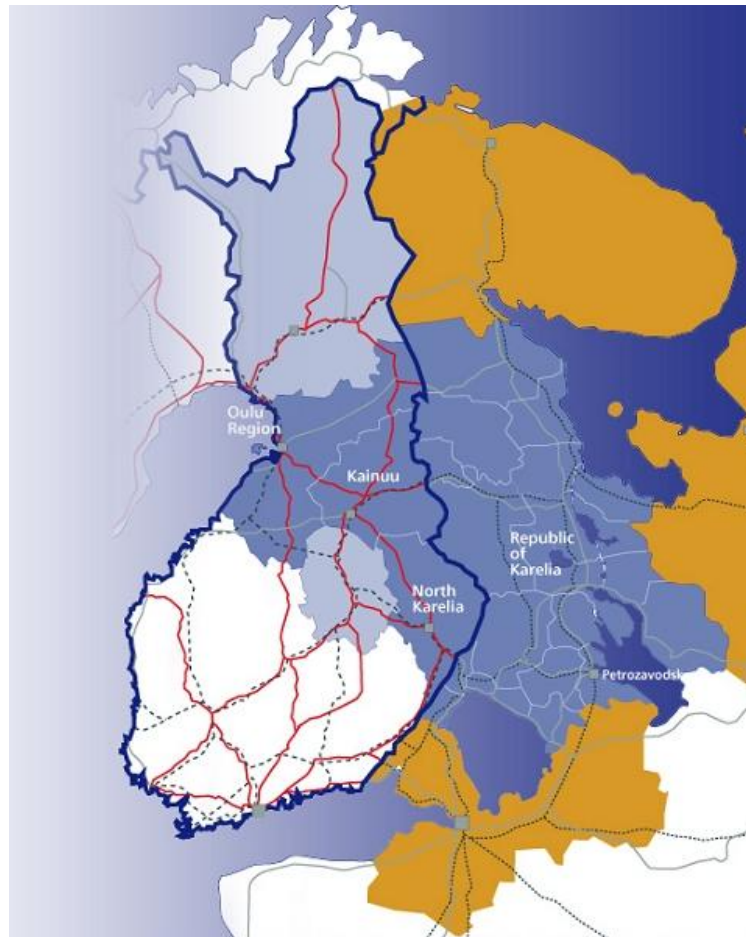


# **KARELIA ENPI CBC Programme Document 2007-2013**



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## SUMMARY

The Karelia ENPI CBC Programme will continue the programme-based cooperation between the regions of Kainuu, North Karelia and Oulu Region in Finland and the Republic of Karelia on the Russian side. Earlier programme-based cooperation was implemented within the framework of the Interreg II and III A Karelia programmes and the Euregio Karelia Neighbourhood Programme.

The objective of the programme is to increase well-being in the programme area through cross-border cooperation. With this objective, the Karelia ENPI CBC Programme complements other regional development programmes and strategies. The ENPI Programme introduces a strong cross-border aspect to regional development. The programme is based on mutual interests and jointly defined regional needs. Earlier experiences about the cooperation have been used in programme preparation to help strategy formulation.

In order to reach the overall objective, the programme has been divided into two priorities in which the regional strengths and problems have been recognized. The priorities are:

- Economic Development
- Quality of Life

These priorities form the framework of the programme and project level activities. They include elements from all four European level strategic objectives that have been defined in the Cross-Border Cooperation Strategy paper 2007-2013, which are: Economic and social development, Common challenges, Secure and efficient borders and People to people.

The indicative allocation of Community funding for the Karelia ENPI CBC Programme is 12,101 million euros for 2007-2010. The illustrative allocation for the remaining years 2011-2013 is 11,102 million euros, which brings the total allocation of Community funding to 23,203 million euros for 2007-2013. The objective is that the programme will be co-financed by both the participating countries. Self-contributions will be requested from all individual projects.

The Joint Cross-border strategy defines the steps and means to reach the programme objective. A more strategic approach to programme implementation has been searched and the approach introduced is a combination of top-down guidance and bottom-up project initiation. The main element of the top down guidance is built on strategic choices that will be made during the implementation of the programme. Programme and project level activities will thus concentrate on the most relevant themes within the operational frames of the programme's priorities. In practice this means that calls will mostly be launched thematically. With the bottom-up approach the project initiatives and practical solutions will be made by regional and local stakeholders.

The Programme's Joint Monitoring Committee (JMC) will decide about the calls on an annual basis. With the decision, the JMC will define the number of calls, available resources, the operational frames and objectives for the calls as well as the project selection criteria. To ensure all relevant regional and cross-border aspects, the JMC will take into consideration the opinions expressed by the Euregio Karelia Board, which pursues political and strategic cross-border dialogue. The

members of the Board are key regional decision-makers, including both politicians and civil servants from both sides of the border (6+6).

The regional and state / federal level coordination system established for the programme also gives a possibility to obtain opinions from relevant regional and state level stakeholders and administrative bodies. The thematic approach makes it possible to ensure cooperation and coordination with other relevant programmes and strategies. It also helps avoid overlapping in project implementation.

The management of the programme is based on full equality and partnership between the participating countries. This is reflected in the composition and designation of the programme bodies and the selection of consensual decision-making as a general rule. Both the participating countries have designated a ministry through which all the designations and other official communications will be transmitted to the programme authorities. The ministries are for Finland the Ministry for Foreign Affairs and for Russia the Ministry of Regional Development/Ministry for Foreign Affairs.

Each region also has coordinating bodies that are responsible for consulting the various regional bodies and authorities. The coordinating bodies are:

Kainuu: Joint Authority for Kainuu Region  
 North Karelia: Regional Council of North Karelia  
 Oulu Region: Council of Oulu Region

Republic of Karelia: Ministry of Economic Development of the Republic of Karelia

The Joint Monitoring Committee is the key body to guide programme implementation. The members of the Committee represent both state / federal level bodies and regional level organisations. A representative of the European Commission will be invited to attend the meetings in an advisory capacity.

The Joint Monitoring Committee appoints a separate Joint Selection Committee which has an equal number of members from both sides of the border. The Joint Selection Committee can also consult experts in its work. The Joint Monitoring Committee makes the final decision on project selection by confirming the Selection Committee's proposals.

The Joint Managing Authority (JMA) shall be responsible for managing and implementing the joint operational programme in accordance with the principle of sound technical and financial management. It will also help Programme Committees in their work. The participating countries and regions have together designated the Council of Oulu Region as the Joint Managing Authority. The Programme also has a branch office in Petrozavodsk, which ensures close contacts between the programme and the Ministry of Economic Development in Karelia as well as other sectoral authorities in Karelia. The branch office also helps the JMA's operational unit in the dissemination of information to potential beneficiaries.

As a rule, the call for proposals will be launched twice a year. Guidelines will be published for each call separately. The guidelines include two parts: the first part describes the operational frame, content, objectives and available resources of the call, and the second part provides practical information on the process of applying for funding.

## 1. INTRODUCTION TO THE PROGRAMME

The Karelia ENPI CBC Programme 2007 – 2013 will complement national cross-border activities, focusing on bilateral co-operation between Finland and Russia. Russia is a strategic partner of the EU and its largest neighbour. As agreed at the EU/Russia summit in May 2003, the EU-Russia partnership will be further developed through the creation of four common spaces: A common economic space (including and with specific reference to environment and energy); a common space of freedom, security and justice; a space of co-operation in the field of external security and a space of research and education, including cultural aspects. The new basic documents of the Northern Dimension (a joint political Declaration and a Northern Dimension Framework Document) were accepted at the EU-Russia Summit in Helsinki in November 2006. In the Policy Framework Document the Northern Dimension Partners (EU, Iceland, Norway and Russian) recognize that their cooperation framework can only be driven by the spirit of partnership and based on shared confidence, which also acts as a framework for the new Karelia ENPI CBC Programme.

The following documents set the legal framework for the Programme :

- Commission Regulation (EC) No 951/2007 of 9 August 2007 laying down implementing rules for cross-border cooperation programmes (CBC IR)
- Regulation (EC) No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument (ENPI Regulation)
- Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities
- Commission Regulation (EC, Euratom) No 2342/2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities

This is a new step in improving the opportunities for real cross-border co-operation across the external border.

Co-financed by the European Commission by ENPI (European Neighbourhood and Partnership Instrument), the approach to be followed for cross-border co-operation is oriented on principles such as multi-annual programming, partnership and co-financing. Furthermore, the Programme is based on the experiences and best practices gained during the implementation of the Euregio Karelia Neighbourhood Programme during the transitional period 2004-2006 as well as on experiences from Interreg II and III A Karelia programmes during 1996 – 2004.

When establishing the present cross-border co-operation programme, partners from Finland and Russia have reached common agreement on joint management structures, on the objectives to be pursued and on the activities to be financed. The preparation of the programme is perceived as a mutual undertaking, i.e. that the participating countries jointly submit the proposal for a common programme to the Commission adoption.

During the preparation of the Programme document the Joint Task Force (JTF), the Joint Content Drafting Team (JCDDT) and Joint Management Drafting Team (JMDT) with representatives from Finland and Russia have had several joint meetings in order to find a common view about the content of the Programme and of the management issues. The members of the JCDDT represent the regional level from both sides of the border. Both the regional and central levels have participated in the JTF and JMDT. The representative of the European Commission has also participated in both JTF and JMDT meetings actively.

Task force had five meetings and written procedure was used in two meetings. All meetings were in Helsinki and both Regional and Central level representatives from both Finland and Russia attended all the meetings.

Joint Managements Drafting Team had six meetings all in Helsinki. Representatives of South-East Finland Russia and Karelia Programmes Managing authorities attended all meetings as central level representatives from Finland and Russia.

Joint Content Drafting Team had six meetings (Joensuu 2, Kajaani, Oulu and Petrozavodsk and Helsinki). Representatives of all regions attended all meetings.

In order to strengthen the visibility of the regional views in the Programme, 11 meetings were arranged at the regional level (Petrozavodsk 2, Joensuu (3), Kajaani (3) and Oulu (3)). In the meetings the representatives of different regional administrative bodies as well as possible future applicants had a chance to express their opinions about the content and management of the programme. Feedback from regional and local level stakeholders and different administrative bodies was received during the public hearing process that was opened in October the 24th 2007 and closed in November 23rd 2007.

The Karelia ENPI CBC Programme 2007 – 2013 has been drawn up in accordance with the ENPI Regulation<sup>1</sup>, the EC Strategy Paper on the ENPI/CBC 2007–2013<sup>2</sup> and the Implementing rules of the CBC Programmes<sup>3</sup> financed within the Framework of the legal basis of the ENPI. The Programme is in conformity with the European Neighbourhood Policy (European Neighbourhood Policy Strategy Paper, COM (2004)373 final, 12 May 2004) and the EU-Russia Strategic Partnership with its four Common Spaces.

The joint cross-border development strategy for the programme is to be seen as a plan to reach the goals (objectives) set up for the programme. The basis for the objectives, content of the priorities and strategic approach lies on existing experiences gained in programme level cooperation as well as on practical needs to take a step forward with the cross-border cooperation: concrete results and visible impacts are expected when practical needs have been jointly defined. The Programme also enjoys the strong political support of the Euregio Karelia Board and the signals received from it will be taken into account in the implementation of the programme.

The Karelia ENPI CBC Programme is divided into two priorities of which the first consists of activities supporting economic development and the second underlines soft and human values and quality of life. In its priorities and projects, sustainable

<sup>1</sup> Regulation (EC) No 1638/2006 of the European parliament and of the council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument

<sup>2</sup> European Neighbourhood & Partnership Instrument, Cross-Border Cooperation Strategy Paper 2007-2013, Indicative Programme 2007-010

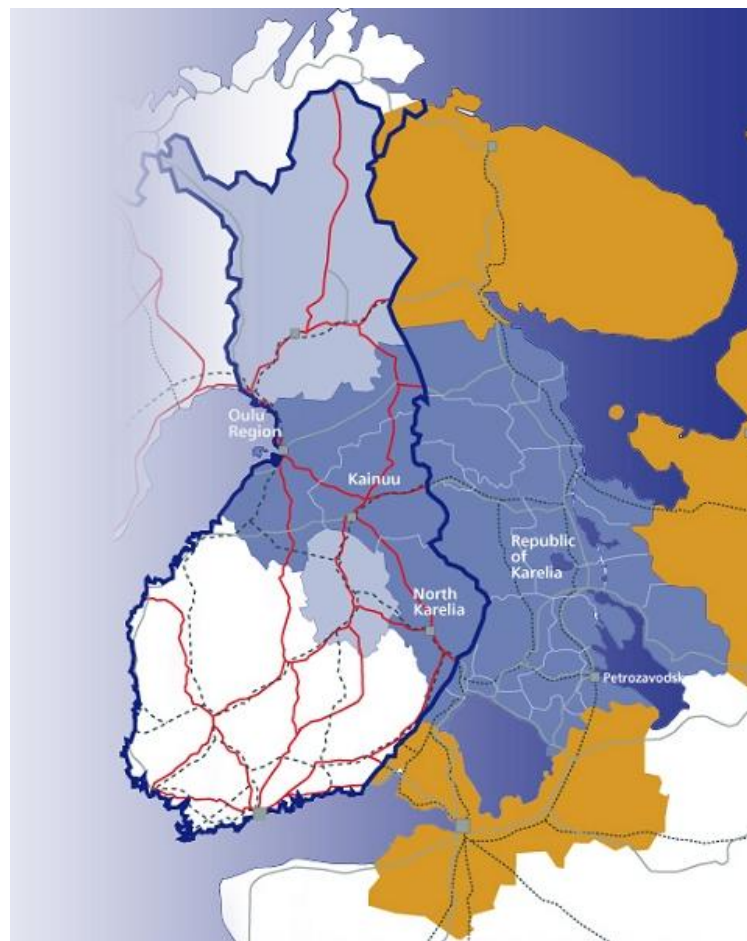
<sup>3</sup> Commission Regulation (EC) No 951/2007 of 9 August 2007 laying down implementing rules for cross-border cooperation programmes financed under Regulation (EC) No 1638/2006

development as a horizontal principle will be taken into consideration. These two priorities include actions relating to all four European-level main objectives. These objectives were defined in the CBC Strategy paper 2007-2013.



