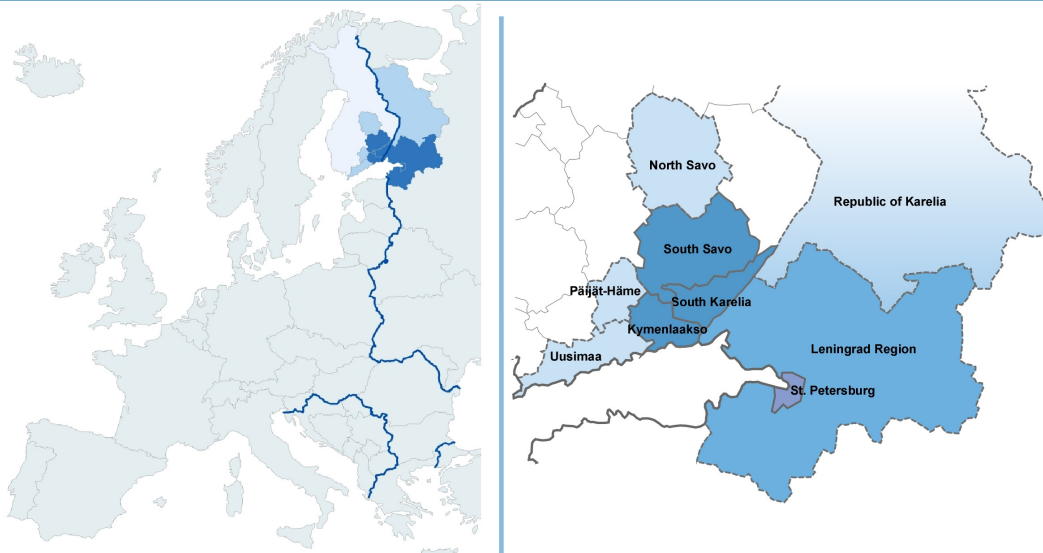


# **SOUTH-EAST FINLAND – RUSSIA ENPI CBC PROGRAMME 2007–2013**

**SOUTH-EAST FINLAND - RUSSIA ENPI CBC 2007 - 2013**



**ENPI**

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## 1 SUMMARY OF THE PROGRAMME

The aim of the South-East Finland - Russia ENPI CBC 2007-2013 Programme is to promote cross-border cooperation across the Finnish-Russian border between South Karelia, South Savo, Kymenlaakso, St. Petersburg, and the Leningrad Region with the adjacent regions of Itä-Uusimaa, Pohjois-Savo, Päijät-Häme and Republic of Karelia (see the map on the page 6). The Programme, which is co-funded by the European Union from the European Neighbourhood and Partnership Instrument, will grant support to joint projects following the strategy and priorities jointly agreed by the Finnish and Russian partners:

1. Economic development
2. Common challenges: border-crossing and the environment
3. Social development and civil society.

The total indicative allocation of Community funding to the Programme is 36 185 million euros for the period of 2007-2013. The Finnish national co-financing amounts to 18 093 million euros (*to be confirmed*). The Russian co-financing is to be determined later.

The implementation of the Programme is based on the *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*. The ENPI allows for the funding of joint projects across the border from one single financial source and with a single administrative procedure. The management of the programme is based on absolute equality and partnership between the participating countries. The Programme will be implemented through shared management by the Joint Managing Authority (JMA) – the Regional Council of South Karelia, located in Lappeenranta (Finland). The JMA is responsible for the management and implementation of the joint operational programme. A Joint Monitoring Committee (JMC) will be established for the strategic management and monitoring of the programme. It will also make final decisions on the projects that will be financed under the programme and appoint the Joint Selection Committee (JSC), which will present a recommendation on the selection of the projects to be funded.

The basis of the joint cross-border development strategy of the programme is the location of the programme area and the long-established cooperation between its regions. The strategy responds to the developmental needs and opportunities that were identified both in the analysis of the programme area and the update of the Mid-term Evaluation of the South-East Finland - Russia Neighbourhood Programme. The strategic goals will be reached by implementing the selected strategic themes and other objectives of the Programme. These themes and objectives take into account the complementarities with other programmes, the relevant objectives included in the Regional Strategic Programmes of the participating Finnish regions, and the relevant priorities and objectives included in the development programme strategies of the participating Russian regions. In order to address the potential for regional development under the Programme, its priorities described in chapter 5 have been prepared allowing for a sustainable

development approach, with a coherent and integrated coverage of relevant regional development issues.

The joint cross-border development strategy is to be seen as a plan to reach the goals (objectives) in terms of systematic actions and activities to be taken under the key themes of the Programme. The leading strategic theme is the sustainable economic growth in the programme area combined with socio-economic development patterns across the participating regions. Strategically important themes to be implemented through project activities under corresponding priorities of the Programme will be determined on an annual basis by the Joint Monitoring Committee of the Programme. The selected themes and project selection criteria will be taken into account in the annual planning of calls for proposals. The annual plans also specify the financing resources available for each call for proposals.

