

The Donbas-Region of Ukraine: Promoting Connectivity and Economic and Environmental Cooperation for Regional Security

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The Conflict in Eastern Ukraine

- **February 2014**
 - Start of anti-Yanukovich riots, after UKR government fails to sign a trade deal with the EU
 - Yanukovich flees to RUS
 - RUS annexes the Crimean Peninsula
- **May 2014**
 - The Donetsk and Luhansk “People’s Republics” declare independence
- **July 2014**
 - Malaysia Airlines Flight MH17 is shot down in Eastern Ukraine
- **September 2014**
 - Ukraine, Russia and the Organisation for Security and Cooperation in Europe (OSCE) sign a peace deal, the “**Minsk Agreements**” and the “**Minsk Memorandum**” in Minsk, Belarus
- **February 2015**
 - Signing of the „**Package of Measures for the Implementation of the Minsk Agreements**“ as a roadmap for the implementation of agreements and memorandum
- **May 2015**
 - Official formation of the four Working Groups on Security, Politics, Humanitarian Issues and Economical Rehabilitation within the OSCE-Trilateral Contact Group

§ 8 of the Package of Measures for the Implementation of the Minsk Agreements

§8

Definition of modalities of **full resumption of socio-economic ties**, including social transfers such as pension payments and other payments (incomes and revenues, timely payments of all utility bills, reinstating taxation within the legal framework of Ukraine).

To this end, Ukraine shall reinstate control of the segment of its banking system in the conflict-affected areas and possibly an international mechanism to facilitate such transfers shall be established.

→ **tasked to the WG Economic Rehabilitation**

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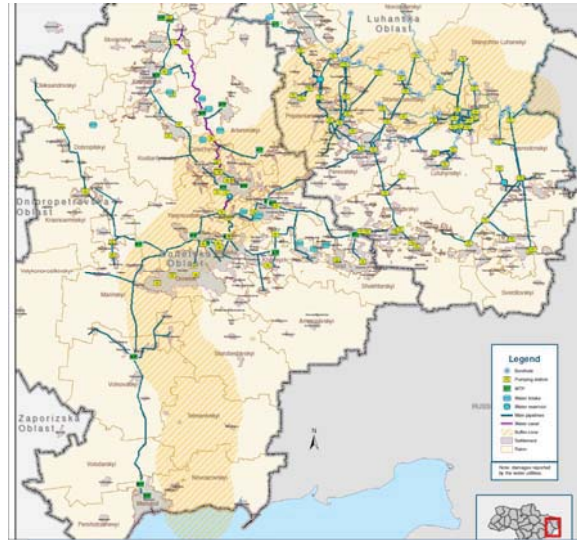
The Working Group on Economic Rehabilitation

Topics over the last 24 months (i.a):

- Water Supply
- Railway Traffic
- Coal Trade
- Pensions and Social Services
- Electrical Grids
- Ecological Threats

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Water: Interconnectedness



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Water/Karbonyt: a (little) success story

- Two water systems in GCA/NGCA: Karbonyt (Luhansk) and VodaDonbassa (Donezk)
- Both systems serve consumers on both sides of the Line of Contact (LoC)
- Major obstacles: constant shelling and resulting damages on infrastructure, and the lack of reliable cross-LoC payment mechanisms

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Water: Karbonyt

- Water supplier Popasnianskiy VodoKanal (PVK) on government-controlled area (GCA), supplying water to both sides of the LoC but 90% to NGCA.
- **March 2016:** Luhansk Voda (NGCA) founded Dzherelo Novovo Zhittya (DNZ) as a subsidiary working under Ukrainian jurisdiction on NGCA.
- Discussion about tariffs, water volumes, installation of water meters and methods of payment were discussed in the WG Economics

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Water: Karbonyt

- **18. August 2016:** Signing of the Bilateral Water Supply Contract between PVK and DNZ
- **26. August 2016:** Signing of the Supplementary Contract about locations and access to water meters
- The contract settles all questions about the water supply and payments from August 2016 but does not include the payment arrears from the time before.