## 2. DESCRIPTION AND ANALYSIS OF THE GEOGRAPHICAL AREAS COVERED BY THE PROGRAMME

The eligible programme area consists of three regions in Finland (Kainuu, North Karelia and Oulu Region) and the Republic of Karelia on the Russian side. The adjacent regions include the regions of Lapland and Northern Savo from the Finnish side and the City of St. Petersburg and the regions of Leningrad, Murmansk and Archangelsk from the Russian side. The programme's objectives, strategy and priorities are based on the needs and problems of the programme area. The question of geographical eligibility will be discussed in more detail in the chapter on geographical and institutional eligibility.



### 2.1. Area and population

The area covered by the Karelia ENPI CBC Programme encompasses Kainuu, North Karelia and Oulu Region in Finland and the Republic of Karelia in Russia. The area lies in the northeast border region of the European Union, bordering on the Gulf of Bothnia in the west and White Sea in the east. Finland and Russia share approximately 700 km of border in the programme area. The geographical coverage of the programme area is 263 667 km<sup>2</sup>, of which the Republic of Karelia makes up 180 500 km<sup>2</sup>.

The most important towns in the Finnish part of the programme area are Kajaani, Joensuu and Oulu while those in the Republic of Karelia are Petrozavodsk - the capital of the Republic - Sortavala, Kondopoga, Segezha and Kostamuksha. Most other built-up areas in the region are small and the population is dispersed over a large geographical area. The programme area is sparsely populated, with an average population density of 5,0 persons per square kilometre.

The population of the entire programme area was 1 325 637 persons in 2006, of whom 693 100 lived in the Republic of Karelia and 632 537 in Finland. Apart from Oulu Region, the population has declined in the last few years.

Both sides of the border in the programme area are characterised by a fall in birth rate and extensive simultaneous retirement of the working-age population when the baby boom generation reaches the end of their working career. Most of the out migration from both sides consists of working age population leaving for growth centres in search of work. The average life expectancy in the Republic of Karelia is lower than in Finland, which is another factor aggravating the declining population trend.

Long distances and decreasing population are typical and characteristic of the programme area. The situation and trends are different on the Russian and Finnish sides of the border, though also common features can be recognized. Cross-border cooperation may bring experiences of best practices to the other side of the border, but also joint efforts for tackling common problems can be searched and found. The problems caused by long distances and sparse and declining population can be addressed and handled in both the programme priorities: examples of such issues are the activation of local and regional economies based on local strengths (Priority 1: Economic development) and new innovative solutions for services – in support to Economic Development as well as health services (Priorities 1 and 2).

## **2.2. Economic structure**

The regions in the Finnish part of the programme area have a highly similar economic structure. The share of primary production is slightly greater in North Karelia than in the other regions, as opposed to the Oulu Region, where the refining sector (industry) occupies a slightly more prominent role, and to Kainuu, where the share of services is somewhat more prominent. The share of primary production is constantly falling, whereas that of services is increasing despite the cut-down measures imposed on public services. However, the regions have highly dissimilar profiles. In the Oulu Region, for example, there are more industrial jobs in telecommunications technology and the electronics industry than in the other regions, whereas in Northern Karelia, most industrial jobs are found in the wood processing and metal industry.

The largest sources of employment in the Republic of Karelia are industry and services. In the last few years the number of jobs has declined most in the industrial sector, though there are major differences between branches of industry in this respect. Forestry plays an important role in the Republic of Karelia and the number of jobs in the pulp and papermaking industry is constantly rising at the same time as their number is falling in the metal industry, for instance. The number of new industrial jobs has increased considerably in the last few years e.g. at Kostamuksha just beside the common border.

There are a total of 47 643 company outlets in the programme area, with a total of 380 458 employees (information on the Finnish part date from 31 Dec 05 and on the Republic of Karelia from 1 Jan 06). The number of outlets was largest in the retail and wholesale sector.

No statistics have been kept in the Republic of Karelia of the OECD-classified resources that could be channelled to research and development activities, while the statistical data available in Finland point to major differences between the regions. By far most of the research and development activities are pursued in the Oulu Region. Parts of the programme area differ considerably in terms of their gross domestic product per capita, with the Oulu Region representing one extreme with 25 859 € /inhabitant and the Republic of Karelia with 2 894 €/inhabitant the other extreme.

Despite the positive overall trend, the unemployment rate has still remained high in the Finnish part of the programme area. In 2006, the unemployment rate was 17.1 % in Kainuu, 10.3 % in North Karelia and 9.7 % in the Oulu Region. According to ILO (ILO statistics from 2005), the unemployment rate in the Republic of Karelia was 8.6% but according to official Karelian statistics only 3.4%. Unemployment rate differences within the regions can be considerable both in Finland and Karelia.

The economic development of the programme area can be supported through cross-border cooperation. Different parts of the programme area have their own strengths, needs and weaknesses. Joint objectives can be searched from cross-border strengths and weaknesses. Regional strengths benefiting both the sides are connected with forestry, for example, where huge resources exist and top-flight knowledge is available. A shared view and joint objectives can also be found in sectors such as environmental and energy technology, more effective energy consumption as well as tourism. These activities can be included in the framework of the Programme Priorities. An important issue is to find the most relevant ones, which can also lead to real cross-border impacts and results. In the search and selection of the most relevant cross-border cooperation sectors, the knowledge and experiences of different regional stakeholders must be taken into account: Euregio Karelia can be seen as one of the most relevant bodies to be heard before the selection (see Chapter 5 on cross-border development strategy). Different regional authorities and sectors bring a regional view to the process and for this a regional coordination system will be built for the programme (Chapter 10.1. Joint structures, general issues).

## **2.3. Infrastructure**

TEN connections pass through the area to international border-crossing points (Vartius-Lyttä, Niirala-Värtsilä, and Kuusamo-Suoperä, which was opened in 2006). Most of the programme area's road traffic to the Republic of Karelia passes via the above international border-crossing points. In addition, several temporary border-crossing points have been opened for timber transports. Road connections are constantly being improved in the Republic of Karelia, though the road network is still sparse and in places in poor condition.

Rail connections to Russia pass through Vartius and Niirala. There is no need to build new rail connections on the Finnish side but work on developing rail traffic rather focuses on improving the existing connections and electrifying the main

railway lines. There is currently no passenger train traffic between Finland and Karelia, though negotiations are currently in progress on launching such traffic between Joensuu and Petrozavodsk. The main railway line in the Republic of Karelia is that running between Murmansk, Petrozavodsk and St. Petersburg. The Lietmajärvi-Kotshkoma line provides a direct connection from the ports of the Bothnian Bay to the Murmansk railway and to Archangelsk. In the Republic of Karelia there is also need to repair the existing rail connections.

The sea ports (Oulu, Raahе, Kalajoki) situated in the Finnish part of the programme area provide connections to international ports throughout the year. From ports (Joensuu, Kitee/Puhos) serving inland water transports, there are further connections to the sea. Water transports have traditionally played an important role in the Republic of Karelia. A considerable part of timber and industry products from the Republic of Karelia are transported through the White Sea - Onega channel and the Onega - Ladoga channel. An air connection was opened from Helsinki to Petrozavodsk in 2000.

In 2006, there were a total of 1 434 463 crossings in the international border-crossing points (429 847 at Vartiuss-Lyttä, 17 933 at Kortessalmi-Suoperä and 986 683 at Niirala –Värtsilä), while the figure for temporary border-crossing points (a total of 5) was 20 315. The number of border-crossings has increased in the past few years. Of the international border-crossing points, the trend has been especially favourable at Niirala so it was justifiable to open it for 24-hour traffic. A new international border-crossing point in Kuusamo – Suoperä was opened for traffic in 2006. The increase in the number of crossings is also reflected e.g. in statistics showing overnight accommodation on the Finnish side of the border. The number of nights spent by Russians in the three regions of the programme area has increased - most prominently in Kainuu.

Infrastructure forms the cornerstone of physical connections across the border. Major efforts to improve cross-border connections must be financed from national and regional or other resources – the financial resources of the Karelia ENPI CBC Programme are too small for any major investments. The programme can, however, find bottlenecks, suggest practical joint solutions to problems and also ensure the functionality of border crossings by supporting services and activities. Infrastructure investments are also possible taking anyhow the Programme's available financial resources into consideration, and new approaches to cross-border traffic, transportation and logistics can be searched. Activities of this kind can be supported through Priority 1.

## **2.4. Education, research and culture**

In 2005, 71.5% of all persons aged 15 years or over and resident in the Republic of Karelia had completed a degree. Of them, 20.1% had completed a tertiary degree. Corresponding figures in Kainuu, North Karelia and the Oulu Region vary between some 59 and 65 per cent for those with a degree and between 19 and 24 per cent for those with a tertiary degree.

There are three classical universities in the programme area - those of Oulu, Joensuu and Petrozavodsk. Higher education institutions pursue close cooperation with each other and also seek to launch joint educational programmes and degrees. In addition, there are several polytechnics and other educational institutions in the Finnish part of the programme area as well as in the Republic of

Karelia. There are also several international and national research institutes, such as Karelian Research Center and European Forest Institute.

Academic universities, universities of applied sciences and other educational institutions have been active in cross-border cooperation. The knowledge and know-how of research institutes and educational institutions fosters the regions' strengths, which in turn form the cornerstone of the priorities of these particular institutions.. The know-how of research institutes and educational institutions can be used in programme implementation, both in top-down guidance and in preparation to thematic calls as well as in bottom-up project initiation (Strategic approach of the Programme, Chapter 5). An example of university level cooperation is the Cross-Border University.

There are good, extensive cultural services in the regions of North Karelia, Kainuu and the Oulu Region. Basic cultural services are available in every municipality. Cultural teaching in the area is of high quality and cultural pastimes are widely popular. Also the Republic of Karelia has traditionally had a strong, varied cultural identity, which shows in the form high-quality cultural services and the popularity of cultural pastimes.

Cross-border cultural exchange has already been active for a long time. Experiences about cultural cooperation can be used and cross-border connections approved with cultural activities. The key question within the Karelia ENPI CBC Programme is to find a new cross-border aspect to cooperation – with joint objectives and benefits on both sides. Cultural issues are included in Priority 2.

## **2.5. Environment and nature**

Most of the environmental loading caused by air emissions occurs in centres with industrial production. The major sources of air pollution and environmental loading on the Russian side are Kostamuksha, Kondopoga, Segezha and Petrozavodsk while most of the environmental loading on the Finnish part of the programme area is caused by industrial plants situated in Oulu, Kajaani and Raahen. However, the quality of air is good in most parts of the programme area.

The area is abundant in groundwater, which is used as household water on the Finnish side. The water resources in Karelia are vast and the soil favours the formation of groundwater in almost all parts of the area. However, it is only in smallest built-up areas and in rural areas where groundwater is used as household water. The surface water is of poor quality close to major residential centres and industrial plants and its purification for use as domestic water is still inefficient. In the Republic of Karelia, it is mainly surface water that is used as household water so only some six per cent of all domestic water is groundwater.

Wastewater emissions have a minor impact in the Finnish part of the programme area, whereas in Karelia they impose a major load on lakes and rivers. Most of the problems in Karelia are due to inadequate wastewater purification and technology. Emissions are released from pulp and paper mills to lakes and rivers. Eutrophication can already be seen in many lakes. However, there are signs of positive development in wastewater questions, and a new wastewater purification plant has been adopted in Sortavala, for instance.

The cornerstone of the nature conservation system in Finland is nature reserves and national parks, other protected areas and natural monuments protected under legislation. Most of the conserved areas are included in the Government proposal of areas to be covered by the EU's Natura 2000 Programme. The regions of the programme area contain 394 areas proposed for inclusion in the Natura 2000 network, with a total geographical area of 573 296 hectares (there are 1458 such areas in Finland, in other words some 4.8 million hectares of land). Of the 33 national parks in Finland eight are partly or completely situated in the programme area. The largest one is Oulanka National Park, which covers an area of 270 km<sup>2</sup>.

In the Republic of Karelia, nature conservation areas are classified according to their value, size and purpose of protection into pure conservation areas, national parks and nature reserves, nature parks, botanical, zoological and dendronological conservation areas and national monuments. There are two national parks in Karelia: Paanajärvi and Vodlajärvi. In addition, a national park is currently being established at Kalevala. The question on definition of the status of protected territory near the Ladoga lake is considered. The protected territory makes appr. 6 % from the Republic of Karelia total area.

The resources of the Karelia ENPI CBC Programme do not offer major financial means or possibilities to address broad environmental questions and problems within the programme area. It is nevertheless possible to implement investments with programme financing (taking Programme's available financial resources into consideration). With strategic choices, however, the programme may be able to promote development, sustainable energy production and more efficient energy consumption using local and regional solutions. This can have major impacts on the environment as well as on local economies. Other similar issues are clean drinking water, and wastewater and waste management. Focusing on key questions may offer better possibilities to achieve results in environmental issues. This requires choices in implementation, which is the basic ideology in the programme's strategic approach. Added value and spin-off effects can also be reached with cooperation and coordination with other financial programmes and institutions engaged in the same field. Environmental questions will be addressed mostly through Priority 2 but also partly through Priority 1, depending on subject.

### **3. COHERENCE WITH OTHER PROGRAMMES AND EXISTING STRATEGIES**

In order to promote high effects of the cross-border activities from possible synergies and coherence with projects and programmes funded under EU policies as well as to avoid duplication, information on activity funding in the recent/past may be exchanged as required between Directorate Generals before launching calls for proposals. The Commission's line Directorate Generals should be consulted on the proposals submitted within the call for proposals. For that purpose, AIDCO will request each DG to nominate one or more contact points.

#### **3.1. EU's strategic partnership with Russia**

Russia is the EU's largest neighbour, brought even closer to the EU by the 2004 enlargement. The EU's main objective is to engage with Russia to build a genuine strategic partnership, founded on common interests and shared values to which both sides are committed in the relevant international organisations such as the UN, Council of Europe, and OSCE, as well as with each other in the bilateral Partnership and Cooperation Agreement. These interests and values include in particular democracy, human rights, the rule of law, and market economy principles.

