

Information on the meeting of the Working group on Economic cooperation

The 1st meeting of the WG on economic cooperation under the Russian chairmanship was held on 27 February, 1996. The main item of the agenda included the review of the situation with the priority projects approved by the 3rd Ministerial meeting of the Barents Euro-Arctic Council as well as specific measures taken by the Working group to implement these goals.

After the Working group under the Finnish chairmanship made an excellent job of sorting out the investment projects, the essence of the next stage is to secure the financing from the countries-donors and International financial organisations as well as the inflow of private direct investments for 15 projects in transport, communications, energy etc. However we also proceed from the understanding that it will be counterproductive to reject other perspective and economically feasible projects of the investment co-operation.

Giving brief account of what was done during January-February this year it should be mentioned the following.

The Minister of Foreign Affairs of the Russian Federation E.Primakov has sent a letter to the EC member of the Commission Mr.H. van den Broek with proposals:

1. to partially use funds allocated within the TACIS Programme for accelerating the implementation of the BEAC projects;

2. to envisage financing the projects under the INTERREG-II Programme

3. to continue the treatment of the North – West of Russia as a region of special attention of the TACIS Programme for 1996.

According to the feedback from EC there is possibility to use some funds under the Barents – INTERREG to benefit the Russian regions of Barents Council. During March – April this year we are going to have discussions on this issue in Brussels.

As a follow – up of the WG meeting in Helsinki December 1995 we have approached the Russian directors in IBRD and EBRD to take necessary steps to secure the assistance of those banks in financing the Barents priority projects. As far as the World Bank is concerned it deals mainly with the large sectorial programmes, but it could examine the possibility of funding two or three projects for the enterprises with a big share of the state participation.

In February of this year we forwarded through the EBRD office in Moscow the information on the abovementioned Barents priority projects. We are planning to have a working meeting in the EBRD headquarters in London on these issues in March – April this year. As a preliminary but

essential measure we have had recently consultations with the EBRD Moscow office and the TACIS representatives.

Special attention is paid to the process of bringing the projects documentation to the standards of the IFOs. This is done with the active participation of the administrations of the Russian regions—members of the Barents Council and the enterprises involved in specific projects.

Generally, the important component of the investment project promotion is considered to be close and direct interaction with the representatives of the enterprises and companies, which are lobbying the projects. There is the understanding that the real situation dictates the necessity not to rely solely on external funds but to seek the internal financing. For instance, according to the information from representative of the Zvezdochka Shipyard in Severodvinsk the arrangements have been done to provide the partial investment by their own resources.

As a result of the discussions during the WG meeting the consensus was reached that all the members of Barents Council should coordinate more closely their actions regarding cooperation with IFOs and it was agreed to exchange the information on the steps taken individually by the member—countries to facilitate the joint efforts to speed up realising the projects.

The WG always believed that it is very important to involve the NIB into investing in the Barents priority projects. Nowadays the Framework

Agreement between the Russian Government and the NIB on financial cooperation is being negotiated by the respective parties. Without any doubt this agreement will give an additional impetus to the whole process of cooperation in the region.

The Working group discussed also the programme of the forthcoming events to solicit the progress in the Barents cooperation. Most important among them is destined to be the meeting of ministers of economy of the countries – members of the Barents Council scheduled for the 31st of May this year in Murmansk. The preparations and necessary arrangements for it are underway. The consent of the Russian Minister of Economy is obtained. In the nearest future as soon as the Government approves it the formal invitations are to be sent.

At the request of the Regional Council the WG has taken up the matter of the meeting of Ministers of transport and communication. Provisionally it is planned for September in Arkhangelsk.

The next item of the agenda of the WG was the information of the Chairman of the Working group on economic and industrial development of the Regional Council, Mr.K.Storvik. The problems of the economic cooperation were outlined in the paper prepared by the Regional Council's WG. It is of special interest to note the view points of the business sector and representatives of the regions for coordinating the activities of both working groups.

Taking into consideration the proposals of our foreign partners, the Russian regional authorities, the concerns of the business community regarding legal, tax, customs and other related issues and on the basis of the practical experience of the project implementation in Russia we have worked out the detailed plan of specific measures to realise the priority projects. Briefly, it covers such vital areas as:

1. Partial financing from the budget;
2. Preparation of documentation for tenders and practical realisation of tenders;
3. Interaction with the organisations within the framework of the Nordic Council cooperation;
4. Development of infrastructure, including border crossing.
5. Issues of financial and insurance services for foreign economic activity, including guarantees for private direct investments.
6. Setting up of consultative and information facilities for potential investors and companies dealing with foreign trade.