

**BARENTS EURO-ARCTIC TRANSPORT
AREA ACTION PROGRAMME 1999- 2003**

The Steering Committee of the Barents Euro-Arctic Transport

Area has approved this version of the Action Programme,

Helsinki, June 9, 1999.

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ANNEX I: Memorandum of Understanding on the Development of the Barents Euro Arctic Pan-European Transport Area.

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1. SUMMARY OF THE PROGRAMME

The establishment of a Steering Committee is mandated in the Memorandum of Understanding on the Development of the Barents Euro-Arctic Pan-European Transport Area, which was signed by the Governments of Finland, Norway, Russia and Sweden, and the Commission of the European Communities in May 1998. The Declaration of Archangelsk of the Ministers of Transport, September 1996, defined the fundamental objectives for the transport co-operation in the Barents Euro-Arctic Region.

The creation of the Barents Euro-Arctic Transport Area is a logical follow-up of the process started on Crete in 1994, when the Ministers of Transport in Europe selected the first group of priority corridors, so-called Crete Corridors, between the EU and the Central and Eastern European countries. In June 1997, the third Pan-European Transport Conference in Helsinki reinforced the status of the priority corridors. As supplements to the now Helsinki corridors, the Helsinki Conference created four Pan-European Transport Areas (PETrAs) for further forums of regional co-operation. The Barents Euro-Arctic Transport Area was named as one of the four PETrAs.

The elimination of missing links, improvement of border crossings and upgrading of deficient transport connections will be the main focus areas in the co-operation of the PETrA development. Thus, the implementation of the improvement measures will also contribute to strengthening economic links and increasing trade flows between the European Union, Norway and Russia. Furthermore, the intensified co-operation will encourage the reform and restructuring of economy in northern Russia.

According to the Memorandum of Understanding the Steering Committee will co-ordinate development activities in the Barents Euro-Arctic PETrA. The objectives and activities of the Steering Committee are described in its Action Programme and annual work programmes and reports. The Programme covers all modes of transport: roads, railways, sea routes, aviation, and combined transport systems. It also includes all the ancillary installations such as ports, border crossings, terminals and telematic systems, which are necessary for the uninterrupted flow of traffic.

The Action Programme will generally derive from and is compatible with the national transport plans of each PETrA country and with the plan of the Trans-European Networks. In addition, the stated goals of the Tacis Programme in Russia and the Interreg IIA and IIC Programmes in the Nordic countries will be observed.

The Steering Committee will act within the framework of the G-24 Transport Group. It will transmit annual reports on its work to the Barents Euro-Arctic Council, to the G-24 Transport Working Group and to the European Commission.

The national transport authorities of the signatory countries will be responsible for the Action

Program implementation in the first five-year period 1999-2003. They include, but are not limited to the following:

Russia: Ministry of Transport

Ministry of Railway Transport
Federal Highway Service
Federal Aviation Service
State Customs Committee
Road Committees in the Murmansk and Archangelsk Oblasts and the Republic of Karelia and the Nenets Autonomous Okrug
October and Northern Railways
North-western Customs Administration
Administrations of Murmansk and Archangelsk Oblasts, Republic of Karelia and the Nenets Autonomous Okrug

Finland: Ministry of Transport and Communications

Road Administration
Railway Administration
Maritime Administration
Aviation Administration
Customs Administration

Sweden: Ministry of Transport and Communications

Road Administration
Railway Administration
Maritime Administration
Aviation Administration
Customs Administration

Norway: Ministry of Transport and Communications

Road Administration
Railway Administration
Maritime Administration
Aviation Administration
Customs Administration

The whole region will benefit from co-operation in transport between the EU, Norway and Russia and from opening of new regions to trade exchange. The co-operation will contribute to the development of northern regions of the Nordic countries, i.e. Finland, Norway and Sweden, as new business and job opportunities will be opened serving as an impetus to economic growth in the Barents Euro-Arctic Transport Area.

2. BACKGROUND

2.1 Transport Area

The Barents Euro-Arctic Pan-European Transport Area covers the northern provinces of Finland, Sweden, Norway, as well as the regions in Northwest Russia, as defined in the Memorandum of Understanding. The Area comprises a variety of different regions, which generally are very sparsely populated, but possesses vast natural resources. The main industries in the area are harvesting of timber, production of pulp, paper and metals, extraction of oil and natural gas, as well as mining. Also fishing and, in the Nordic countries, tourism are very well developed. In Russia the whole northern economic region is taking a key position in the energy and raw materials supply. Although large-scale investments have not yet started in North Russia, the area has good chances for a rapid economic growth.