The EU and Russia are already cooperating on a wide range of issues, including security issues, international issues, as well as "soft" security threats for example in the fields of justice and home affairs, environment and nuclear safety.

The bilateral basis for EU relations with Russia is the PCA (The Partnership and Cooperation Agreement) which came into force on 1 December 1997 for an initial duration of 10 years. The June 2008 EU-Russia summit marked the launch of negotiations on a New Agreement to replace the current PCA.

### **3.2. EU's Russia country strategy paper 2007-2013**

The main interests of the EU in Russia lie in fostering the political and economic stability of the Federation; in maintaining a stable and sustainable supply of energy; in further co-operation in the fields of justice and home affairs, the environment and nuclear safety in order to combat 'soft' security threats; and in stepping up cooperation with Russia in the Southern Caucasus and the Western NIS for the geopolitical stability of the CIS region, including for the resolution of frozen conflicts.

EU cooperation with Russia is conceived in terms of, and is designed to strengthen, a strategic partnership within the following common spaces: a Common Economic Space; a Common Space of Freedom, Security and Justice; a Space of co-operation in the field of External Security; and a Common Space for Research and Education, including Cultural Aspects.

### **3.3. Northern Dimension**

The Northern Dimension (ND) is a tool for dialogue and cooperation involving the European Union, Russia, Norway and Iceland.

The Northern Dimension Policy Framework<sup>4</sup> increasingly focuses on North West Russia and its specific challenges and opportunities for the whole Northern Dimension region. In this context it is a regional expression of the EU/Russia Common Spaces with full participation of Iceland and Norway in matters relevant in the region.

The Northern Dimension shall support sub-national and governmental cross-border and trans-boundary cooperation as one of the instruments for promoting regional development. The priority sectors for dialogue and cooperation under the Northern

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<sup>4</sup> Northern Dimension Policy Framework Document, 24 November 2006

Dimension are economic cooperation; freedom, security and justice; external security; research, education and culture; environment, nuclear safety and natural resources; social welfare and health care.

Northern Dimension activities are implemented by various actors and financed from different sources, including the existing and future European Union financing instruments and programmes, national budgets, international regional organisations, international financial institutions, regional and local public organisations and other public bodies. The most important and concrete achievement of the Northern Dimension is the Environmental Partnership.

The views and perspectives underlined in the concept of the Northern Dimension have been taken into account in the ENPI CBC Strategy 2007 - 2013. The ENPI CBC Programmes 2007 - 2013 will seek to ensure synergies with the Northern Dimension policy where appropriate. This is particularly relevant for the priority themes of the Northern Dimension, which are in some correlation with the general objectives of the ENPI CBC Strategy and specific ENPI CBC Programmes.

Energy efficiency and renewable energy sources have both been recognised as important priorities of the Northern Dimension. Both energy efficiency and renewable energy sources are important tools to improve the environment, support the economic development and improve the quality of life in the Karelia ENPI CBC Programme region (on both sides of the border).

### **3.4. Neighbouring area cooperation pursued by the Finnish government**

Finnish-Russian neighbouring area cooperation focuses on the Northwest Russia, especially the City of St. Petersburg, the Leningrad Region, the Republic of Karelia and the Murmansk Region. The cooperation is regulated by the intergovernmental agreement signed between Finland and Russia in 1992. Finnish government funding has been allocated to projects covering especially the following sectors: environment, agriculture and forestry, social welfare and health care, economic development, judiciary, transport and communications, energy, nuclear and radiation safety, civic society, education and training.

Coordination between the Karelia ENPI CBC Programme and the Finnish neighbouring area co-operation is essential to avoid overlapping. These two instruments have also a good opportunity to complement each other and thus create wider development entities with clear impacts.

Consequently, regular exchange of information between the programmes' administrative bodies shall be continued.

### **3.5. Barents Cooperation**

Barents co-operation is pursued with the objective to support and promote co-operation and development in the Barents region. The Barents Council and the Barents Regional Council were established in 1993 by the signing of the Kirkenes Declaration. Joining member regions are Archangelsk, Murmansk, Karelia, Nenets and Komi in Russia, Finnmark, Nordland and Troms in Norway, Norrbotten and Västerbotten in Sweden and Lapland, Kainuu and Oulu Region in Finland. Since



the start of the cooperation, several working groups have been established with participants from all the Barents countries.

The Barents Programme has since 1994 promoted joint projects for finance. It has proved to be an efficient incubator for projects to be developed for Interreg Kolarctic finance.

The focus in the Barents 2010 strategy is on sectoral programmes, which are strongly oriented towards the natural resource potentials in the region and linked to closely related industries. The aim is to advance educational programmes, support industrial development, R&D as a significant driving force and environmental protection, as well as upgrade cross-border transport links through multilateral cooperation. Five sectoral programmes have been launched; on forestry, on mining and minerals, on oil and gas, on tourism and on east-west logistics.

Barents cooperation is basically multilateral and the Karelia ENPI CBC Programme bilateral, focusing on more concrete bilateral issues. However, these two cooperation forums can support and complement each other and concrete cooperation can be launched within the sectoral programmes.

### **3.6. Regional Development Programmes in Finland**

Regional Development Programmes are based on the Regional Development Act in Finland. The programmes define the main objectives for the development activities within each region. Regional Councils are in charge of the preparation and implementation of these programmes in their regions.

The key guidelines of the Regional Development Programmes of Kainuu, North Karelia as well as the Oulu Region have been taken into account in the preparation of the Karelia ENPI CBC Programme.

### **3.7. Socio-economic development strategy 2020 in the Republic of Karelia**

The government of the Republic of Karelia has approved the Socio-economic development strategy until 2020 in April 2007. The aim of the strategy is to improve the living standard of the population by balanced, continuous developing of the economy, by foreseeing upcoming development trends and possibilities and by actively participating on international and regional cooperation.

The government of the Republic of Karelia has approved the Socio-economic development programme until 2010 in December 2006. The programme is the leading strategy of the national social- and economic policies. The programme is implemented with the target programmes accordant with the priorities defined by the social-economic development concept approved in July 2006.

### **3.8. Other ENPI CBC Programmes**

There are three programmes covering the Finnish-Russian border: Kolarctic, Karelia and South-East Finland – Russia. The programmes have the same legal basis but the content of each programme is based on the programme area's objectives and needs. The programmes pursue close cooperation, through which possible overlapping will be avoided. The three programmes can also create wider development activities concerning the whole Finnish-Russian border if such actions are found necessary.

Cooperation and the exchange of experiences with the other ENPI CBC programmes are also vital in order to disseminate best practices. This cooperation can be bilateral between different programmes but also events for all ENPI programmes can be valuable.

### **3.9. European Territorial Cooperation Programmes**

The INTERREG IV A North Programme comprises areas in Sweden, Finland and Norway and concentrates to develop cooperation between these regions in different sectors. Oulu Region belongs to both Karelia ENPI CBC and Interreg IV A North Programme areas. This brings possibilities to complement the activities within these programmes and projects. In this respect the exchange of experiences between the programmes is important.

The Baltic Sea Region Programme 2007-2013 covers all Finland as well as Republic of Karelia among other regions. Projects in Baltic Sea Programme are multilateral having partners from several participating countries. Programme has also ENPI –part for activities implemented with the partner countries Russia and Belarussia. Programme concentrates to strengthen the competitiveness, territorial cohesion and sustainable development of the Baltic Sea Region. Projects addressing the Barents region are envisaged. Cooperation between Karelia and Baltic Sea Programmes can bring benefit to both sides and in this respect the exchange of experiences and information is important to arrange.

The Northern Periphery Programme helps peripheral and remote communities on the northern fringes of Europe to develop their economic, social and environmental potential. Since Russia doesn't belong to the programme area the experiences and ideas created within Northern Periphery Programme can give ideas also for Karelia ENPI CBC –projects and vice versa.

## **4. EUROPEAN LEVEL OBJECTIVES FOR ENPI CBC AND KARELIA ENPI CBC PROGRAMME OBJECTIVES**

### **4.1. ENPI Objectives set up by the European Commission**

The European Commission has set four important general objectives to ENPI CBC programmes, and all new programmes must address these objectives – at least two of these objectives have to be included in the operational part of each programme. The Commission's four general objectives and their essential contents from the point of view of the Commission are:

- Economic and social development
- Common challenges
- Secure and efficient borders
- People to people

These objectives have been described in more detail in the European Neighbourhood and Partnership Instrument Cross-Border Cooperation Strategy paper 2007-2013 and Indicative Programme 2007-2010.

### **4.2. Objectives of the Karelia ENPI CBC Programme and its coherence to European level objectives**

The main objective of the Karelia ENPI CBC Programme is to increase well-being in the programme area through cross-border cooperation. To achieve this goal, the objective is to strengthen strategic guidance for programme implementation and to pursue concrete cross-border results and visible impacts on strategically important fields of activity.

All the four objectives defined by the European Commission for the ENPI CBC programmes have been addressed in the priorities and activities of the Karelia ENPI CBC Programme.

The main goal and objective of the programme is to increase well-being in the programme area through cross-border cooperation. Based on this objective, the programme has been divided into two priorities both supporting the main objective.

Priority 1 includes activities in support to cross-border economic development. This corresponds to the Commission's objective Economic and Social Development. However, in the Karelia ENPI CBC Programme social development issues have been included in the Priority 2 – not in the same priority as economic development. Priority 1 also includes activities that foster efficient and secure borders.

Priority 2 concentrates on issues improving the quality of life and mostly builds on issues such as health, pleasant and clean environment, functional and practical structure of society and services (including cultural services). Activities included in

Priority 2 address parts of the Commission's objectives Common Challenges and People to People and partly also the social development part of the Commission's Priority 1 Economic and Social Development.

## 5. JOINT CROSS-BORDER STRATEGY

### 5.1. Introduction to the chosen strategy: experiences from previous CBC Programmes

EU programme work has been carried out jointly with the regions of Kainuu, North Karelia and Oulu Region and the Republic of Karelia since 1996. The Interreg II A Karelia Programme was implemented in 1996-1999. The most important results of the programme were the expanding of cross-border interaction and cooperation to several sectors of society. The programme established connections and preconditions for cooperation. In addition, strategic and political cooperation was launched between the Finnish regions and the Republic of Karelia on the basis of the experiences gained from the programming period. The Euregio Karelia scheme was set up in 2000 to strengthen and develop this cooperation. The Euregio Karelia Board is a body pursuing political and strategic level cross-border dialogue. The members of the Board are key regional decision-makers – both politicians and civil servants from both sides of the border (6+6).

The Interreg III A Karelia Programme was built on the experiences gained from the previous programme, with the aim of launching more in-depth cooperation. Yet the programme still had a largely enabling character so in practise it enabled activities based on cross-border cooperation to be developed even in new branches of activity. The broad-based, enabling programme was as such a natural extension to the programme-level cooperation of 1996-1999.

The pursuing of Interreg activities on the EU's external borders involved restrictions concerning the use of funds. In practise, it was impossible to use Interreg funds outside the EU and there were separate programmes for activities to be conducted on the Russian side of the border - most importantly the Tacis CBC Programme based on regional viewpoints. In practise, however, the programmes did not meet in terms of their management or content. It was consequently difficult to launch joint projects to be implemented on both sides of the border. These problems led to the introduction of Neighbourhood Programmes in which the project selection processes of different financial instruments were combined. The Euregio Karelia Neighbourhood Programme continued the work initiated in the Interreg III A Karelia Programme. Neighbourhood Programmes can be regarded as an intermediate step towards moving over to ENPI CBC Programmes.

Three main priorities were set in the Interreg II and III A Programmes and Euregio Karelia Neighbourhood Programmes in addition to a priority concerning the management and implementation of the programme. The priority promoting business cooperation and preconditions for business has been the most comprehensive one in terms of finance and the scope of operation. There have also been lively project activities in the priority based on education and culture and people-to-people interaction. The third priority focuses on border crossings, traffic and telecommunications development activities and regional planning. The priorities reflect well the Commission's overall structural scheme, which consists of four main objectives, thus providing a good foundation for introducing further activities.

However, it has turned out in the implementation and evaluation of the programmes that the results and activities of the programme and its projects are dispersed so widely that it is difficult at the programme level to outline the whole and the results and impact of the programme. In addition, as the activities are run under several small, independent projects, the implementation of the whole programme has become fragmented and it has been impossible to avoid overlapping between the project activities.

The Interreg II and III A Programmes and the Neighbourhood Programme were constructed from the point of view of regional cooperation, and this view is also the primary one in the Karelia ENPI CBC Programme. The experiences and results gained from earlier programmes and related project activities lay a solid foundation for launching more in-depth cooperation. A major point of departure for the programming period 2007-2013 is that the results and impact of the programme and project activities should be developed and improved. This calls for carefully defining the themes of cooperation and for joint background preparations. As a result of these experiences, a new more strategic approach will be launched for implementing the Karelia ENPI CBC Programme, which means a combination of top-down guidance and bottom-up project initiation. The new approach also underlines the strategic choices that are needed to reach the objectives and goals set up for the programme.

To outline the new approach, it is important to open the steering mechanism and the project portfolio used in the previous programmes. It can be strongly underlined that the cooperation between the regions of Kainuu, North Karelia and Oulu Region in Finland and the Republic of Karelia in Russia already has a strong basis. Cooperation based on the EU's CBC programmes (Interreg + Neighbourhood Programme) has already been jointly implemented since 1996 and hundreds of CBC projects have been implemented. Programme documents have provided a framework for activities, and projects have been initiated at the grass-root level.

