

FINANCING OF BARENTS COOPERATION

The Final Report of the BEAC Ad Hoc Working Group on Financial Mechanism Study

10th Barents Industrial Partnership Meeting

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Background and Mandate

- The Declaration of the BEAC Summit 2013 welcomed the initiative by the Russian Federation to investigate the possibility of establishing a financial mechanism in the Barents region.
- The Barents Euro-Arctic Council decided at the XIV Session on 29 October 2013 in Tromsø, Norway to set up an Ad Hoc Expert Group to conduct an extensive study on the financing of Barents cooperation.
- According to the Mandate the assignment was to assess the financial needs, existing financial sources and financing gaps as well as to explore the possibility of establishing a financial mechanism in the Barents region.





Work Programme

- Nine expert group meetings held in 1.5 years
- Kick-off meeting launched in February 2014
- International Financial Institutions' roundtable talks in April 2014
- Regional Cooperation Structures (AC, CBSS and NCM) and Northern Dimension Partnerships heard in September 2014
- EU Funding Programmes gathered in November 2014
- Midterm Report presented in December 2014
- Civil society actors convened in January 2015
- Analysis and recommendations drafted in May – June 2015
- Final Report finalized in September 2015





Methodology

- Written contributions collected from the BEAC Member States on national financing, from European Union on EU financing
- Questionnaires sent to regional level actors i.e. Members of the Barents Regional Committee
- Questionnaires sent to Barents Working Groups i.e. BEAC, joint, regional and Working Group of Indigenous Peoples
- Round-table talks on IFIs' Barents financing
- Internet survey for civil society actors on Barents financing
- Oral briefings by Regional Cooperation Structures, Northern Dimension Partnerships, EU funding programmes and NGO representatives





Changing International Environment

- Unforeseen international events i.e. EU's restrictive measures in relation to Russia and closure of the Nordic Council of Ministers office in Russia complicated the work of the Ad Hoc Working Group. As a consequence, collected data needed to be analysed in a different light.
- The political circumstances since 2014 have had an impact on EU-Russia cooperation in many sectors and have blocked several of the previously available multilateral financing sources.
- Also the Russian NGO legislation has diminished the possibilities for project cooperation.





Key Findings – Main Financing Sources for Barents Cooperation

- The cooperation projects of the Barents Working Groups have been financed either from national financing sources or from the Nordic or EU Programmes.
- The most important sources for project financing during the past few years have been the Kolarctic and Karelia Cross-Border Cooperation Programmes as well as the Interreg EU Programmes.
- The Kolarctic CBC Programme 2014-2020 can support in CBC context activities related to business and SME development, transport and communication systems, ICT connections, creative industries, research and innovations, public-private partnerships, sustainable tourism industry etc.





Key Findings – BEAC Countries

All four Barents countries channel funding for financing multilateral cooperation projects in the Barents Region through different mechanisms.

- Norway has clearly the most extensive funds supporting projects in the region through various grant schemes and cooperation structures, though this cooperation is mainly bilateral between Norway and Russia.
- Finland has a national financing instrument supporting multilateral regional cooperation in the Arctic, Barents and Baltic Sea regions.
- The Swedish national funding is mainly focused on the Baltic Sea Region.
- Finland and Sweden contribute to Barents multilateral cooperation through various EU Programmes.
- Russia has no federal or regional budget line for Barents Cooperation, but Barents Cooperation can be financed on an ad hoc basis.



Key Findings – Regional Cooperation Structures

- The Project Support Facility (PSF) of the Council of the Baltic Sea States (CBSS) is considered a flexible funding instrument for regional cooperation. It provides seed money for regional projects in the Baltic Sea Region and beyond.
- Barents region has not benefitted from this PSF funding. Continuation of the facility is uncertain, despite the positive outcomes to date.
- It is premature to assess the functionality of the Project Support Instrument of the Arctic Council (PSI), since the instrument became fully operational only in 2014.
- The Nordic Council of Ministers' funding programmes had an important role in supporting the multilateral cooperation between the BEAC Member States and North-West Russia prior to March 2015.