Transport networks in the Barents Euro-Arctic Transport Area are very sparse and service primarily the north-south transport needs of each country. The relevant international transport connections in the East-West direction fall within three categories of very general nature, which complement each other. They are:

- a) Sea route along the Norwegian and Northwest Russian coasts with connections to and from all the major Barents Sea ports. This northern sea route is also known as the Northeast Passage.
- b) Railway(s) between Norway and Sweden, which at the Gulf of Bothnia link with the railway between Sweden and Finland. From Finland there are rail connections further on to Russia, particularly the Karelian Republic and the Archangelsk Region.
- c) Roads between northern Norway, Sweden, Finland, the Murmansk Region and the Republic of Karelia.

In Finland and Sweden these transport connections are linked to or are parts of the national Trans-European Networks. In Norway and Russia they are connected with the respective national traffic networks.

2.2 The Programme in relation to the economic development

The Action Programme of the Barents Euro-Arctic Transport Area supports the reforms already started by the authorities of the Russian Federation and the Regions of Murmansk and Archangelsk, and the Republic of Karelia.

Russia can expect to gain considerable added value from intensified co-operation with the

EU and Norway in the Barents Euro-Arctic Area. Opening new regions to trade exchange will be an important benefit to the Area. This will eventually increase the Russian foreign trade and improve the balance of trade, which in turn will strengthen the national economy and the state budget. In addition, co-operation will contribute to the development of the economy in the northern regions of Russia and improve the standard of living through the increased employment of local residents. The

region's fragile environment will benefit as well, as more financial resources will become available for investments.

Similarly, increasing economic activity in the Euro-Arctic Area is vital for the northern regions of Finland, Sweden and Norway, which have been suffering from high unemployment for extensive periods of time. Furthermore, the region's own enterprises are generally small and poorly equipped to compete elsewhere on the international markets and to expand and create jobs due to their peripheral location.

For serving these mutual interests the creation of a transport system between the EU, Norway and the Russian arctic regions must be given a priority status in Russia and within the EU's co-operation framework with Russia. To that end, the regions and republics in Northwest Russia have already started to focus their attention to the east-west transport infrastructure improvements. However, this is not to take place at the expense of the north-south traffic via the ports of Murmansk and Archangelsk.

The Barents Euro-Arctic Transport Area is exceptionally well positioned for enhancing the economic reform and restructuring in this region, as a) the Transport Area has a potential to attract considerable new domestic and foreign investments and generate jobs in the region as well as elsewhere in Russia, and b) the transport corridors of the Area have a potential to become routes of foreign trade for all the participating countries on a mutually beneficial way.

2.3 Maturity status of the Programme

The Nordic joint effort to develop the Barents Region dates back to the early 1960's when Finland, Norway and Sweden started their North Calotte co-operation. In 1993, a major development took place when the Barents Euro-Arctic Council was formally established and Russia and the European Union joined the co-operation. Currently, the work of the Council takes place at two levels: (a) the issues of local importance are dealt with in the Regional Council, while (b) the member governments retain the authority on the major issues, including large projects.

Under the framework of the Barents Euro-Arctic Council two meetings of the Ministers of Transport have been organised in this decade. The first meeting took place in Alta, Norway in 1993. The second meeting was held in Archangelsk, Russia, on September 10, 1996. In the meeting the Participants recognised that the development of the Arctic transport

network must be intensified under a global arrangement, the Euro-Arctic Transport Network, which comprises concrete regional transport projects complementing each other and integrating with the Pan-European Corridors. The Participants in particular pointed to the priority transport projects listed in ANNEX III.

The Ministers of Transport confirmed their adherence to the following principles:

- the process of opening gradually the access to the national transport markets will be developed on a reciprocal and mutually beneficial basis;
- transport should be developed in accordance with national interests and the principles of the market economy;
- gradual optimisation of border crossing procedures for passengers and cargoes.

After Finland's and Sweden's accession to the European Union in 1995, transport connections and their improvements between northern Scandinavia and Russia have gained heightened importance within the Pan-European and the European Union context. Since then, the EU and Russia have got a common border, and the sea and land routes in the Barents Euro-Arctic Transport Area have become direct transport links between these two large trading partners.

In 1996, the TEN guidelines were defined in Finland and Sweden, which provided for the possible extension of the system into Russia. Also Norway has an unofficial definition of the TENs on its territory extending to the Russian border.