The Euregio Karelia was founded in 2000 to deepen this programme and project-based cooperation in order to bring strategic and political guidance into the cooperation. The Board is the highest decision-making body in the Euregio Karelia cooperation. The Euregio Karelia Board first defined prioritized projects that it considered important for the cooperation. The prioritized projects were supported by the Euregio Karelia Board and all the defined projects were implemented and most of them were also financed from different financial instruments (e.g. the Interreg). Most of the projects were of major local importance, even though some of them were more strategic and touched upon the whole cooperation area. Despite the Euregio Karelia's strategic role and jointly agreed prioritized projects, the implementation of the Interreg III A Karelia and Euregio Karelia Neighbourhood Programme in 2001-2006 was based more on the bottom-up approach rather than on strategic guidance. This means that project initiatives mainly stemmed from the grass-root level and most of the new project ideas fit in the programme frames and active top-down strategic guidance was not used.

## **5.2. Strategic approach to programme implementation and the role of Euregio Karelia**

With this background and experiences from the previous programmes, a step forward will be taken and a more strategic approach has been chosen for the implementation of the new Karelia ENPI CBC programme for 2008-2013. A common understanding

about the strategic importance and possibilities of cross-border activities already exists in the programme area. Cross-border cooperation is seen as a complementing instrument for the regional development. Strategies to guide development in each region already exist on both sides of the border. The ENPI programme differs from these development programmes and strategies, focusing on joint cross-border objectives and activities benefiting both sides of the border. In order to get the best added value from cross-border cooperation within the ENPI programme, strategic guidance and strategic choices need to be performed in programme implementation .

The strategic approach of the Karelia ENPI CBC programme is a combination of bottom-up and top-down methods. Existing regional coordination, common understanding and view about the cooperation make it possible to launch the top-down model: the programme document defines broad frames for the cooperation, and the practical implementation will be guided and steered more precisely. The Euregio Karelia Board has an important role in guiding the implementation in that it will give recommendations and signals to the Joint Monitoring Committee as regards the direction of the cooperation, actual needs and important thematic issues. The Joint Monitoring Committee takes these recommendations into consideration and decides about thematic calls within the programme and priority frames. In this approach the programme implementation concentrates on the most significant and topical issues of cooperation. Also the indicators and monitoring system of the programme are based on this approach. In order to ensure that each strategic thematic package serves the needs of the programme, experts will be consulted and the existing regional capacities and experiences used in order to define the operational frames for each thematic call.

The thematic call approach based on top-down guidance makes it possible to launch a framework for the development of coordinated smaller projects working together for a common objective and goal. However, the approach is not fully top-down in that although the operational frames are determined by thematic calls , practical solutions to reach the agreed objectives will be initiated bottom-up. Regional administration and coordinating bodies (including political guidance) have a strategic view about cooperation but not the practical knowledge that different stakeholders on both sides of the border have. With this perspective, the know-how of regional and local stakeholders will be guided to concentrate on strategically important themes – it is expected that innovative solutions will be reached with this approach.

The top-down and bottom-up approaches combined and enabled by joint steering and the guiding of thematic packages and individual projects is also expected to create extra added value so it is more likely that the expected results and impacts will be reached.

### **5.3. Steps to implement the strategy**

The purpose of the joint development strategy of the Karelia ENPI CBC Programme is to describe the main stages of the programme implementation process that ensure the reaching of the main objective set for the programme.

- Committing the key local, regional and central administrative organisations and actors in Finland and Russia to the implementation of the programme.
- Pursuing close dialogue on the programme's strategic guidelines with the European Commission, Finnish government and Russian Federation, with the aim

of carrying out "broadly accepted and supported" development activities within the programme. Another purpose of the dialogue is to prevent overlapping with other programmes, such as the Finnish neighbouring area cooperation, and with national development activities.

- Strengthening political and strategic steering and long-term planning concerning the entire programme area and programming period. The Euregio Karelia Board gives political signals about key cross-border objectives and the Monitoring Committee defines practical steps to reach those objectives.
- The Monitoring Committee sets up a content-based schedule for the calls in order to reach the objectives set for the programme.
- The Monitoring Committee confirms concrete objectives for each call. Objectives will be prepared together with the key authorities and experts for the approval of the Monitoring Committee that can also decide on a thematically limited call in which the objectives and operational frames will be defined in more detail.
- The Selection Committee selects the proposals/projects that implement the objectives and operational frames in the most convenient way.
- The projects will be steered from the point of view of management and content. The aim is to ensure the outputs, results and impacts of projects in order to make sure that the operational frames set for the call have been respected and the objectives set for the call will be reached as well as possible.
- The outcomes of each call (group of projects) will be evaluated and results reported to the Monitoring Committee and Euregio Karelia Board.

## 6. PRIORITIES OF THE PROGRAMME

The Karelia ENPI CBC Programme is divided into two priorities of which the first one consists of activities supporting economic development and the second one of underlining soft and human values and quality of life. Sustainable development and equality between the genders as horizontal principles will be taken into consideration in the priorities and projects .

### 6.1. Horizontal principles

Ecologically sustainable development aims at the conservation and promotion of biodiversity and functioning of ecosystems. Economically sustainable development as a horizontal principle means that long-term impacts on the region's economic development and employment are required from projects. Culturally sustainable development aims at enabling free intellectual activities and the conservation and development of cultural diversity and cultural heritage. Socially sustainable development seeks to promote socially balanced development in the region.

According to the gender equality objective, men and women must have the same rights, opportunities and obligations in different fields of society. One principle in the projects to be implemented is to strengthen the position of women, to increase



entrepreneurship among them and to encourage them to participate in both local and regional development. Overall, stronger Programme emphasis shall be put into activities concerning the cross border cooperation of young people and women in the Programme area.

## 6.2. Priority 1 : Economic Development

The Karelia ENPI CBC Programme builds primarily on economic cooperation activities. Although there are already long traditions in economic cooperation in the programme area, new cooperation opportunities still await exploitation. The Finnish and Russian parts of the programme area differ considerably in terms of their initial capabilities: there are major differences in their economic structure, though this can also offer new opportunities for cooperation.

Active and positive economic development builds a firm foundation for increasing of well-being. In this perspective

The objective of Priority 1 Economic development is to strengthen cross-border economic cooperation and increase cross-border business.

### Better conditions for cross-border economic cooperation

The conditions for cross-border economic cooperation have developed vastly during the past 10-15 years and the major problems hindering cooperation are already identified quite broadly. It is still useful to develop service structures that support subcontracting and the establishment of businesses as well as networking and opening contacts for new enterprises for cross-border business. A concrete example of actions to this effect is the further development of a science park concept to address the needs of cross-border business cooperation.

Fluent transport connections and logistics are important sub-factors in view of economic cooperation. It is important that goods and passenger traffic by road and rail be developed functionally in the programme area. It should be noted, however, that the programme offers limited resources for making infrastructure investments so it will mainly provide for the implementation of different types of functionality-enhancing actions, such as the opening of passenger train connections and developing of guidance and information systems.

One precondition for smooth cooperation is the possibility to cross the border fluently and with ease. There are three international border-crossing points in the programme area and the number of crossings has increased steadily in all of them. From the point of view of the border authorities, border structures are generally in place, although the fluency of crossings could be developed further by also employing structural measures. As far as the authorities are concerned, some of the development activities concerning border-crossing points are purely national questions. However, the challenge in the programme area is how to identify the issues that can be influenced locally.

Yet activities connected with border crossings should not be limited to actions taken by the authorities only. It is possible to develop crossing services and related activities locally on the basis of the needs and strengths of each border-crossing

point. Services of this kind can include information activities, guidance development, visa services and actions targeted at developing public transports, such as improving passenger train traffic services. Fluent border services and activities directly support and increase active cross-border cooperation.

A jointly planned development programme for 2007-2013 provides preconditions for the strategic planning and steering of economic cooperation. Joint strategies can be used as tools for providing means through which it is possible to tackle major challenges in economic cooperation, which may be connected with the labour market and immigration, for instance. However, it is not possible to solve all the existing problems with Karelia ENPI CBC programme's resources, but it is possible to speed up the development in some fields and achieve concrete results and impacts through realistic and careful planning.

### Sectors of cross-border economic cooperation in the programme area

The important cornerstones of economic cooperation in the programme area are the forest and wood sector and the tourism sector. The forest and wood sector will pose major challenges in future with regard to mutually beneficial cooperation within the programme. The wood industry in Finland in part relies in its production on raw material imported from Russia, which in turn aims to reduce the exports of round wood and increase wood processing in Russia.

In the tourism sector, the scope of actors involved in development work has been quite scattered. The number of actors engaged in cross-border tourism cooperation has increased in the last few years and a wealth of multiple project activities has been pursued in Finland and Russia. However, not all of the opportunities available in tourism-based cooperation have been exploited yet. It should be borne in mind though that all development efforts in the programme must be based on a sufficiently exhaustive assessment of the current situation and an analysis of the project activities carried out so far.

There are evident needs for cooperation in the energy sector, including, inter alia, a more efficient energy management (electricity and heating). Promoting the energy efficiency and sustainable use of local fuels, and the resulting employment effects, are key factors in energy sector cooperation.

The stone and extractive industry occupies a prominent position especially in the Republic of Karelia and is also strengthening its role in the Finnish part of the programme area. The soil and bedrock structure is similar on both sides of the border so there are broad cooperation opportunities in this particular sector.

The building sector in Russia is undergoing a strong development phase and the prospects for the building industry look quite good in Finland as well. In view of cross-border cooperation, the use of wood as building material and the related expertise and business will allow for even broader cooperation in future.

The Karelia ENPI CBC Programme can also provide opportunities for economic cross-border cooperation targeted at new innovative sectors and solutions, including ICT and production based on high technology. For ICT and hi-tech cooperation, there is a solid background and a number of possibilities still remain to be exploited. Advanced know-how is available on these sectors and some cross-border contacts have already been established to address such questions.

### Calls within Priority one Economic Development

Objectives will be set for each call and operational frames will be defined for thematic calls. Operationally these calls could be divided into two different categories: those improving the general conditions for economic cooperation and those implementing sectoral or multisectoral actions.

Calls where the operational frames will be defined can include activities (linked to a chosen theme) such as training, marketing, exchange of experiences and benchmarking, investments, availability of workforce etc. Also activities connected with addressing the opinions of citizens and interest groups are possible. It should be pointed out that not all activities are necessary in every call and they are defined in more detail in the guidelines of each call.

Most of the activities to be implemented within the Karelia ENPI CBC Programme with a view to promoting economic cooperation will provide general preconditions for concrete business-level cooperation: activities yielding direct financial benefit are based on decision-making and the allocation of resources by the companies themselves so programme resources will not be set aside for such activities.

The Joint Monitoring Committee decides on the order, schedule and resources of the calls, taking into consideration the political guidance and signals of the Euregio Karelia Board.

Indicative examples of the subjects to thematic calls:

- energy and energy consumption
- forestry and wood
- primary production
- stone and mineral industry
- traffic and logistics
- tourism
- information and communication technology
- Services supporting business life on cross-border cooperation

### **6.3. Priority 2 : Quality of life**

The main objective of the programme is to increase well-being in the programme area through cross-border cooperation. Positive economic development creates a firm foundation to increase well-being but it only forms one part of the whole picture. Issues such as health, pleasant and clean environment, functional and practical structure of society and services (including cultural services) increase the well-being effectively as well. In these particular issues added value can be reached through cross-border cooperation and in this way it is possible to strongly support the main objective of the programme.

The objective of Priority 2 is to improve the quality of life in the programme area through cross-border activities.

### Clean and pleasant environment

Environmental issues are among the major common challenges for cross-border cooperation both at the level of Europe and the programme area. From the point of view of the EU, ENPI programmes should address different types of cross-border environmental threats in particular. On the other hand, environmental issues are present throughout the Karelia ENPI CBC Programme in the implementation of each call while at the same time constituting an element of their own. The utilisation of environmental technology and expertise offers cooperation opportunities in the programme area, including pure drinking water and waste management. Expertise is available in the programme area though there are also large-scale development needs. The importance of environmental education is underlined through the whole programme.

Environmental issues and environmental protection also involve the question of cross-border cooperation between national parks. As national parks and other nature conservation areas make up an important part of nature tourism in the area, they can also be directly linked with Tourism in Priority 1. There has been quite active cooperation between national parks in the last few years and the concrete results have been positive.

### Planning systems and service structures supporting cross border cooperation

Efforts will be taken to strengthen joint decision-making and controllability of development through the programme's development strategy. One element in improving such controllability is the development of planning systems and launching of actions related to the planning of the physical environment. These include both land use planning, which ranges from general plans to detailed plans, and spatial planning.

Regional planning also covers the built-up environment and building heritage. Collaboration connected with urban cultural heritage will offer the cities in the programme area a chance to pursue closer interaction and also provide a channel for exchanging experiences and learning new things about how planning is carried out in adjacent and neighbouring areas and about functional solutions. The work will also help lay a foundation for developing interaction between urban and rural areas, which is a topical issue in both Finnish and Russian parts of the programme area. Cross-border cooperation can also bring added value to the local self-governmental reform that is topical on both sides of the border, and the development of joint planning can support this reform.

### Attitude education and youth – building material for future cooperation

Ensuring closer, strengthened cooperation between neighbouring countries sharing the same border will above all require attitude education and interaction between the citizens. One way to build cooperation on a firm foundation is to set out from youth cooperation. Although youth cooperation projects have been implemented in a variety of spheres, broad target groups have not been reached through the programme activities. Such cooperation still has a place in the Karelia ENPI CBC Programme.

### Health and well-being – common challenges

One of the dimensions determined by the Commission under the common challenges objective is the prevention and combating of health hazards and threats, including actions to prevent the spreading of contagious diseases. Resources will be set aside within the Karelia ENPI CBC Programme to participate in broader development initiatives that concern this particular theme area. It is possible in the regional programme to implement concrete activities through which threats can be prevented, although a single regional CBC programme does not allow for tackling matters on the European scale. Launching cooperation on this particular theme within the programme will call for close interaction with the appropriate Ministries in both Finland and Russia. At the regional level, however, health and well-being are being introduced as a new cooperation area of the kind that can be entirely based on distinctive regional operating models and ideas.