Key Findings – International Financial Institutions

- International Financial Institutions and commercial banks have the necessary resources to provide financing for large-scale projects in the Barents Region.
- The challenge is to identify and develop bankable projects.
- Funds for technical assistance are essential to make projects bankable.
- In the Barents region there is a lack of projects matching IFIs' mandate. Several reasons, such as institutional restraints, insufficiency of business volume of companies, expertise and local municipalities' regulatory framework are partially causing the lack of sound bankable projects.
- NIB is launching an Arctic Financing Facility with a framework of up to EUR 500 million in loans for projects in the High North.





Key Findings – Northern Dimension Partnerships

- Out of four Northern Dimension partnerships the NDEP and NDPTL have established support funds to pool contributions from donors for project financing.
- The NDEP has been a good example of combining grant financing from interested countries with financing from International Financial Institutions and providing shared benefits for all contributing countries, in particular in the form of concrete environmental improvements of the Baltic Sea.
- NDEP model and experience could be utilised wider in the Barents in the future.





Key Findings – EU Funding

- Under the new EU Financing Period of 2014–2020, a multitude of EU funding programmes, relevant to the Barents Euro-Arctic Region and the work of the Barents Euro-Arctic Council, is available.
- The Kolarctic and the Karelia CBC Programmes, the Interreg North Programme, the Interreg Baltic Sea Region Programme and the Northern Periphery and Arctic Programme are of particular Barents relevance.
- Additionally, various thematic EU Programmes and Instruments support EU sectoral policies in themes relevant to BEAC priorities e.g. Connecting Europe Facility, Creative Europe, COSME, Erasmus+, Horizon 2020, 3rd Health programme and Life Programme.
- The EU Structural and Investment Funds contribute on their part to regional cooperation and priorities of Barents cooperation.
- The potential of thematic EU Programmes and Instruments as well as the EU Structural and Investment Funds is not fully utilized in the Barents region.





Challenges of the EU Funding

- The scope of the priority areas of the EU Programmes for 2014–2020 was narrowed down to address the most important regional challenges.
- As a result, in pursuit of greater impact, EU Programmes are compelled to be more thematically focused, which may result in some essential themes, like health, culture and social welfare, not being prioritised.
- Most EU funding Programmes focus on medium- or large-scale projects and economic development is one of the recurrent themes.



Key Findings - Barents Regions

- The majority of Barents regions (Nordland, Västerbotten, Norrbotten, Lapland, Oulu, Kainuu, North Karelia, Murmansk Oblast, Republic of Karelia, Arkhangelsk Oblast, republic of Nenets and Komi Autonomous Okrug) consider the current level of financing insufficient for their joint activities.
- EU Programmes were perceived as an important source of financing, but they were seen as complex, time-consuming and inflexible instruments.
- Many Barents regions have a lack of financial resources for everyday work and cooperation, e.g. for travel costs and working group meetings.
- Regions called for a special programme or a fund for financing the Barents Regional Council, cooperation between regions and the regular work of the Barents Working Groups.



Key Findings – Barents Working Groups and Civil Society Actors

- Some of the Barents Working Groups find the availability of financing for regional cooperation more or less satisfactory.
- Some stressed the need for a permanent funding mechanism for core activities and project cooperation.
- From the civil society organisations' perspective, there is not enough national or EU financing available for small-scale projects.
- On the other hand, the awareness of the EU and other funding sources in the region is not always on a sufficient level amongst the civil society actors and the Barents Working Groups.
- As well, competence of the Barents stakeholders to apply for funding is not in place.





Conclusions

- The national funding instruments in the region could be adjusted to pay more attention to multilateral Barents Cooperation in order to meet possible financing gaps in the region.
- It is crucial to raise the awareness on the ample opportunities that the existing financial mechanisms have to offer and accordingly build capacity of the Barents actors.
- Increasing the collaboration, synergy and complementarity between various EU Programmes and other funding sources in the region is recommendable, since these programmes have many common strategic objectives, priority themes and overlapping geography.
- Some EU-funded projects could potentially be further developed into investment projects, but the link between project stakeholders and International Financial Institutions' funding is now missing.





Recommendations

1) Given the abundance of financial instruments available for cooperation in the Barents Region, capacity building and information dissemination of the existing financial sources for Barents cooperation should be improved amidst the Barents actors. To attain this, collaboration between relevant stakeholders should be enhanced. The International Barents Secretariat in cooperation with the relevant bodies of the Barents Euro-Arctic Council and the Barents Regional Council could facilitate contacts between the managing authorities of the various financial instruments and the Barents actors. Such initiatives as the Bodø process could also potentially contribute to this effect.