The European Commission's main tool in the co-operation with Russia is the Tacis Programme, established in 1992 to promote restructuring of the newly independent (NIS) countries. In the Tacis framework, Russia selected Northwest Russia as its Tacis priority in 1995. Currently, the Tacis Regulation for 1996-99 is being implemented providing financial support for transport projects in the Area. The next Tacis Regulation, from 2000 onwards, is likely to emphasise transport connections, border crossings and infrastructure development by allocating more resources for this purpose.

In 1996, the implementation of the Interreg IIA Programme started in northern Finland, Norway and Sweden. A considerable share of the Nordic Interreg funds is aimed at the improvement of connections across the borders, particularly along the Finnish – Russian border. The Interreg IIC Programme comprising the Baltic Sea Region started in 1997. Also Interreg IIC touches the PETrA in northern Finland and Sweden.

As early as March 1994, the Crete Conference of the ministers of transport in Europe approved the system of nine priority transport corridors between the EU, the CEE and the NIS. Only one of the Crete Corridors, Corridor no. 9A (Helsinki-Moscow), was located in North Europe. Therefore, a clear need arose to establish additional Pan-European connections in this large northern region. In June 1997, the Pan-European Transport Conference of Helsinki decided that one of the four PETrAs would be formed in the Barents Sea area.

2.4 Memorandum of Understanding

Following the definition of PETrAs in the Third Pan-European Transport Conference in Helsinki, a Memorandum of Understanding on the Development of the Barents Euro-Arctic Transport Area was signed by the Governments of Finland, Norway, Russia and Sweden, and the Commission of the European Communities in Copenhagen on May 26th, 1998 (Annex I).

The Memorandum of Understanding:

- defines the area
- establishes a Steering Committee
- mandates the exchange of information between the Parties, and
- creates a framework for co-operation between the transport authorities in the Area, in which private parties and international financial institutions are invited to participate.

According to the Memorandum of Understanding the co-operation is based on voluntary commitment and will last for five years. The duration will automatically be prolonged for another five years if none of the Parties will object.

3. OBJECTIVES OF THE PROGRAMME

The main objective of the Barents Euro-Arctic Transport Area Action Programme is to create an efficient and integrated multimodal transport system of international significance in the Area and to define the prerequisites for the most efficient use of funds and know-how both from public and private sources.

More specifically, the creation of a multimodal transport system for the Barents Euro-Arctic Area will comprise the following:

- a) Creating conditions for environmentally sustainable as well as technically and commercially viable sea transport in the Barents Sea area up to, and including, the Nenents Autonomous Okrug.
- b) Improving the infrastructure of the ports, which service maritime transport.
- c) Building missing and improving existing road and railway links between northern Scandinavia and northern oblasts and republics of the Russian Federation, where economically feasible.
- d) Providing facilities and safe operating conditions for aviation.
- e) Facilitating the movement of people and goods at international border crossings.
- f) Introducing new, computer based systems for facilitation of trade and transport of freight within the Transport Area.

4. PROGRAMME FRAMEWORK

4.1 The Programme in the context of the EU programmes

In January 1996, the Council of Ministers adopted its current regulation for Tacis covering the years 1996-1999. The regulation gives, inter alia, priority to the development of transport infrastructure and telecommunications. A specific reference is made to assistance measures in the Finnish-Russian border region. Transport and telecommunications have been established as a priority sector also in the Russian Indicative Programme.

A new Tacis regulation is under preparation, which is likely to change fundamentally the allocation of funds after the year 2000. It is proposed that the new Tacis should focus on the regions closest to the EU. Furthermore, the majority of the grants could be allocated to investment support and a particular priority given to the improvements of transport and border crossing infrastructure.

The Tacis programme has currently three major transport projects under way in the Area:

- Northwest Russia transport project
- Technical development programme for an arctic maritime transport system, where a demonstration voyage along the Northern Sea Route was carried out in spring 1998.
- Border crossing study (phase 2) was commenced in the autumn of 1997 defining the development needs of selected border crossings between Finland and Russia. The study has recommended the construction of the Salla border crossing in the Transport Area.

The EU Commission approved the Nordic Interreg IIA programmes in summer 1996. The programme implementation will be carried out in the period 1996-1999. Interreg IIA programmes give priority to the improvement of transport connections in the border areas, such as the Finnish-Russian border. In addition, the implementation of the Interreg IIC programme (the Baltic Sea programme) started in 1998. It contains projects, inter alia, at the land border between Finland and Sweden.

4.2 Nordic bilateral programmes

Each Nordic country has bilateral programmes with Russia. Some components of them are also aimed at technical assistance, studies and training in the transport sector. There has also been a limited amount of investment assistance as well as procurement of equipment.

