



16.12.2014

MINUTES OF THE MEETING OF THE BEAC AD HOC WORKING GROUP ON FINANCIAL MECHANISM STUDY

DATE: 18.11.2014, 10.30–16.30

LOCATION: Ministry for Foreign Affairs of Finland, Helsinki

1. Opening of the meeting and adoption of the agenda

Chair Birgit Autere welcomed the new member of the BEAC Ad Hoc Working Group on Financial Mechanism Study (AHWG): Ekaterina Romanchuk from the Russian Ministry of Finance.

Decision:

Chair stated that the minutes of the previous meeting on 9 September, 2014 have been approved and sent to the members of the AHWG as well as to the BEAC Committee of Senior Officials. The meeting agenda was approved without any changes.

2. Midterm report

The draft midterm report was distributed to the members of the AHWG for comments on 28 October. Since the report is process-oriented, it will not yet include conclusions, recommendations or indications in any direction from the working group.

Decision:

-The report's section 6 on the European Union will be completed after the meeting. The completed midterm report will be sent to the members of the AHWG for comments and approval by the end of November.

-The finalized and approved midterm report will be presented to the BEAC Committee of Senior Officials on December 17 in Rovaniemi.

3. Next steps: meeting schedule and organizations to be heard in 2015

-According to the Chair's proposal, the next meeting will be held on 27 January, 2015 in Helsinki. The meeting will be devoted to the civil society representatives.

-In order to get a comprehensive overview of the civil society actors' cross-border project financing, the AHWG will both hear representatives of few umbrella organizations and launch a web survey at the website of the International Barents Secretariat. The Chair will make a proposition to the AHWG on the umbrella organizations to be heard and after the AHWG's approval the work will proceed accordingly.

-After January's meeting the drafting process of the final report will commence. One or two drafting meetings will be organized during the spring of 2015. The concrete timetable will be decided on in January's meeting.

-The Ad Hoc Group will submit its final report including recommendations to the Barents Euro-Arctic Council Committee of Senior Officials by September 2015.

-Norway has made a proposal to include a socio-economic assessment and a policy objectives review to the final report. As for the socio-economic assessment, there is no precise data available that could be utilized as such. The challenge is to find comparable data on all the four Barents countries. The Chair reminded that due to the time frame and the limited resources, the AHWG has to keep the original, narrow focus. The existing data and its potential use will be investigated.

-With regards to the policy objectives review, the political framework for Barents cooperation is defined by the Barents Euro-Arctic Council on a ministerial level. Ambassador Vuorenpää stated that the policy objectives were established when BEAC was established in 1993. The previous Prime Minister summit in Kirkenes in June 2013 gave guidelines for the future, but the basic objectives of Barents cooperation remained the same as they were defined in 1993. The task of the AHWG is not to redefine these policy objectives.

The Secretariat of the BEAC Expert Group had a chance to meet with the Norwegian Barents Secretariat during the European Border Dialogues Forum that was held in Kirkenes and Nikel on 6-7 November. The Norwegian Barents Secretariat welcomed the work of the BEAC Ad Hoc Group on Financial Mechanism Study. According to the Norwegian Secretariat, harmonizing Kolarctic CBC contributions with the Norwegian Barents Secretariat grants is a challenge for the future.

Decision:

The information that the Secretariat of the BEAC Expert Group collected in Kirkenes will be utilized for the final report.

4. Other EU Programmes: Zuzanna Bieniuk, Marko Mäntylä (European Union External Action Service) and Nathalie Thiberge (DG DEVCO)

The EU representatives gave an overview of EU funding instruments¹ under the new EU financing period 2014–20 which have relevance to the Barents Euro-Arctic region and the work of BEAC.

In view of the BEAC financial mechanism study, the most relevant EU funded programmes are the transnational and cross-border cooperation programmes which focus geographically on the Barents Euro-Arctic region or parts of it (**Karelia and Kolarctic CBC, INTERREG North and Baltic Sea Programmes, Northern Periphery and Arctic Programme**). These programmes are particularly important for regional cooperation since they support international cooperation projects between participants from two or more BEAC members.