### Culture – possibility to deepen cooperation

Cultural cooperation has been very active in the Interreg II A and III A Programmes as well as in the Neighbourhood Programme. Culture lays a foundation for diverse cooperation, and it is challenging to try to define a single approach to questions concerning cultural cooperation in a development programme. Culture can be linked to several thematic entities. In project activities, culture is often connected with tourism – an approach that can be employed to a limited extent in future, too. However, it is important to introduce new viewpoints to cultural cooperation, of the kind that can be used in development activities, and thereby further strengthen regional cooperation. One element in culture-based cooperation is connected with cultural building heritage, which has already been discussed in the chapter on planning systems.

### Civic organisation cooperation

Cooperation between civic organisations is part of the Commission's people to people objective and an important element in strengthening cross-border interaction. Supporting cooperation between civic organisations already has fairly well established traditions in the cooperation between Finland and Russia. Such collaboration has been mainly financed out of funds set aside by the State of Finland for supporting adjacent area cooperation. Collaboration between single civic organisations will continue to rely on neighbouring area cooperation while a new, more comprehensive approach will be sought within the Karelia ENPI CBC Programme for cooperation between civic organisations.

### Calls within Priority 2

Objectives will be set for each call and operational frames will be defined for the thematic calls. The frames for the calls can be built e.g. under the subheadings of Priority 2.

Calls where the operational frames will be defined can include activities (linked to a chosen theme) such as training, marketing, exchange of experiences and benchmarking, investments, availability of workforce etc. Activities connected with addressing the opinions of citizens and interest groups are also possible. It should

be pointed out that not all activities are necessarily included in every call and they are defined in more detail in the guidelines of each call.

The Joint Monitoring Committee decides about the order, schedule and resources of the calls taking into consideration the political guidance and signals of Euregio Karelia Board.

Indicative examples of the subjects to thematic calls:

- environment and environmental technology
- education
- culture
- youth cooperation
- wellbeing and health
- regional and urban planning including and aspect to local government finance

#### Possible overlapping

Many of the examples included in Priority 2 are also among the activities to be supported through other financial instruments. The key challenge when preparing each call is to make sure that there will be no overlapping between different programmes and that cooperation can be pursued in a mutually supplementary form, where possible. Financial instruments of this kind include Finnish National Neighbouring area cooperation, of which very active use is made in the environmental and health sector and in civic organisations.

## **7. ENVIRONMENTAL ASSESSMENT**

The purpose of strategic environmental assessment (SEA) is to ensure that environmental impacts are assessed and duly considered during the preparation and approval of authorities' plans and programmes. It focuses on the improvement of information availability and provides more opportunities for public participation in planning to promote more sustainable development. The aim is to guarantee that the environmental consequences of certain plans and programmes are identified and assessed during their preparation and before their adoption.

The process of environmental assessment was begun on January 2007. An announcement of the beginning of the process was then published on the local newspapers on both sides of the border as well as on the programme's website. On January an opening meeting was held with the programme area's environmental authorities and the guidelines were set for drafting the document. The assessment was drafted in parallel with the programme document giving the SEA an opportunity to effect on the content of the programme document. The public consultation was held between 24<sup>th</sup> October and 23<sup>rd</sup> November 2007. It was published on the local newspapers on both sides of the border, on the programme's website and on the websites of the regional councils of the programme area. During the public hearing it was noted that the SEA should be available also in Finnish. The document was translated and the time for giving comments of it prolonged. On public consultation the environmental assessment was commented by the regional environmental authorities as well as by the Ministry of the Environment of Finland. In addition to correcting some technical errors on basis of the statements for example the

indicators were specified more clearly and the description of the local environmental programmes was added.

From the wide list of environmental policies, strategies and programmes the most relevant international and local ones are concerned. Also the state of environmental legislation and administration both in Finland and in Russia is shortly described.

Considering the state and future of the environment in the programme area there are challenges especially concerning waste management, water maintenance and the protection of the boundary waters. The loss of biodiversity is a serious concern to be taken into account.

At this stage of the programme development, the exact locations, nature and impacts of actions cannot be identified, as this depends on specific projects that will be implemented. On the programme document some sectors are introduced within the two priorities. The environmental assessment is based on the sectors mentioned on the programme document.

Impacts such as biodiversity, population, human health, fauna, flora, soil, water, air climatic factors, material assets and cultural heritage has been taken into account when appraising the programme elements. The effects include secondary, cumulative, synergistic, short, medium and long-term, permanent and temporary and positive and negative effects. On the grounds of the assessment it can't be stated that certain sectors would be evidently better than the others. However, directing of the sector can influence a lot on environmental impacts, for example shall the energy sector concentrate on peat or bioenergy, and that should be taken into account in the programme implementation.

Sustainable development is a significant horizontal principle in the programme. The programme is not based on the Sustainable Development Strategy but the principles of the sustainable development have and will be taken into account in the programme and its implementation. Accordingly, the programme must convey a clear message that a positive environmental impact is a key element in the programme's strategy.

Monitoring of the environmental impacts in programme implementation is of vital importance and a progress report should be presented to the Monitoring Committee on annual basis.

## 8. INDICATORS

In order to monitor and evaluate the results and impacts of the programme, a number of appropriate and measurable indicators have been set up relating to the (direct) outputs of the activities of the projects and calls, the results of the projects' direct and immediate effect on direct beneficiaries and the impact of the programme and its key objectives.

Indicators include both general indicators and specific monitoring indicators defined for each priority. More specific objectives and indicators will also be defined for thematic calls and in these cases the objectives also complement and support the priority's objectives. More specific objectives and indicators for thematic calls will be

defined in each call's guidelines, which will be approved by the Joint Monitoring Committee.

<b>Level</b>	<b>Intervention level</b>	<b>Expected indicators</b>	<b>Data collection schedule</b>
Programme	Objectives of the programme	Impact indicators	At the end of the programming period
Priority	Specific objectives of the priorities	Result indicators	At the end of the programming period
Call for proposals	Objectives of each call	Output indicators	After projects have been implemented
Project	Objectives of each project	Output indicators	After each project has been implemented

Table 1. Indicator structure of the Karelia ENPI CBC Programme

These are indicators that the Programme can be expected to influence at a concrete level and that can be considered to directly reflect the Programme's success. Due to the nature and size of the Programme, the indicators do not include ones that describe the general development of the Programme area, such as population, GDP per capita, health indicators or employment rate, which are regional macro-indicators, and the Programme can only influence this indirectly and even then by taking into account all other programme-external factors affecting regional dynamics. Indicators describing general development will in any case be collected in order to compare the programme results and general development and to evaluate the possible links between these. Such general indicators (not describing the programme's results or impacts but instead general development) are

1. Population of the programme area
2. Unemployment rate and employment rate
3. GDP (gross domestic product)
4. Life expectancy
5. Population with educational qualification (upper secondary schools, vocational schools and colleges, universities of applied sciences or academic universities)
6. Foreign trade / product exports in the programme area's border crossing points
7. Number of border crossings in the international border crossing points of the programme area

#### Collection of information

As most of the impacts of the Programme will only be measurable some time after its implementation and the impact indicators will only be available after that, the impacts shall be evaluated after the completion of a certain number of approved projects. Thematic calls give a possibility to evaluate the results and impacts after all theme-related projects have been closed.

The Programme will also collect information about approved projects in order to monitor and evaluate the Programme's impacts. This information will be collected



into a database, which contains all the information on the projects' expected results and indicators that are given in the Grant Application Form. The necessary information will be collected from the projects through the Progress and Final Reports that the Lead Partner of each project is obliged to submit to the JMA. Additional information can also be collected from the stakeholders by means of specific questionnaires if needed.

#### PROGRAMME LEVEL:

Objective: to increase well-being in the programme area through cross-border cooperation.

Question for the evaluation: What are the impacts of programme activities on well-being in the programme area from the point of view of economic situation and the quality of life of the people living in the programme area?

These impacts will be evaluated following the outputs and results reached at the priority, call and project level.

In addition to these overall impacts, the programme's impacts on horizontal principles and sustainable development will be assessed. These sustainable principles can be measured using the following indicators and related questions:

#### Indicators:

Number of projects and thematic calls having positive influence on environment and sustainable development.

The percentual proportion (in euros) of projects and thematic calls having positive influence on environment and sustainable development.

Number of projects and thematic calls fostering environmental technology.

Number of projects and thematic calls fostering environmental awareness.

Question to the evaluation: Have the programme activities increased the involvement of sustainable principles in cross-border cooperation? In which way?

Question to the evaluation: Have the programme activities aimed at preventing /reducing the climate change? In which way?

#### PRIORITY LEVEL

Objectives and key indicators have been defined for both the priorities. The evaluation of the extent to which the objectives of both the priorities have been reached is mostly qualitative and based on call and project level outputs. However, the indicators defined for the priorities emphasize the permanent results and strategic approach of the programme: how well does the Programme manage to select such activities that the objectives set up for both the priorities can be reached. The call and project objectives and indicators will complement and support the evaluation of the outputs and results at the priority level.

Priority 1 :

Objective: to strengthen cross-border economic cooperation and increase cross-border business.

Indicators:

1. Number of projects and thematic calls having influence on economic situation in the programme area

Question to the evaluation: How have the programme activities influenced general economic development at the regional level?

2. Number of projects leading to permanent service structures supporting cross-border interaction and trade.
3. Number of projects/calls having influence on cross-border interaction and the fluency of border crossings.

The priority's objectives and indicators will be complemented and supported with call level objectives and indicators that will be defined especially for thematic calls. Call level objectives and indicators will be approved by the Joint Monitoring Committee.

Priority 2:

Objective: to improve the quality of life in the programme area through cross-border activities

Indicators:

1. Number of projects and calls improving the quality of life in the programme area in view of health.
2. Number of projects and calls improving the quality of life in the programme area in view of the level of education .
3. Number of projects and calls improving the quality of life in the programme area in view of clean and comfortable environment.
4. Number of projects and calls improving the operational capacity of local self - governmental bodies to participate in cross-border activities in order to help find solutions to local problems.

CALL LEVEL

Objectives will be defined for each individual call. They will be based on programme and priority level objectives and may each time differ from other calls' objectives, depending on the nature of the call. Call level outputs will be evaluated in the light of the objectives set up for each call. The way in which the call level outputs effect the priority level results will be evaluated.

Compared to priority level objectives and indicators, call-level objectives and indicators are more theme related and always depend on the selected themes / activities. Objectives and operational frames will be defined for each call based on cooperation areas defined in the programme's priorities. This approach gives a better possibility to direct the programme actions and resources to activities that support the programme's objectives in the most appropriate way. Examples of such thematic packages may be environmental technology, sustainable energy, youth etc. The themes will be chosen by the Joint Monitoring Committee within the framework of the two priorities described earlier.

### PROJECT LEVEL

Projects always look for solutions to concrete problems. In the approach of the Karelia ENPI CBC Programme, the problems that projects are trying to solve are linked with issues or themes defined for each call. These issues and themes are based on the programme level objectives and the content of the priorities.

As a result, the objectives and thus also the indicators in which the projects are addressing differ from call to call. Some issues nevertheless have to be followed in all the projects regardless of the content of the project. The first issue is the geographical coverage of the programme activities: in order to analyse the results and impacts of the programme, it is important to have a clear picture of the geographical parts of the programme area that the implemented projects touch upon. This way it is possible to draw more concrete conclusions about the regional and local level impacts of the programme.

These issues can be surveyed with the following information

- home municipality of the project lead partner
- home municipality of other project partners

As a result of this information, the number of project partners and lead partners can be determined for each municipality, region and country.

The second issue to follow from every single project is the type of partners. This information gives a picture about the organisations participating in project activities and whether some are more active or if some group of actors is missing altogether. To obtain a clear picture of the project stakeholders, the following grouping shown below can be used (the question of eligible organisations will be handled in chapter Geographical and institutional eligibility).

The organisation acting as a lead partner belongs to or is a

- State administrative organisation
- Federation of Municipalities
- Municipality
- Private enterprise
- NGO
- Other

## **9. INDICATIVE FINANCING PLAN**

### **9.1. Financing sources**

#### **EU Financing**

The EU funding for Karelia ENPI CBC Programme comes from the European Neighbourhood and Partnership Instrument, located under Volyme 4, Title 19 of the Budget of the European Community. Part of this funding originates from the funds allocated to the Member States in the European Regional Development Fund under the Cross-border Cooperation strand of the European Territorial Cooperation objective on the basis of their border area population.

Regardless of their origin, the EU funds allocated to the Programme from the ENPI may be used on either side of the EU external border for the benefit of the border regions. PRAG rules apply to the funds within the whole Programme area.

The indicative allocation of Community funding in the Indicative Programme 2007-2010 attached to the ENPI CBC Strategy Paper 2007-2013 to the Karelia ENPI CBC Programme is 12,101 million euros. The illustrative allocation for the remaining years is 11,102 million euros, which brings the total allocation of Community funding up to 23,203 million euros for the years 2007-2013.

The results of a mid-term review of the Programme, foreseen for 2010, may lead to adjustment of the 2011-2013 allocation. The review will take into account any changes in the cooperation priorities, socio-economic developments, the results observed of the implementation of the measures concerned and those of the monitoring and evaluation process, and any need to adjust the amounts of financing available and thus reallocate the available resources across the different programmes. A review can take place at an earlier stage, if this is necessary to address specific issues affecting the implementation of a Programme.

#### **National co-financing by Finland**

Finnish national co-financing is allocated annually from the state budget and allocated and transferred to the Joint Managing Authority (JMA). In cases where required by national legislation, Finnish national co-financing may be channelled to the selected applicants through a Finnish State Authority.

The role of the JMA as a body responsible for the use of national co-financing in the Karelia ENPI CBC Programme will be defined in the national legislation on the management of ENPI CBC programmes in Finland.

Finnish national co-financing will be used to co-finance Karelia ENPI cbc projects and Technical Assistance. The use of Finnish national co-financing follows the same rules as the use of EU –financing. Indicative yearly allocations of Finnish National co-financing have been defined in the financial table in chapter 9.2.

#### **National co-financing by the Russian Federation**

The Russian co-financing is to be determined later.

**Intervention rates/Project partners' own financing**

Each single project has to be part-financed by the project partners as well. In individual projects, the financing requirement may vary according to the guidelines adopted by the Joint Monitoring Committee.

