges in the environmental sector include, in particular, the problems in the Aral Sea region and the insufficient water resources for crop irrigation. The centrally planned economy, strict economic regulation and outdated technology in industry restrain economic performance. The banking sector is underdeveloped. Isolation from the international community and its values hinders social development. However, the relationship between Uzbekistan and Europe is expected to gradually improve and some reforms promoting the rule of law have been implemented in the country, which point to a willingness to open up to the international community. Poverty is extensive, especially in the highly populated Fergana Valley region, and the atmosphere is permissive for the growth of extremist Islamic movements.

The aim of the **Wider Europe Initiative** in Central Asia is to promote activities that support regional cooperation on energy and the environment, security and development. Projects supporting trade will be funded to achieve trade policies and cooperation solutions based on non-discrimination. Central Asia has major, and partially regional, environmental problems. The comprehensive management of water resources is one of the most important regional issues and efforts to find solutions will be supported through strategic cooperation in the water sector. Social development will be strengthened especially through projects supporting the development of the rule of law in the region.

WIDER EUROPE INITIATIVE: IMPLEMENTATION PLAN (JUNE 2009)

Programme, project by theme	Country/region	Objective	Time	Budget, EUR	Cooperation partner
1. Security					
Research on security and development	Central Asia, South Caucasus, Eastern Europe	Security and development research projects, cooperation and networking	2009 – 2013	2,500,000	Finnish and local research institutes
Security and social sustainability projects	Central Asia, South Caucasus, Eastern Europe	Promotion of security, stability and social sustainability	2009 – 2013	5,000,000	Organization for Security and Co-operation in Europe (OSCE)
Conflict prevention in the Crimea region	Ukraine	Promotion of regional stability	2009 – 2013	1,200,000	Centre for European Policy Studies (CEPS), Finnish research institutes
2. Trade and development					
Development cooperation supporting trade	Central Asia, South Caucasus, Eastern Europe	Developing trade procedures and promoting the capacity to trade	2009 – 2013	5,900,000	United Nations Development Programme, UNDP
Private sector support programme	Central Asia, South Caucasus	Development of a favourable business environment, corporate management support, micro finance, etc.	2009 – 2013	4,200,000	International Finance Corporation (IFC)
Improving food security	Kyrgyzstan	Increasing fish production, reducing poverty, improving living conditions and livelihoods	2009 – 2012	1,760,000	United Nations Food and Agriculture Organization (FAO)



Programme, project by theme	Country/region	Objective	Time	Budget, EUR	Cooperation partner
3. Information society development					
Capacity-building of communications links	South Caucasus, Eastern Europe	Developing communication links within a legislative framework	2009 – 2013	2,250,000	European Bank for Reconstruction and Development (EBRD)
Developing a communications network in remote areas	South Caucasus	Improving the technical infrastructure of the telecommunications network	2009 – 2013	3,000,000	EBRD
4. Energy and the environment					
The Environment and Security Initiative (ENVSEC)	Central Asia, South Caucasus, Eastern Europe	Promoting the sustainable development of the environment and regional stability	2009 – 2013	9,100,000	United Nations Environment Programme (UNEP) and the organisations of the Environment and Security Initiative (ENVSEC)
Cooperation in the water sector	Central Asia, South Caucasus	Developing the comprehensive use and management of water resources	2009 – 2013	5,000,000	Finnish Environment Institute (SYKE)
Cooperation in the geological sector	Central Asia	Enhancing the capacity of the geological sector	2009 – 2012	3,100,000	Geological Survey of Finland (GTK)
Developing national power supply systems	Georgia, Azerbaijan, Eastern Europe	Connecting power supply systems to the European main grid and jointly used system	2009 – 2013	2,750,000	EBRD
Cooperation in the meteorological sector (institutional cooperation)	Central Asia	Developing the observation and weather service operations of meteorological service agencies	2009 – 2011	500,000	Finnish Meteorological Institute



Programme, project by theme	Country/region	Objective	Time	Budget, EUR	Cooperation partner
5. Social sustainability					
Judicial sector support programme	Central Asia	Developing the transparency and capacity of the judicial sector	2009 – 2013	3,400,000	World Bank
Statistics cooperation project (institutional cooperation)	Kyrgyzstan	Developing and enhancing the capacity of statistics systems	2009 – 2011	400,000	Statistics Finland
Projects funded with appropriations for local cooperation	Central Asia, South Caucasus, Eastern Europe	Including the promotion of good governance, strengthening civil society	2009 – 2013	6,000,000	Local NGOs and other actors
Others					
Participating in multi-donor funds	Central Asia, South Caucasus, Eastern Europe	The promotion of economically, socially and ecologically sustainable development	2009 – 2013	8,700,000	E.g., EBRD, the Neighbourhood Investment Facility (NIF), the Nordic Dimension Environmental Partnership (NDEP), the Nordic Dimension Partnership in Public Health and Social Well-being (NDPHS)

Ministry for Foreign Affairs
Department for Russia,
Eastern Europe and Central Asia
Laivastokatu 22
Merikasarmi G
00023 Government, Finland
ITA-20@formin.fi
<http://formin.finland.fi>



**MINISTRY FOR FOREIGN
AFFAIRS OF FINLAND**