The EU has various financing instruments supporting its external action². **The European Neighbourhood Instrument (ENI)**³ provides funding for regional and cross-border cooperation, including in the Barents region through support for the Northern Dimension and cross-border cooperation programmes⁴. **The**

¹ http://ec.europa.eu/contracts_grants/index_en.htm

² http://www.enpi-info.eu/library/sites/default/files/attachments/MEMO-13-1134_EN.pdf

³ http://eeas.europa.eu/enp/how-is-it-financed/index_en.htm

⁴ http://eeas.europa.eu/enp/documents/financing-the-enp/index_en.htm

Partnership Instrument (PI) is a global instrument supporting EU external action which includes support to Arctic cooperation and cooperation with Russia⁵.

There are various thematic EU programmes and instruments supporting EU sectoral policies in themes relevant to BEAC priorities. These programmes include: **Connecting Europe Facility** (energy, transport and ICT), **Life Programme** (environment and climate action), **Erasmus+** (education, training, youth and sport), **Creative Europe** (culture and media), **Horizon 2020** (research and innovation), **Third Health Programme** (health and social well-being), **COSME** (EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (SMEs)) and **the EU Civil Protection Mechanism**.

These programmes focus on supporting particular EU policy objectives and mainly work on the basis of calls for proposals. Each programme has different sets of rules and criteria for geographical eligibility of applicants. The main focus is on EU Member States but project partners from the neighbouring countries can in many cases be involved as well. Norway and Iceland participate in a number of EU programmes through the EEA Agreement. Actors from the Barents region can thus participate in the programmes if they fulfil the eligibility criteria and contribute to the objectives of the programmes.

The EU Structural and Investment Funds (European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), European Agricultural Fund for Rural Development (EAFRD) and European Maritime & Fisheries Fund (EMFF)) are implemented through shared management by the EU Member States based on partnership agreements between the European Commission and individual EU countries establishing the priorities for the use of these funds. It depends primarily on the EU Member States involved in BEAC how much the use of these funds contributes to regional cooperation and priorities of Barents cooperation.

5. The Kolarctic CBC Programme, the Northern Periphery and Arctic Programme and the Interreg North Programme: Päivi Ekdahl (Regional Council of Lapland)

According to Ekdahl, **the Kolarctic CBC Programme** can be considered the most important financing instrument for cross-border development activities in the Barents region. During the ENPI CBC programme period 2007–2013 there were 48 development projects and three large-scale investment projects implemented with Kolarctic financing. The average size of a Kolarctic project is EUR 800 000 – 1 million.

The Kolarctic CBC Programme area for the years 2014–2020 covers the Barents region even more extensively than before. The Republic of Komi was accepted as an adjoining region and there will be more flexibility in the use of financing activities outside the programme core region. A maximum of 20% as a total of the programme financing may be used for eligible costs of lead partners or partners from the adjoining regions, from the major social, economic and cultural center or for additional flexibility. Ekdahl stated that this additional flexibility has to be targeted to activities supporting the Barents cooperation and other Euro-Arctic cooperation. Moreover, the Kolarctic Programme aims at constantly enhancing cooperation with the International Barents Secretariat as well as the Norwegian Barents Secretariat.

⁵ http://ec.europa.eu/dgs/fpi/what-we-do/partnership_instrument_en.htm

The four themes that were selected to the programme for 2014–2020 include 1) business and SME development; 2) environmental protection, climate change mitigation and adaptation; 3) improvement of accessibility to the regions, development of sustainable and climate-proof transport and communication networks and systems and 4) promotion of border management and border security, mobility and migration management. Also, promotion of local cross-border people-to-people cooperation and support to education, research, technological development and innovation will be applied as horizontal modalities, where relevant. Thus, coherence with the priorities of the Barents Working Groups and Arctic strategies of the participating countries was ensured. The financing gaps in the next programme include primarily health and social sector projects and small project financing (<200.000€).

Indicative total allocations for the Kolarctic CBC Programme for the programming period 2014–2020 are approximately EUR 49 million (incl. ENI, ERDF and national financing). Depending on the results of the midterm evaluation, there will potentially be additional EU financing allocated to the programme, amounting up to EUR 10 million (+ equal amount of national financing). Thus, the overall amount of financing will potentially reach EUR 70 million. Additionally, project partners will allocate a minimum of 10% share of the total budget to the projects.

According to Ekdahl, during the 2007–2013 programme period, altogether 30% of the Kolarctic ENPI CBC programme budget was allocated to economic development projects and in the new programme there is pressure to allocate even more.

Interreg V A North is a programme between three countries; Finland, Sweden and Norway. Common challenges of the programme area include scarce population, demographic challenges (ageing of the population, movement of the young), social exclusion, cold climate, long distances from the markets and insufficient infrastructure. The Joint Managing Authority is the Administrative Board of Norrbotten in Luleå, Sweden. Finland's information point is situated in the Regional Council of Lapland, which is also responsible for the Finnish co-financing.