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Water: Karbonyt

- Obstacles of payments per bank transfer:
 - Accounts of PVK often frozen due to unpaid bills to electricity supplier LEO
 - First non cash transfers were made using a barter mechanism with coal. This was made impossible by the “temporary measures” in March
- **End of June 2017:** First transfer in cash (UAH) at mutually agreed point of transfer.
- **Since mid-July 2017,** all debts accumulated since August 2016 are paid. All further monthly payments in cash (UAH) are for current supply.

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Water: VodaDonbassa (VD)

- VD remains one of the very few companies still working under Ukr. jurisdiction, serving GCA/NGCA with headquarter in Donetsk
- critical infrastructure mainly in the Grey Zone
→ requires safety zones to repair sites damaged by shelling
- Working Group is in close contact with SMM and VD to implement safety zones in order to secure water supply to both sides

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Water: VodaDonbassa (VD)

- VD has huge debts towards DTEK ,
→ Need for stabilization of financial/economical situation of VD
- Working Group called on both sides to make proposals for strengthening VD's financial situation
- Very close cooperation with UNICEF WASH Cluster

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Railway and Coal

- Preservation of Ukr. railway company „UkrSalisnyzja“ on both sides of LoC with conditions:
 - Take-over of employees
 - Return of waggons to GCA
 - Inventory and clarification of property questions
- Transport of coal from NGCA to GCA. Coal was also used as a „currency“ to pay for some goods/services where no payment mechanism was in place

→ relatively successful until the „temporary measures“ of March 2017 took place, now suspended

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Pensions and Social Services

- Ukrainian pensioners living on NGCA are in general entitled to receive their pensions or welfare
- **Obstacle:** pensioners living on NGCA need to register as IDP in GCA and need to collect their pension on GCA (requires frequent crossing of LoC)
- **Facilitated by WG Economics:** Installation of mobile banking units
- **In the process of negotiations right now:** Further facilitations to ensure old/immobile people access to their pensions/welfare. Proposals include shuttle services, administration centers on NGCA and banking cards, but no consensus yet.

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Electrical Grids

- **September 2015:** Agreement on restoration and relaunch of 13 electrical grids crossing the LoC was decided
 - **4 lines were restored and could be launched without delay.**
 - **Obstacle 1:** requires amendment of Ukrainian law (Resolution 263 of the Cabinet of Ministers of Ukraine “About features of relations management in the field of power industry in the territory where public authorities temporarily do not perform or perform in full the powers”)
 - **Obstacle 2:** Choice of Ukrainian enterprise to manage electricity supplies to NGCA.
 - **Obstacle 3:** continued damage due to permanent shelling
- **Next steps:** amendment of Res. 263 and a meeting of the UKR and RUS ministers of energy.

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Ecological Threats

- New topic, demanded by all sides with presumably different agendas
- Ecological threats include i.a. flooded coalmines and leaking chemicals due to shelling, lack of resources for repair works and missing safety zones/guarantees for repair works, among other conflict related threats.
- Joint proposal for a roadmap in cooperation with the OSCE-AUT-presidency was handed out to group.
- **Goal:** Launch of international expert group with experts from UKR, RUS and NGCA, as well as support and supervision by international experts from different fields.

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What can the OSCE do?

- **Interconnectedness between Working Groups:** Security and Political issues influence the work of the WG Economics.
- **Support in security questions:** establishment of safety zones and guarantees, support by the Special Monitoring Mission (SMM), protection of critical infrastructure, negotiation of ceasefires for repair works
- **Close coordination in ecological questions:** Joint paper for next steps, close collaboration within the expert group.
- **Support by Amb. Sajdik and the TCG** in all questions that require higher authorization than provided by the members of our Working Group.
- **Continuation** of the fruitful and supportive cooperation between the Working Groups, the TCG board and the Normandy-4-partners.

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Thank you for your time!