Recommendations

2) The possibility of adjusting existing financing programmes should be examined in order to improve the availability of funding for small-scale projects, seed money and technical assistance for project preparation and civil society cooperation in the Barents Region. Cooperation projects and international financial institutions' funding should be interlinked more strongly.







Recommendations

3) In the light of the gathered information and the conducted study, there do not, at this stage, seem to exist a common interest or justifiable reasons for establishing a new financial mechanism for the Barents Region.



Funding Sources for Barents Regional Cooperation

Financing Institution	Financing Instrument	Rationale	Themes/Priorities	Geographical Coverage
 Barents Euro-Arctic Council (BEAC)	www.beac.fi			
 Council of Baltic Sea States (CBSS)	Project Support Facility (PSF)	To develop projects, can be used as co-funding, bridging and pre-financing. Development and implementation of Baltic Sea macro-regional cooperation, show impact in regional cooperation and foster long-term partnerships.	Regional identity Sustainable and prosperous region Safe and secure region	Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, Norway, Poland, Russia, Sweden
 Arctic Council (AC)	Project Support Instrument (PSI)	The PSI is a financing instrument established for the purpose of mobilising and channeling financing for specific Arctic Council projects.	Pollution prevention, abatement and elimination	Arctic Region
 Nordic Council of Ministers (NCM)	The Knowledge Building and Network Programme The Arctic Cooperation Programme The NGO Exchange Programme The NGO Programme		Public administration Education, training and research Business Civil society Work experience in Nordic institutions People Sustainable economic development Environment, nature and climate Education and skills enhancement Social and health Culture Environment Development of democracy	Denmark, Finland, Iceland, Norway and Sweden in cooperation with BSR, EU Member States (Estonia, Latvia, Lithuania, Poland, Germany) and North-West Russia
 Northern Dimension Environmental Partnership (NDEP)	Northern Dimension Environmental Partnership (NDEP)	To tackle the most pressing environmental problems in the Northern Dimension area	Environmental window Wastewater treatment, municipal and agricultural solid waste management, and energy efficiency Nuclear window Spent nuclear fuel and radioactive waste management	North-West Russia and Belarus
 NDPTL	Northern Dimension Partnership on Transport and Logistics (NDPTL)	To provide financing for projects (mainly studies) with a regional dimension and create added value	Improvement of major transport connections and logistics	Northern Dimension area
 NDPES	Northern Dimension Partnership in Public Health and Social Well-being (NDPES)	To promote sustainable development by improving people's health and social well-being	Reduction of major communicable diseases Prevention of lifestyle-related non-communicable diseases Promotion of healthy and socially rewarding lifestyles	Northern Dimension area
 NDPC	Northern Dimension Partnership on Culture (NDPC)	To strengthen the CCI sector in the ND area by facilitating platforms, networks and product development via supporting a number of flagship CCI projects	Cultural and creative industries (CCI)	Northern Dimension area
 EU's ENI CBC Programmes	The Karelia CBC Programme	To strengthen the cross-border cooperation for the benefit of the development of participating regions	Business and SME development Culture Environment Border management and security	Core regions: Kainuu, North-Karelia and Oulu Region from Finland and Republic of Karelia from Russia Adjoining regions: Murmansk, Arkhangelsk and Leningrad Regions from Russia and Lapland, North-Savo, South-Savo and South-Karelia from Finland
 Kolarctic	The Kolarctic CBC Programme	The overall aim of the Programme is to promote viable economy and attractiveness of the region, where inhabitants and visitors are enjoying the arctic nature and where the natural resources are used in a sustainable way.	Business and SME development Environmental protection, climate change mitigation and adaptation. Improvement of accessibility to the region, development of sustainable and climate-proof transport and communication networks and systems. Promotion of border management and border security, mobility and migration management.	Lapland, North-Savo, Finland, Troms, Nordland, Murmansk Oblast, Arkhangelsk Oblast and Nenets Autonomous District

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Funding Sources for Barents Regional Cooperation Matrix

- Financing Institution
- Financing Instrument
- Rationale
- Themes/Priorities
- Geographical Coverage
- Duration of the Financial Instrument
- Requirements for (Lead) Partnership
- Eligible Applicants
- Size of Instrument
- Type of Financial Support
- Size of Grant/Loan and Applicant's Co-financing Rate





Thank You for your attention!