Financing for the programme period 2014–2020 consists of EU financing: EUR 42 million, national financing from Finland and Sweden: appr. EUR 25 million and Norwegian financing: appr. EUR 17 million.

Thus, the total financing for 2014–2020 is appr. EUR 85 million. 20% of the programme budget can be used for projects outside the programme area, e.g. in Russia. The main beneficiary still has to be the core programme area. Furthermore, all financed projects must bring clear added value to the border cooperation and the border regions. Ekdahl noted that during the previous programme, the possibility for Russian participation was not utilized to its full extent.

The thematic priorities for the programme period 2014–2020 are research and innovation, entrepreneurship, culture and environment and joint labour markets. The programme aims at enhancing cooperation between basic industries and SME's, improving energy and environmental techniques/cleantech and digital services, promoting cultural and creative industries as well as the traditional Sami livelihood. This programme has inherently been focused on "harder" priorities – business and high level research were priorities already in the previous programme.

The objectives in EU's territorial and external cooperation programmes are defined according to each participating country's capability to achieve these objectives on an equal footing. This means that there should not be too big a difference in the level of e.g. social and health care, housing or environmental

issues (whatever the development target of the project is). This is also the rationale for having a separate programme for Finland, Sweden and Norway and a separate programme covering Russia as well.

The Northern Periphery and Arctic programme (NPA) has a wide programme area covering Finland, Sweden, Norway, the United Kingdom (Scotland and Northern Ireland), the Faroe Islands, Iceland, Greenland. Despite geographical differences, the large programme area shares a number of common features: low population density, low accessibility, low economic diversity, abundant natural resources, severe weather conditions and high impact of climate change. The name change of the programme (previously the Northern Periphery) implies that the significance of the Arctic for the EU is growing.

Examples of tangible impacts achieved during the previous programme 2007–2013 include the improved access to healthcare services in remote rural areas, cost savings in public transportation, reduced environmental impact of salmon aquacultures, increased share of renewable energy generation, and creation of new jobs in the area of traditional crafts. In total 333 partners were involved in the 47 main projects all over the programme area. 30 projects were funded from the priority axis 1 (innovation, networks and competitiveness) and 17 projects from the priority axis 2 (sustainable development of natural and community resources).

Total funding for the programme period 2014–2020 is appr. EUR 72,5 million. The budget for main projects varies between EUR 250 000 and EUR 2 million. There has to be a minimum of three countries involved in the projects; only Fennoscandian, North-Atlantic or Great Britain-Ireland partnerships are not enough. Project period can be up to 36 months. Partners from North-West Russia and Canada's northern territories can participate with a maximum of 20 % share of the total project budget. The share of EU support varies between 50-65%; for companies the EU support can be a maximum of 50 % of the total project budget.

Financing is also issued for preparatory projects with a maximum budget of EUR 45 000. The share of EU funding can be up to 65% of the total budget of the preparatory project. The project period is 6 months and there has to be a minimum of two countries participating.

The priorities for the programme period 2014–2020 are promoting innovations, promoting entrepreneurship, fostering energy-secure communities through promotion of renewable energy and energy efficiency and protecting, promoting and developing cultural and natural heritage.

Ekdahl pointed out that synergy between various EU programmes is highly recommended by the European Commission. The Bodö process started from the need to enhance cooperation between the programmes implemented in the same area. EU programmes have similarities in themes and priorities. At the moment national and international projects are not being combined although there would be clear linkages. Clearly business and entrepreneurship is a strong focus in all the programmes (CBC, North and NPA), but softer goals, such as culture, traditions, health-related issues and social welfare are lacking from the "toolbox".

6. The Karelia CBC Programme: Marko Ruokangas (Council of Oulu Region)

The Karelia CBC Programme is a bilateral programme between Finland and Russia within the Barents region. The programme is built to support regional development programmes – in line with national strategies and political definitions. Multilateral projects are also allowed, but all projects have to benefit

the Karelia programme region. The programme area covers the regions of Kainuu, North Karelia and Oulu in Finland and the Republic of Karelia in Russia.