## 9.2. Indicative financial table

Indicative financing plan of the ENPI CBC programme, giving, for the whole programming period, the indicative amount of funding by priority					
<i>Priorities by source of funding (in euros):</i>					
	EC Funding (a) *	Co-financing Finland (b)	Co-financing Russia (b)	Co-financing rate (in %) (c) **	Total funding (e) = (a)+(b)
<b>Priority 1</b>	12 000 000	6 000 000	0	50 %	18 000 000
<b>Priority 2</b>	8 882 256	4 441 128	0	50 %	13 323 384
<b>Technical Assistance</b>	2 320 251	1 160 126	0	50 %	3 480 377
<b>Total</b>	23 202 507	11 601 254	0	50 %	34 803 761

\* In accordance with the Strategy Paper.

\*\* Cofinancing rate shall be calculated on the basis of the Community contribution to the joint operational programme, minus the amount of technical assistance financed from the Community contribution (see: Art. 20.1 of the Regulation n° 951/2007).

	A	B	C	D
	INDICATIVE PROVISIONAL COMMITMENTS BY THE EC	CO-FINANCING	PROGRAMME'S INDICATIVE PROVISIONAL COMMITMENTS - EC funding -	PROGRAMME'S INDICATIVE PROVISIONAL PAYMENTS - EC funding -
<b>TOTAL 2008</b>	<b>3 189 575</b>	<b>1 594 788</b>	<b>0</b>	<b>0</b>
<b>TOTAL 2009</b>	<b>3 486 766</b>	<b>1 743 383</b>	<b>4 113 677</b>	<b>1 572 314</b>
<b>TOTAL 2010</b>	<b>3 556 501</b>	<b>1 778 251</b>	<b>4 418 806</b>	<b>2 944 705</b>
<b>TOTAL 2011**</b>	<b>4 561 462</b>	<b>2 280 731</b>	<b>5 687 289</b>	<b>4 739 924</b>
<b>TOTAL 2012**</b>	<b>4 634 015</b>	<b>2 317 008</b>	<b>4 472 247</b>	<b>4 859 447</b>
<b>TOTAL 2013**</b>	<b>3 774 188</b>	<b>1 887 094</b>	<b>3 698 402</b>	<b>4 619 313</b>
<b>TOTAL 2014</b>	<b>N.A.</b>		<b>2 522 461</b>	<b>2 824 095</b>
<b>TOTAL 2015</b>	<b>N.A.</b>		<b>301 633</b>	<b>1 433 889</b>
<b>TOTAL 2016</b>	<b>N.A.</b>		<b>208 820</b>	<b>208 820</b>
<b>TOTAL 2007-2016</b>	<b>23 202 507</b>	<b>11 601 254</b>	<b>23 202 507</b>	<b>23 202 507</b>
<b>TOTAL COFINANCING RATE</b>			<b>50,00 %</b>	

\*\* Subject to a mid-term review of the programme

## **10. JOINT STRUCTURES AND DESIGNATION OF COMPETENT AUTHORITIES**

### **10.1. General issues**

The management of the programme is based on full equality and partnership between the participating countries. This is reflected in the composition and designation of the programme bodies and the selection of consensual decision-making as a general rule.

Efficient decision-making is a precondition for the successful implementation of a programme including regions from two countries. Consequently the size of the delegation from both the participating countries cannot include representatives from all the relevant stakeholders in the programme area. This limitation obligates both the participating countries and each region to set up national and regional coordination mechanisms to guarantee the commitment and influence of these other stakeholders.

Both the participating countries have designated a ministry through which all the designations and other official communications will be transmitted to the programme authorities. These ministries are

for Finland: Ministry for Foreign Affairs

for Russia: Ministry of Regional Development/ Ministry for Foreign Affairs

Each region has coordinating bodies that are responsible for consulting the various regional bodies and authorities. The coordinating bodies are:

For Finland:

Kainuu: Joint Authority for Kainuu Region

North Karelia: Regional Council of North Karelia

Oulu Region: Council of Oulu Region

For Russia:

Karelia: Ministry of Economic Development of the Republic of Karelia

### **10.2 Joint Monitoring Committee (JMC)**

A Joint Monitoring Committee will be established for the programme. It will consist of two (2) central government representatives and three (3) regional level representatives from both the countries participating in the programme. A substitute member will be designated for each Committee member to participate in meetings in cases where the regular member cannot attend. A representative of the European Commission shall be invited to attend all the meetings of the Monitoring Committee in an advisory capacity.

Both the participating countries shall designate its central and regional level representatives to the Joint Monitoring Committee no later than 30 days after the

JMA has submitted the draft Programme to the European Commission for adoption. The designations shall be transmitted to the Joint Managing Authority by the ministries referred to above in Chapter 9.1.

The representatives of the designated adjacent programme areas shall be invited to attend the meetings of the Monitoring Committee in an advisory capacity when appropriate. They shall cover their travelling costs on their own.

The first meeting of the Joint Monitoring Committee shall be convened by the Joint Managing Authority. The Committee can begin its preparatory work before the adoption of the Programme by the European Commission. The cost of preparatory work before the adoption of the programme is not eligible for Karelia ENPI CBC funding.

The Joint Monitoring Committee shall meet regularly and as a general rule at least once a year during the period 2008-2016 in the participating countries.

The Joint Monitoring Committee will be chaired and co-chaired by a Central Government level representatives of Finland and Russian Federation, both elected by the Committee from among its members.

The office of the chair and co-chair of the Joint Monitoring Committee will rotate every calendar year between the representatives of Finland and Russia.

The Monitoring Committee will take its decisions according to the consensus principle. In cases where one or several members of the Committee disagree with the majority of the members, the chair can either

- declare the proposal rejected; or
- postpone the issue to the next meeting of the Committee (when the issue concerns projects: exceptional cases requiring further clarifications); or
- Convene an extraordinary meeting of the Committee

If no unanimity is found in the second meeting, the proposal will be rejected.

The Monitoring Committee shall in accordance with the Implementing Rules and especially its Article 13:

- adopt its own Rules of Procedure
- adopt the Rules of Procedure of the Joint Selection Committee
- approve the Joint Managing Authority's annual work programme;
- decide on the volume and allocation of the Programme's resources for technical assistance and human resources;
- at each of its meetings, review the management decisions taken by the Joint Managing Authority;
- appoint the Joint Selection Committee;
- decide on the operational frames, resources, objectives and project selection criteria of the call for proposals;



- take the final decision on projects and on the amounts granted to them;
- at each of its meetings and on the basis of the documents submitted by the JMA, evaluate and monitor progress towards the objectives of the Programme;
- review all reports submitted by the JMA and, if necessary, take appropriate measures;
- examine any contentious cases of recovery brought to its attention by the JMA;
- Make propositions to the European Commission about changes in the Programme

If, when taking final decisions on projects, the Joint Monitoring Committee decides not to follow all or part of the recommendations of the Joint Selection Committee, it shall explain its decision in writing. The decision shall then be sent via the joint managing authority to the European Commission for prior approval.

The Joint Monitoring Committee shall adopt its Rules of Procedures unanimously.

The travel and accommodation expenses of the members and experts of the Joint Monitoring Committee can be reimbursed by the Joint Managing Authority from the Technical Assistance budget. The procedures will be defined in the Rules of Procedures.

### **10.3. Joint Selection Committee (JSC)**

Joint Selection Committee is a body in charge of the evaluation and selection of received project proposals. The Joint Selection Committee will be appointed by the Joint Monitoring Committee for the whole programme period. It shall consist of five representatives | from both participating countries. The Joint Selection Committee shall be chaired by a representative of the Joint Managing Authority.

Joint Selection Committee assists JMA to prepare the operational part of the Call's guidelines. Operational part of the guidelines defines the operational frame, objectives and financial resources of the call.

Joint Selection Committee shall evaluate the project proposals and present a list of projects (evaluation report) which will be then approved by the JMC. JSC shall make its decisions with consensus principle. In cases where one or several members of the Committee disagree with the majority of the members, the application in question shall be considered rejected.

The Selection Committee's meetings will be chaired by the JMA whose representative acts as an arbitrator and does not have a voting right. The Selection Committee may also use assessors in its work especially in project evaluation. National Ministries, which are members in the JMC can participate into the JSC meetings as observers

The JMA prepares the Rules of Procedure for the Joint Selection Committee and the JSC shall unanimously make a proposal for its Rules of Procedures to the Joint Monitoring Committee for adoption. Rules of Procedures of the Joint Selection Committee will be compliant with PRAG.

The travel and accommodation expenses of the members and experts of the Joint Selection Committee can be reimbursed by the Joint Managing Authority from the Technical Assistance budget. The procedures will be defined in the Rules of Procedure of the JSC.

Members of the Selection Committee participate in the regular steering/info meetings to evaluate the progress of the projects.

#### **10.4 Joint Managing Authority (JMA)**

The participating countries and regions have designated as the Joint Managing Authority the

Council of Oulu Region  
Kauppurienkatu 8 A  
90100 OULU  
Finland  
[www.pohjois-pohjanmaa.fi](http://www.pohjois-pohjanmaa.fi)

The Council of Oulu Region is a joint municipal authority of 38 member municipalities. It operates as an authority for regional development and planning and looks after the interests of the region and its communities.

## **11. PROGRAMME IMPLEMENTATION**

### **11.1. General issues**

Programme implementation is conducted according to the ENPI Regulation (EC 1638/2006), ENPI CBC Implementing Rules (EC 951/2007), EC Financial Regulation (No 1605/2002) and its Implementing Regulation (No 2342/2002) and the Practical Guide to contract procedures for EC external actions.

The Joint Managing Authority is the Contracting Authority of the Programme. However, the JMC will appoint a Joint Selection Committee for project selection. The Joint Monitoring Committee will also define the selection criteria and make the final decision on the projects to be funded.

The duties of the joint managing authority shall be performed in compliance with the regulations and provisions in force.

In compliance with art. 5.2 (f) of the implementing Rules, the JMA will engage a sufficient number of properly qualified and fully dedicated staff to the Programme in order to ensure good management of the Programme commensurate with the volume, content and complexity of the operations planned under the programme.

## 11.2. Tasks of the Joint Managing Authority

The Joint Managing Authority (JMA) shall be responsible for managing and implementing the joint operational programme in accordance with the principle of sound technical and financial management, and for ensuring the legality and regularity of its operations. To this end, it shall put in place appropriate management, control and accounting systems and standards. The detailed description of the procedures and organisation of the JMA will be checked and approved by the JMC together with the technical assistance budget yearly. The internal audits will be outsourced and they are described in chapter controls and audits.

The JMA will be divided in two separate units: operational unit and financial unit and will be directed by programme director.

### The Operational Unit

The Operational Unit of JMA shall be responsible for the operational implementation of the programme and will carry out the following tasks:

#### A. Calls for proposals and applications

- launch, after approval by the JMC, the calls for proposals
- prepare and publish the guidelines/application packages for each call for proposals.
- receive the applications
- conduct the opening session for project proposals in supervision of the JSC chair and secretary
- conduct the administrative check of the applications in supervision of the JSC chair and secretary

#### B. Contracts and agreements:

- conduct the final check on the projects before contracting
- conclude grant contracts with the lead partners of the projects selected
- contract the external auditing body for sample checks and audit procedures at the Programme level (see chapter Audit procedures at the Programme level).

#### C. Ongoing projects:

- give guidance to the ongoing projects
- conduct activity checks on ongoing projects
- carry out operational follow-up of the projects

#### D. Meetings of the JMC and JSC:

- organise the work of the JMC and act as its secretariat
- organise the work of JSC, chair and act its secretariat
- prepare the minutes of the Committees

#### E. Reports and plans:

- prepare together with the JMA Financial Unit the annual work plans and budgets for the programme
- prepare annual budgets of technical assistance
- draw up operational part of the annual reports at agreed intervals to the Monitoring Committee and the European Commission
- forward the resulting audit reports to the Monitoring Committee and to the Commission;
- establish together with the external auditing body and JMA Financial Unit, for each successive year, an audit programme of the projects in accordance with Article 37 of the Implementing Rules

#### F. Cooperation

- secure contacts with the participating countries' regional level sectoral authorities with the help of regional coordinating bodies as defined in Chapter 9.1.

#### G. Information

- disseminate information on the programme to potential beneficiaries
- implement the information and visibility plan in accordance with Article 42 of the Implementing rules

#### H. Evaluation of the Programme

- ensure the operation of the electronic monitoring system
- helpdesk activities in the use of monitoring system (to applicants)
- ensures that all necessary information from project activities is available for evaluations implemented by the Commission
- operates with the thematic evaluations together with other Programme bodies

### **The Financial Unit**

The Financial Unit of the JMA shall be responsible for the financial management, transactions and operations connected to the Programme. The accounting officer belongs to the personnel of the Council of Oulu Region with tasks totally separated from those of the Joint Managing Authority. The authorising officer is responsible for activities conducted under the Financial Unit of the JMA. The Financial unit shall carry out the following tasks:

#### A. Payment requests and payments to the projects

- provide guidance on ongoing projects (on financial questions)
- carry out financial follow-up of the projects proceed with 1<sup>st</sup> payments to the projects after contracting
- conduct the eligibility check on payment requests received from the Lead Partners upon the receiving of supporting documents
- proceed with payments upon receiving and checking the verification of expenditure by the auditors
- at the end of the project, and after all the necessary audits have been carried out, effect final payments

#### B. Recoveries

- notify the JMC of recoveries

- proceed with recoveries upon reception and checking of certificates of verification by the auditors
- at the end of the project and after all necessary audits have been carried out, effect final recovery orders, if necessary

#### C. Accounting

- receive funds from the European Commission, Finland and Russia
- follow-up the bank account and its transactions

#### D. Reports and plans

- draw up the financial part of the annual reports to the Commission and Joint Monitoring Committee at agreed intervals.
- prepare together with the JMA Operational Unit the annual work plans and budgets for the programme
- establish together with the external auditing body and JMA Operational Unit, for each successive year, an audit programme of the projects in accordance with Article 37 of the Implementing Rules

#### E. Payment claims

- issue the necessary payment claims to the European Commission;

### **Branch office**

The programme's Joint Managing Authority has a branch office in Petrozavodsk. The branch office ensures close contacts between the programme and the Ministry of Economic Development in Karelia (coordinating body in Karelia) as well as other sectoral authorities in Karelia. It also helps the JMA's operational unit in the dissemination of information to potential beneficiaries.