Norway has focused its assistance on the development of the Northern Seaway and road and rail connections between northern Norway and Murmansk. Finland has directed its attention to improving connections across the border in general. This has included road and rail connections between the Bay of Bothnia and Archangelsk. Finland has also supported the development of the Northern Seaway.

4.3 Co-ordination with other parties

The Parties involved in the development of the Barents Euro-Arctic Transport Area are composed

of the representatives from the EU Commission and the Governments of the Russian Federation, Finland, Norway and Sweden as agreed in the Memorandum of Understanding. A representative of the Barents Regional Council will be invited to participate in all meetings.

Representatives of the local administrative bodies within the Area, non-governmental organisations, international financing institutions, private sector and other observers may be invited to the Steering Committee meetings as appropriate.

The Steering Committee acts within the framework of the G24 Transport Group, while the EU Commission co-ordinates the general development of the Helsinki Corridors and the PETrAs.

The Steering Committee will report annually to the Barents Euro-Arctic Council, to the G-24 Transport Working Group and to the European Commission.

The selection of the Parties and annual reporting will ensure the creation of a framework for the coordination of the Transport Area activities within each participating country as well as on other relevant forums.

5. PROGRAMME ACTIVITIES

The Action Programme will comprise two activity levels: (i) formulation of general objectives and selection of priorities for the first five-year period, and (ii) detailed annual work programmes, which are prepared and mutually agreed between the Parties.

It is proposed that the following issues will be agreed on in order to implement the Action Programme in 1999-2003:

(i) Concerning the five-year period: a) Organisation of work and programme set-up b) Formulation of programme objectives c) Defining the backbone network of the PETrA d) Collection of traffic and network information

(ii) Concerning the annual work cycle: a) Needs to be addressed in a given year b) Programme preparation for a given year c) Methods of programme delivery d) Monitoring of the progress e) Reporting (Barents-Euro-Arctic Council, G-24 and EU Commission)

The projects and programs initiated and financed totally or partially by the private sector will become also parts of the process.

6. PROGRAMME IMPLEMENTATION

6.1 General organisation

A Steering Committee has been established for the development of the Barents Euro-Arctic Transport Area in accordance with the Memorandum of Understanding.

The presidency of the Steering Committee rotates among the participating countries: Sweden, Norway, Russia and Finland.

A secretariat will be established for providing assistance for the Committee and the chair-country for project and meeting preparations as well as other routine work. The Steering Committee may assign also other duties to the secretariat.

The Steering Committee can establish working groups or common entities to carry out actions necessary to reach the objectives of the Action Programme and the Memorandum of Understanding. In addition, the Steering Committee may request the Barents Euro-Arctic Council and the Regional Council to implement specific actions, when appropriate.

6.2 Implementation and management

The national transport authorities (see the list in Summary) will implement the first five-year Action Programme in their respective countries during the years 1999 - 2003.

Given the particular nature of the Area, the parties will provide for the maximum of involvement of the authorities within the Area in its development, use and management. Also private and public transport companies and operators including their Russian counterparts are relied on in the implementation phase as far as it is possible. The work can be assisted by Finnish, Norwegian, Swedish, Russian or EU consultants, suppliers and contractors as it is in each case deemed necessary.

The parties providing financing for a given project will also prepare work plans, possible tenders, evaluate proposals and bids as well as award contracts on behalf of themselves or some other beneficiary. The possible work assignments and contracts will be awarded in compliance with either the national regulations or those of the EU Communities as is practical in each case.

Monitoring, evaluation and audits concerning the expended funds of the EU programmes, and which are deemed necessary during the implementation of the Action Programme and its components, will be carried out in accordance with the rules of the EU Communities governing the assistance to Russia.

7. FINANCING

As a general rule, each Party will cover its own costs of any preparation work, meetings and travel, what will be accrued due to the work of the Steering Committee. The cost of the organisation of the meeting will be borne by the inviting Party.

The Programme implementation will rely on the financing from the involved parties, the financing mechanisms of the EU, as well as those of the international financing institutions. Financial contributions are expected from the Nordic bilateral and EU aid, such as the Tacis and Interreg Programmes.

In construction of infrastructure, public-private partnership in the programme formulation and implementation is actively sought.

8. GOVERNMENT COMMITMENTS TO THE PROGRAMME

The Minister of Transport and the Minister of Railways of the Russian Federation, the Minister of Transport and Communications of Finland, the Minister of Transport and Communications of the Kingdom of Norway, the Government of the Kingdom of Sweden and the Commission of the European Communities are the signatories of the Memorandum of Understanding on the Development of the Barents Euro-Arctic Pan-European Transport Area.