The basic principle of Karelia CBC programme financing is 50 % EU funding, FI and RU 25 % + 25 %. During 2007–2013 a total of EUR 42,4 million was contracted to 66 projects. The indicative allocation for the Karelia CBC programme for 2014–2020 is EUR 21.5 million EU allocation (ENI + ERDF) + national cofinancing + additional ERDF allocation EUR 10.3 million, which will be made available if matching budget from the ENI is available.

The thematic objectives defined for the next programme period are business and SME development, culture, environment and border management and security. As in all CBC programmes, Karelia CBC does not award operating grants for enterprises, but builds up preconditions to facilitate their work. The programme finances projects with clear objectives, not permanent structures. Health and social issues are not part of the new Karelia CBC programme. Actors in this field should be encouraged to cooperate with The Northern Dimension Partnership in Public Health and Social Well-being as well as the Barents Joint Working Group on Health and Social related issues.

According to Ruokangas, instead of setting up new structures, dialogue between different financing instruments and inter-regional initiatives is needed. Stakeholders should be encouraged to exchange their experiences and share the best practices. If the synergy between different programmes is being better utilized, there will be a possibility to build larger projects with a greater impact. Coordination between Barents working groups and CBC programmes is quite good (most of the Barents projects are financed from the Kolarctic CBC Programme), especially in the joint working groups which include representatives from both national and regional level. However, across the working group level there is room for better coordination and possibilities for joint projects.

7. The Interreg Baltic Sea Region Programme: Harry Ekestam (Ministry of Employment and the Economy)

The Interreg Baltic Sea Region Programme is not focused on the Barents area, but on the Baltic Sea region. The objective of the programme is to strengthen the integrated territorial development and cooperation for a more innovative, better accessible and sustainable Baltic Sea Region. To achieve this objective, transnational cooperation projects are implemented in the area. The programme area covers 11 states around the Baltic Sea: EU Member States: Denmark, Estonia, Finland, Latvia, Lithuania, Poland, Sweden and northern parts of Germany as well as Norway, Belarus and the North-Western Federal District of the Russian Federation. The Baltic Sea Region Programme's ERDF funding is also an essential tool in implementing the EU Strategy for the Baltic Sea Region.

The Baltic Sea Region Programme provides co-financing to projects from the total budget of EUR 248 million for EU partners, EUR 5.5 million for Norwegian partners and EUR 8,8 million for Russian and Belarusian partners. The funding rates are 75% for DE, DK, SE, FI; 85% for EE, LT, LV, PL (and RU, BY) and 50% for NO. The budget of a typical project is around EUR 2,6 million and the duration is approx. 36 months. The projects' targets should be relevant for the major part of the Baltic Sea Region. The outcomes typically include, for instance, action and development plans, cooperation models, feasibility studies, pilot investments or recommendations for policy makers and practitioners. The project partnerships are usually a mixture of public authorities, research organizations, specialized agencies, NGOs, and enterprises.

Co-financing for partners from Russia will become available only after the financing agreement between the European Commission and the government of the Russian Federation has been concluded. The implementation provisions will be laid down in this agreement as well. Also, the co-financing rates will be confirmed in the financing agreement.

Priorities for the Baltic Sea Region Programme for 2014–2020 include capacity for innovation, efficient management of natural resources, sustainable transport and institutional capacity for macro-regional cooperation. The first call for applications will be launched at the end of 2014, the first projects will start at the end of 2015 and the second call for applications will preliminarily be launched in autumn 2015. For the first call for applications, future applicants are invited to include cooperation partners from Russia, yet only as associated organizations. Participation of partners from Russia in the first call will have to be financed from other than the programme funds.

According to Ekestam, Russian participation in the programme could facilitate and increase the number of projects from the Barents area to receive financing from the Baltic Sea Region Programme. However, the outcomes of such a Barents project should bring value to the Baltic Sea Region area as well. It is recommended that such projects would also include at least one other Baltic Sea Region country.

The Chair noted that questions have been sent to the Joint Technical Secretariat of the Baltic Sea Region Programme concerning the European Union Strategy for the Baltic Sea Region **Seed Money Facility**. According to the response, the Barents region is to a large degree covered by the Seed Money Facility area and, therefore, partners from the Barents region (apart from Icelandic partners) are eligible to apply for funding. Actors in the Barents region are also, most likely, eligible to receive funding for the main projects resulting from seed money projects, depending on the funding instrument targeted.

It was concluded by the Chair that plenty of EU financing is channeled to the Barents and Arctic region. However, the various EU Funding Programmes are relatively fragmented and thus coordination and efficiency of financing could be enhanced.