## **11.3. Preparation of the Call for Proposals**

The contract procedures and related standard documents and contracts will be those of the Practical Guide to contract procedure for EC external actions (PRAG) and its annexes in force at the time of the launching of procurement procedures or calls for proposals, adapted to the specificities of the cross-border cooperation in compliance with the ENPI Regulation and ENPI CBC Implementing Regulation (Regulation N° 951/2007). EC approval is required for the adaptations of the standard documents and contracts.

### **Schedules for the Calls**

The Joint Monitoring Committee will decide on the schedule of each call for proposals. The objective is to have 2 calls each year, starting from autumn 2008 and continuing at least to the year 2013 if Programme funds are still available.

After JSC the procedure differs depending of the type of the call (open or restricted). In open call the JSC selection will be confirmed by the JMC in its next meeting. In restricted call the selected proposals will be invited to submit the full application and

after full applications have been submitted the procedure follow the same steps as described earlier (opening session, administrative check, quality assesment).

The JMA will contract the selected projects after JMC has confirmed the selection and it has conducted the final check of the proposals.

### **Guidelines for the Calls**

Guidelines complying with the IR-s, PRAG and the present document will be published separately for each call for proposals. The official application form defined in the guidelines shall be used when applying for funding. The guidelines include two major parts: firstly an operational part defining the operational frame, objectives and financial resources and secondly an administrative part giving practical information on the application process, eligibility criteria of applicants, partners and activities.

The eligibility checklist also complying with the IR-s, PRAG and the present document will be annexed to the Call's guidelines.

### **Objectives, operational frames and available resources as part of the call's guidelines**

The Joint Monitoring Committee confirms concrete objectives, operational frames and available resources for each call. Operational frames and objectives will be prepared by the JMA with the consultation of the Joint Selection Committee and other relevant experts for the approval of the Joint Monitoring Committee.

Calls can be thematically limited when operational frames and objectives of each single call are defined in more detail. The themes will be selected from the activities described under each priority by the Joint Monitoring Committee. JMC takes into consideration the recommendations and guidance of the Euregio Karelia Board (See Chapter 5 Joint cross-border strategy). As a secondary alternative the Joint Monitoring Committee can decide to launch calls in which all activities described in programme priorities are applicable.

### **Types of Calls**

There are two types of calls for proposals:

- Open calls in which all the applicants submit a complete application with all required annexes
- Restricted calls. When using a restricted call the applicants are invited to submit a short concept note. The concept notes are evaluated and those applicants with the best scores will be invited to submit a complete application, which will then be evaluated in the same way as an open call.

## **Project Types in Calls**

Eligible project types will be indicated in each call's guidelines. Generally the nature of Karelia ENPI CBC projects can be as follows:

- Integrated projects, where partners carry out some of the actions of a joint project for their respective side of the border;
- Symmetrical projects, where similar activities are carried out in parallel on both sides of the border;
- Simple projects with a cross-border effect, taking place mostly or exclusively on one side of the border but for the benefit of both sides.

### **11.4. Project selection procedures**

The Joint Selection Committee is responsible for selecting the projects and the selection will be confirmed by the Joint Monitoring Committee.

#### **Geographical and institutional eligibility**

As a rule, the Lead Partners and Partners must be located in the programme area in order to be geographically eligible. An exception to this rule is defined in Art. 41 of the IR. All project activities shall benefit the Programme area.

Partners and Lead Partners from adjacent areas are eligible if their role in the project is justified and the activities presented support the objectives of the call in question. In cases where the Lead Partner comes from an adjacent area, the focus of the project activities and expected results must be in the programme area. Projects in which the Lead Partner is from an adjacent area require Partners from the programme area. Geographical and institutional eligibility will be defined in detail in each call's guidelines.

Partners from outside the programme area and adjacent area are eligible if they bring to the project expertise or know-how not available in the programme area. In such cases the project must have a Lead Partner and Partners from the programme areas on the Finnish and Russian side, and the activities of the project must focus on the programme area.

Geographical eligibility (eligible border areas and adjoining areas) of ENPI CBC programmes for 2007-2013 has been defined in annex 1 of the European Neighbourhood & Partnership Instrument, Cross-Border Cooperation Strategy paper 2007-2013 / Indicative Programme 2007-2010.

Every project co-financed with Programme Community funding must include as a minimum requirement one partner from Finland and one partner from Russia.

A detailed definition of geographical and institutional eligibility will be provided in each call's guidelines.

Institutional eligibility is defined in Art. 14 of a Regulation (EC) No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing an European Neighbourhood and Partnership Instrument .

### **Deadline for the submission of proposals**

For open call for proposals the minimum period between the date of the launching the call and deadline for receipt of proposals is 90 days. When the maximum size of each grant to be awarded is less or equal to EUR 100 000, the minimum period is 60 days. In exceptional cases, a shorter deadline may be allowed as a derogation..

The first phase of a restricted call shall be open 45 days and the second phase 45 days. In exceptional cases, a shorter deadline may be allowed as a derogation.

The opening and closing dates and times of the call for proposals shall be defined in the guidelines for each call. Proposals must reach the JMA at the very latest by the date and time indicated in the call for proposals.

The project proposals are delivered by the Lead Partner to the JMA in a hard copy as well as in electronic form.

### **Opening of the proposals**

An opening session will be convened by the JMA after the call has been closed. Minutes will be produced of the opening session. The proposals will be registered in the JMA . A separate file will be provided for each proposal and all the documents will be collected in the file. The information will be saved in the programme database (the database described in chapter Financial procedures: Management/monitoring system).

### **Administrative check**

#### **Open Call**

The JMA Operational Unit, acting as the secretariat for the JSC, shall be responsible for the administrative check of the applications, where the eligibility of the applicants and partners as well as proposed activities will be evaluated. Proposals not passing the administrative check will be rejected and will not continue to quality assessment. The JMA Operational Unit draws up a report on the results of its administrative check of the applications and submit the report to the Join Selection Committee for approval.

The applicants will be informed of the results of the administrative check of their own application. The JMA may ask an applicant to supplement the application, if necessary.



### Restricted call

The administrative check for a restricted call follows the same steps as in open call. The proposals not passing the administrative check will be notified at this stage. Proposals passing the administrative check will be notified after quality assessment and selection.

## **Quality assessment and the Selection Committee's procedures**

### Open call

After conducting the administrative check the JMA Operational Unit, acting as the secretariat for the JSC, draws up a proposal opening session and administrative check report to the Joint Selection Committee for approval.

The Joint Selection Committee assesses the quality and relevance of the applications and selects the projects for financing. The Monitoring Committee confirms the selection in accordance with Article 13 of the Implementing Rules.

The assessment and project selection follows the selection and award criteria defined for the programme as well as the possible priorities defined for each call. The quality of project proposals will be assessed from the point of view of relevance, methodology, sustainability, operational capacity, expertise, financial capacity, budget and cost effectiveness.

The Joint Selection Committee can set conditions for the approved projects. The conformity of the conditions has to be verified by the JMA before contracting.

The Joint Selection Committee can draw up a reserve list consisting of projects fulfilling the selection criteria but rejected because of the lack of funds. Projects from the reserve list can be contracted if one or several approved projects do not progress to the contracting phase or if funds are returned from the ongoing projects.

All applicants will be informed about the results of the selection process.

### Restricted call

After conducting the administrative check the JMA Operational Unit draws up a proposal opening session and administrative check report to the Selection Committee for approval.

The Selection Committee assesses the quality and relevance of the applications on the basis of the concept notes and selects the proposals for the shortlist. The shortlisted proposals / applicants will be invited to submit a full application within 45 days (see chapter deadline for the submission of proposals). The lead partners for the other proposals will be informed about the results of the selection process.

The shortlisted applications will be evaluated following the open call's procedures.

## **Contracting**

The JMA Operational Unit prepares a grant contract for the selected proposals after verification of fulfilment of the possible conditions set up by the Joint Selection Committee and after it has conducted a final check of the project proposals. The contract will be signed by the JMA and the Lead Partner. All necessary information for the implementation of the project will be annexed to the contract in accordance with the contractual procedures referred to in Article 23 of the Implementing Rules.

All applicants will be informed about the results of the selection process. List of contracts awarded will be published by the JMA on the Programme's websites in accordance with the requirements of the EC Financial Regulation and the PRAG.

### **11.5. Lead Partner Principle**

The Lead Partner assumes the overall responsibility for the submission of the application form and for the implementation of the entire project in case of project approval. The Lead Partner is therefore responsible for the sound management of the project.

A Lead Partner shall be nominated by the project partners for each project. The Lead Partner is the beneficiary of the ENPI CBC funding and/or ENPI CBC equivalent funding and will act as a link between the project partners and the Programme. It shall be responsible for all aspects of the project to the Joint Managing Authority.

The Lead Partner must be located in the Finnish or Russian part of the programme area and in exceptional cases in an adjacent area. Each participating country has overall liability for the programme funds granted to the partner located in its territory.

The Lead Partner principle is the central principle in the channelling of grants for the of the Karelia ENPI CBC Programme. The Joint Managing Authority will conclude Grant Contracts with each Lead Partner. The Lead Partner is responsible for submitting the joint application form and ensuring that the co-financing commitments are in place, as these provide evidence of match-funding. The Lead Partner is also responsible for:

- Nominating a steering group for the project
- Delivery of project reports and documentation;
- Together with its partners, the appointment and contracting of the project auditor (to carry out the verification of expenditure within the project)
- Delivery of project outputs;
- Production of documents required for audits and payments;
- Verification that all project expenditure occurred by other project partners has been validated by auditors;
- Overall project management;

- Concluding an agreement for its relations with the other project partners to guarantee a sound financial management of the funds allocated, including arrangements for recovering amounts unduly paid.
- Ensuring that applicable procurement procedures have been respected

## 11.6. Financial procedures

### General description

The JMA is responsible for the financial management of the programme and of the reports to the Commission. To secure sound financial management, the operational and financial tasks have been separated within the JMA. The tasks of the JMA's operational unit and financial unit have been described in Chapter 10.2.

### Management / Monitoring system

Karelia ENPI CBC –programme has an electronic monitoring system Emos which is used for management of the programme and individual projects. At project level JMA uses the system for operational as well as for financial follow up. Payments to the applicants are made with separate electronic accounting system ProEconomica. The information within these two systems will be matched regularly.

The electronic management system will be prepared for the ENPI cbc programmes working on the Finnish-Russian border. All programmes use the same system but have a separate data. The system and database is secured and only a restricted number of people has an access to the system. Database will respect the security standards and confidentiality demands and follow the respective legislation.

### Financial management

#### Programme accounts at the JMA

The Karelia ENPI CBC Programme has a separate bank account managed by the accounting officer within the Council of Oulu Region. The programme's account is independent and separate and it only includes transactions relating to the programme. This account has been divided into three sub-accounts:

- EU financing
- National co-financing from Finland
- National co-financing from Russia

The account operates under the double signature principle. Payment orders will always be signed by two JMA officials (authorising officer and accounting officer).

The interest income is individualised and entered into the different sub-accounts separately. The interest income generated by Community pre-financing payments shall be assigned to the Programme and shall be declared in the final report. The Joint Monitoring Committee shall decide on the distribution of the interest income.

The Council of Oulu Region has an electronic accounting system ProEconomica, which will be used to manage the programme funds – payments to the projects and receiving of the Community funds to the programme as well as receiving of the National co-financing from Finland and Russia. Programme management and project level management will be handled with separate electronic management system that will be prepared for the ENPI –programmes working on the Finnish-Russian border. Information within the management system and accounting system will be matched regularly.

### Annual commitments

The Programme has a financing table divided into annual provisional commitments for the programme period. After the initial commitment accompanying the decision adopting the Programme, the Commission shall each year make a budgetary commitment no later than 31 March of the year concerned. The amount of this commitment shall be determined in accordance with the financial table detailing the provisional annual allocations in the Programme, and shall also depend on the Programme's progress and the availability of funds. The Commission shall inform the Joint Managing Authority of the exact date on which the annual commitment is made.

Payments relating to annual commitments are made by the Commission either as pre-financing (Art. 26.1 of the Implementing Rules) as additional pre-financing (Art. 26.2 of the Implementing Rules) or as a payment following clearance of pre-financing (Art. 26.3 of the Implementing Rules). The Commission shall make each payment from the Community contribution, subject to the availability of funds.

### Financial flows from the Commission to the JMA

Each year, once the JMA has been notified of the budgetary commitment, it may request, as prefinancing, the transfer of up to 80% of the Community contribution to the budget for the year in question.

From the second year of the Programme, these requests for pre-financing shall be accompanied by the provisional annual financial report covering all expenditure and revenue from the previous year not yet certified in the annual external audit report, and by the provisional budget detailing the joint managing authority's commitments and payments for the following year.

After reviewing this report, assessing actual financing needs for the Programme and verifying the availability of funds, the Commission shall proceed with the payment of all or part of the requested prefinancing.

In the course of the year, the JMA may ask for the transfer of all or part of the balance of the annual Community contribution as additional pre-financing.

In support of its request, the JMA shall submit an interim financial report showing that the expenditure actually incurred or likely to be incurred before the end of the year exceeds the amount of pre-financing already granted.

Such subsequent transfers shall constitute additional pre-financing in so far as they are not certified by an external audit report.

In the second half of each year of the programme's implementation, the Commission shall clear previous prefinancing payments on the basis of eligible expenditure actually incurred, as certified by the annual external audit report referred to in Article 31 of the Implementing Rules.

On the basis of the results of this clearance, the Commission may proceed with the necessary financial adjustments.

The JMA's financial unit is responsible for making the payment requests to the Commission.

#### Payments of the Community Contribution to the Lead Partners from the JMA's financial unit

In compliance with the payment conditions set out in the General Conditions of grant contracts annexed to practical guide the JMA uses three types of payments to lead partners:

- pre-financing after the signature of the Grant Contract
- interim payments after verification of expenditure (further pre-financing instalments). In the case of contracts less than 12 months, no interim payments are made.
- final payments of the balance after the verification of expenditure and activities

The first pre-financing payment may cover up to 80 % of the first year's programme contribution to the project. The first pre-financing request can be made by the Lead Partner after both the JMA and Lead Partner have signed the Grant Contract for the project.

The first interim payment request can be issued when 70 % of the previous payment has been used. Further interim payments can be made when 70% of the previous pre-financing and 100% of the preceding ones have been used. The number of interim payments depends on the size and duration of the project.

When submitting a payment request to the JMA, the Lead partner shall enclose the corresponding expenditure verification report (ex-post control contracted out to external auditors). The costs of the expenditure verification will be covered from the project's budget. The verification report will cover all the expenditure of the project (including those of the Lead Partner and of the partners).

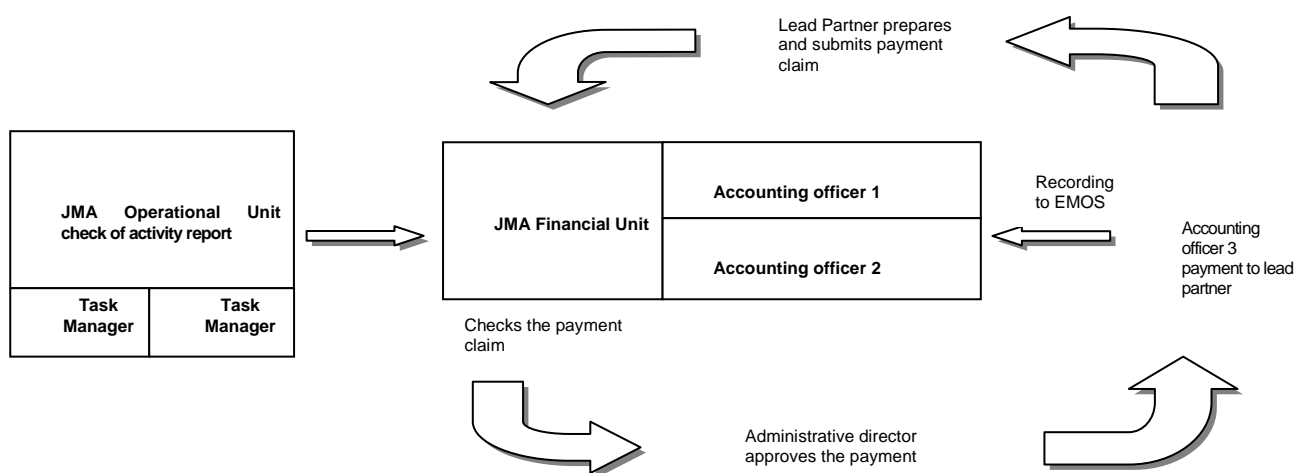
Based on technical and financial project reports and the above-mentioned expenditure verification reports, the financial/operational managers of the JMA will check that all verifications are correctly undertaken and eventually proceed with the payment. Should they need clarifications related to certain aspects of the expenditure they will turn for more information to the Lead Partner (who should in turn contact its partner(s) if the information request is related to the partner).

The final payments of the balance for the projects will be made on the basis of the actual eligible costs once the expenditure has been verified by nominated auditors and the JMA (balance payment). The amount of the last payment shall not be less than 10 % of the total programme contribution to the project (for the whole project implementation period).

JMA financial Unit makes the payments to lead partners. Each lead partner of a project is responsible for allocating financing received from the Joint Managing Authority to other partners of its project.

To be entitled to claim payments from the Joint Managing Authority, each lead partner is obliged to regularly present reports about the progress of the project. JMA operational unit shall check the activity reports.

After JMA Financial Unit has received the payment claim from the project's lead partner, accounting officer (1/2) checks the financial report and the claim and assures from operational unit that requested activity reports have been submitted and approved. After accounting officer has checked the financial report and payment claim Administrative Director approves the payment. Accounting officer (3) makes the payment to lead partner and records the payment to the accounting system. Information about the payment is recorded accordingly to electronic monitoring system (EMOS) by accounting officer (1/2).



Financial circuits of JMA services

### Payments of the National Co-financing to the Lead Partners from the JMA's financial unit

The National co-financing by Finland and Russian Federation is paid to the Lead Partners by the JMA according to the same single reporting system that is applied also for Community financing. The national co-financing is – as a general rule – paid to the lead partners according to the expenses already paid by the lead partner / other partners.

### Recovery of payments made to Lead Partners for unjustified or ineligible expenditure

The JMA proceeds with project payments and recovery orders upon supporting documents after operational and financial verification. At the end of the project, the JMA effects the final payments or recovery orders once the necessary audits have been carried out.

In cases where the recovery orders concern ineligible expenses by a partner established in a partner country, and where the JMA does not succeed to recover

the funds from the lead partner within a maximum of 12 months after issuing the recovery order, the JMA will refer the case to the Commission which, on the basis of a complete file, takes over the task of recovering the amounts owing from the beneficiary, contractor, or partner established in the partner country or directly from the national authorities of that country. .

The JMA is responsible for the recovery of any unjustified or ineligible expenditure of Finnish project partners, and for the reimbursement to the Commission of any amount that could not be recovered. In case the JMA fails to reimburse the Commission such funding the Member State is ultimately responsible for the reimbursement to the European Commission.

## 11.7. Controls and Audits

### Controls and audits at the project level

#### Verification of expenditure

The JMA proceeds with payments and recovery orders upon the receiving of supporting documents and after operational and financial verification. The verification of expenditure will be carried out by external auditors, who shall be members of a national accounting or auditing association that in turn is a member of the International Federation of Accountants (IFAC). If the organisation is not a member of IFAC the auditor commits himself to undertake the engagement in accordance with applicable IFAC standards and ethics. The auditors will be jointly appointed for each project by the participating partners and contracted by the Lead Partner of the project. The Terms of Reference contained in Annex VII to the grant contract of the PraG (Grants annexes) shall be applied in the contract.

As a general rule all payment requests shall be controlled by the external auditors. JMA can decide to make an exception to this general rule concerning the use of external auditors. Exceptions can be made for example in the case when project's total budget is small and costs of expenditure verification may rise unnecessary high compared to the total budget. In these cases JMA may decide to carry out the necessary verifications by its own services. JMA must anyhow meet the requirements defined for expenditure verification in PRAG. All payment requests must meet the programme eligibility criteria, comply with relevant procurement rules, other EU legislation and the eligibility legislation in each participating country. The expenditure verification must be conducted as close as possible to the final beneficiaries by nominated auditors.

The main duties of the auditors carrying out the expenditure verification are to:

- control the eligibility of project expenditures and activities
- control the correctness of the application of contract procedures (public procurement rules)
- issue expenditure verification reports to the project Lead Partner and the Joint Managing Authority after carrying out the project expenditure verification.

The model Report of Factual Findings for an Expenditure Verification of an EC financed Grant Contract for External Actions contained in Annex VII to the grant contract of the PraG shall be used.

### Qualification of the auditors carrying out the expenditure verification and their right of access

The verification of expenditure in the countries participating in the programme will be conducted by auditors who are members of a national accounting or auditing body or institution which in turn is a member of the International Federation of Accountants (IFAC). If the organisation is not a member of IFAC the auditor commits himself to undertake the engagement in accordance with applicable IFAC standards and ethics.

The Russian Federation guarantees the legal access of the auditors to project partners' accounts and other relevant documents insofar as this is appropriate for securing the validation of declared expenditure.

### Costs of expenditure verification

Auditors shall invoice for their services the Lead Partner of the project that they are controlling. The costs of the expenditure verification are eligible for financing by the programme and shall be included by the applicants in their proposed project budgets.

### Audits / sample checks of projects

From the end of the first year of the Programme, the JMA (both operational and financial units) shall each year draw up an audit plan for the projects that it finances.

The controls included in the audit plan shall be conducted by examining the documents or conducting on-the-spot checks of a sample of projects selected by the JMA based on a random statistical sampling method. The sampling method takes account of internationally recognized audit standards, in particular having regard to risk factors related to the projects' value, type of operations, type of beneficiary or other relevant elements. The sample shall be sufficiently representative to warrant a satisfactory level of confidence in relation to the direct controls carried out by the JMA on the existence, accuracy and eligibility of expenditure claimed by the projects.

The JMA shall report about the audits to the Joint Monitoring Committee and to the European Commission according to Article 30.2. of the Implementing Rules.

Sample checks will be carried out by an external auditing body that JMA has contracted. Auditor is not the same body that executes the audits described in the following chapter (Audit procedures at the Programme level).

## **Audit procedures at the Programme level**

### Internal audit

The Joint Managing Authority (operational unit) shall contract an independent certified auditor, who is a member of an internationally recognised supervisory body



for statutory auditing and who shall each year implement a control programme to check the internal circles and ensure that procedures have been correctly applied within the JMA. The auditor shall draw up an annual report and send it to the JMA.

#### Annual external audit of the JMA

The same auditor shall also be contracted to carry out each year an ex-post verification of the revenue and expenditure presented by the JMA in its annual financial report, in accordance with the standards and ethics of the International Federation of Accountants (IFAC) and in accordance with Art. 31 of the IR-s.

The scope of this external audit shall cover the JMA's direct expenditure on technical assistance and project management (payments). The external audit report shall certify the statement of revenue and expenditure presented by the JMA in its annual financial report, and in particular certify that stated expenditure has actually been incurred and is accurate and eligible.

### **11.8. Evaluation of the Programme**

The Joint Monitoring Committee and the Joint Managing Authority are bodies responsible for monitoring of the Programme. They carry out this task by reference to indicators and targets specified in the Programme and with the use of monitoring system where data on implementation necessary for monitoring is collected.

The Joint Managing Authority is responsible for the setting up of a system to gather reliable financial and statistical information on implementation of the Programme for the monitoring indicators and for evaluation and forwarding the data in accordance with arrangements agreed with the Commission. The Appropriate database in electronic form, including information on selected operations and payments made to the beneficiaries will be developed and maintained during the whole programme implementation period.

Mid-term, ex-post and ad-hoc evaluations of the Programme will be carried out by the European Commission. The results of the evaluations shall be communicated to the JMC and JMA and they may lead to adjustments in the Programme.

The outputs and results of all implemented themes (projects selected on thematic calls with defined objectives and indicators) will be evaluated by Programme bodies. These thematic evaluations will be worked together with JMA and regional coordinating bodies for the processing of Programme Committees. External experts will be used in these evaluations when needed.

The JMA may as well carry out its own ad-hoc evaluations in order to improve the quality, effectiveness and consistency of the implementation, especially when the Programme monitoring reveals significant divergence with the objectives set in the Programme.

## 12. TECHNICAL ASSISTANCE

Technical Assistance (TA) will be used to finance activities which are necessary for the effective and smooth implementation and management of the Programme. This concerns the preparatory, management, monitoring, evaluation, information and control and auditing activities of the Programme (annual external audits of the JMA and sample checks of projects) and includes activities such as meetings of the Programme Committees and activities of the Joint Managing Authority and Petrozavodsk branch office. It will also cover other costs such as seminars, information activities, evaluation and costs of setting up and keeping up an computerised ENPI monitoring system for management, monitoring and evaluation.

Technical Assistance funds also give the possibility to make the Karelia ENPI CBC Programme known through the efficient dissemination of information.

The TA funds eligible to EC financing are limited to a maximum amount of 10% of the EU's contribution to the Programme. Technical assistance will be co-financed with national co-financing.

The JMA's operational unit prepares the detailed yearly TA budget together with Financial Unit and the Joint Monitoring Committee approves it. The use of TA funding will be annually reported to the Joint Monitoring Committee as well as to the European Commission. Indicative Technical assistance budget annexed to the Programme Document.

## 13. USE OF LANGUAGES

The official language used in the programme is English. All programme and meeting documents shall be prepared and presented in the English language.

Meetings of the Joint Monitoring Committee shall be conducted in English. At the request of a member of the Joint Monitoring Committee, interpretation between English and Russian and / or Finnish shall be provided for individual Committee meetings.

The meetings of the Joint Selection Committee shall be conducted in Finnish and Russian. Translation between Finnish and Russian shall be provided. If the representative of the European Commission participates in the meeting, translation into English can be arranged.

Information of call for proposals and material related to the calls is published in English, Finnish and Russian. Project applications must be submitted in English.

## 14. INFORMATION AND PUBLICITY

The Joint Managing Authority shall be responsible for the implementation of information and visibility actions relating to the Programme. The JMA shall take all necessary steps to ensure the visibility of the Community financing or cofinancing in relation to its own activities and to the activities of the projects financed under the programme. Such measures shall comply with the relevant rules on the visibility of external actions laid down and published by the European Commission in the website [http://ec.europa.eu/europeaid/visibility/index\\_en.htm](http://ec.europa.eu/europeaid/visibility/index_en.htm)

The responsibility of the branch office of the JMA shall be to publicise activities under the joint operational programme and to provide information to anyone who may be interested in the Russian part of the programme area.

The objective is to contribute to the programme's efficient implementation and to distribute information on the opportunities offered by the Programme. The dissemination of the experiences and know-how of the project actors is also important and seminars concentrating on follow-up/guidance/exchange of experiences of the ongoing projects will be arranged.

Information will be targeted at the general public, potential applicants, regional and local authorities and interest groups across the border. The distribution of information will secure the openness and publicity of the activities and the programme will become better known within the programme area. The EU's share of the Programme's funding shall be brought up in all programme-related information.

More detailed Information Activity Plan is annexed to the Programme document.

The Karelia ENPI CBC Programme's website is <http://www.kareliaenpi.eu>

The site includes key information on the Programme. Websites are available in Finnish, Russian and English as well as the key information and documents concerning the call for proposals.

The costs of the information and publicity activities will be covered from the Programme's Technical Assistance.