The South-East Finland – Russia ENPI CBC Programme 2007-2013 is building on the enhanced cooperation capacities gained through the previous Neighbourhood Programme. The strategies outlined in the EC Strategy Paper on the ENPI/CBC 2007-2013 provide a key framework for the implementation of the programme. The programme introduces a new level of cross-border cooperation to the programme area. The objective of mutual learning and developing process, which started during the preparation of the Neighbourhood Programme 2004-2006 and its joint implementation, will in 2007-2013 be to demonstrate the programme area as an integrated economic zone, which is also a good example of regional-level cooperation between the European Union and Russia. The programme will also consolidate the position of the programme area as a 'booster' in business cooperation as well as in transportation and logistics in the context of the EU and Russia's transport policies and transport corridors. Furthermore, the programme will respond to the need to mitigate trans-border environmental risks and pollution and their environmental effects on both local and regional levels. The programme will also accentuate actions dedicated to the promotion of mutual cultural contacts and networking across the border and consolidating links between local communities.

## 2 INTRODUCTION TO THE PROGRAMME

The South-East Finland – Russia ENPI CBC programme 2007-2013 will complement the overall EU-Russia relations, focusing on the eligible border regions on both sides of the border. Russia is a strategic partner of the EU and its largest neighbour. The Helsinki EU-Russia Summit in November 2006 noted on the positive development of the relations between the partners and the preparations for a new EU-Russia agreement that is to replace the Partnership and Cooperation Agreement of 1997. As agreed at the EU-Russia Summit in May 2005, the EU-Russia strategic partnership has been developed through the four Common Space Road Maps: the Common Economic Space (including the environment and energy); the Common Space of Freedom, Security and Justice; the Common Space of External Security; and the Common Space on Research and Development, Education and Culture. The June 2008 EU-Russia summit marked the launch of negotiations on a New Agreement to replace the current PCA.

The following legal documents are setting the legal framework of 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

The new procedures introduced in this programme are based on The ENPI Regulation (*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*). This is a new step in improving the opportunities for cross-border cooperation across the external border. Co-financed by the European Commission through the ERDF and ENPI, the approach to be followed in the cross-border cooperation is oriented by principles such as multi-annual programming, partnership, and co-financing. Furthermore, the Programme is based on the experience and best practices established during the implementation of the South-East Finland - Russia Neighbourhood Programme during the transitional period 2004-2006.

The South-East Finland - Russia ENPI CBC Programme 2007-2013 has been prepared in accordance with the ENPI Regulation, the EC *European Neighbourhood & Partnership Instrument - Cross-Border Cooperation Strategy Paper 2007-2013* and the *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*. 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 and its four Common Spaces.

The South-East Finland – Russia ENPI CBC Programme 2007-2013 has been drafted jointly by the Finnish and Russian cooperation parties. The preparatory process for the programme was commenced in June 2006 with establishment of the Joint Task Force (JTF) composed of an equal number of central government and regional level representatives of both participating countries. The JTF had the overall responsibility for the preparation of the programme. The preparatory work was assisted by two joint drafting teams appointed. The Joint Content Drafting Team (JCDDT) has been dealing with the objectives and the content of the programme, and it represented regional level

from both countries. The other team, the Joint Administration and Management Drafting Team (JAMDT) was established for the South-East Finland – Russia ENPI CBC Programme and the Karelia ENPI CBC Programme consisting of central government representatives from both countries and of representatives of the future Joint Managing Authorities of both programmes. The representative of the Commission has participated in the meetings of the JTF and the JAMDT. All three preparatory bodies had several meetings and a common view about the content of the programme and the management issues was found. Public hearings and seminars about the programme were organised autumn 2006 and autumn 2007 in all participating Finnish and Russian regions.

The Strategic Environmental Assessment (SEA) under the Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment (SEA Directive) has been conducted simultaneously with the drafting of the Programme. In accordance with the SEA Directive and the Finland's Act on the Environmental Impact Assessment of Plans and Programmes of the Authorities (SOVA law, Laki viranomaisten suunnitelmien ja ohjelmien ympäristövaikutusten arvioinnista, SOVA-laki) a Participation and Assessment plan was prepared by the evaluator and sent out for comments and consultation to the Finnish environmental authorities and the respective Committees of the Leningrad Region and St. Petersburg. A group of experts from the St. Petersburg Scientific Centre of the Russian Academy of Sciences has carried out an assessment of the environmental impacts of the Programme, a report of which is attached to this document. In the second stage of the SEA procedure a public consultation on the draft Programme Document and the draft SEA report was arranged in October-November 2007 through uploading the respective draft documents to the programme's website for comments. The received remarks were reflected in the final draft of the programme document. Detailed information on the procedures taken for the SEA is given in Chapter 6 and in Annex2.

### 3 DESCRIPTION AND ANALYSIS OF THE PROGRAMME AREA

#### *3.1 Area and population*

The eligible programme area in Finland encompasses three regions: South Karelia (Etelä-Karjala), Kymenlaakso, and South Savo (Etelä-Savo). On the Russian side, the eligible area covers Saint Petersburg and the surrounding Leningrad Region. The adjacent regions include East Uusimaa (Itä-Uusimaa), Päijät-Häme, and North Savo (Pohjois-Savo), and the Republic of Karelia. These regions are not enlargements of the programme area but regions that are able to develop their activities to Russia via the proper programme area, and vice versa. This means that projects initiated by partner(s) from an adjacent region should form chains. In the programme area, Finland and Russia share approximately 200 km of land and 130 km of sea border. The eligible programme area is shown on the following map:



*South-East Finland - Russia ENPI CBC 2007-2013 Programme area*

Differences between the Finnish and the Russian sides of the programme area (number of population, economic structure, standard of living) make cooperation very challenging. However, the areas also have a lot in common: their geopolitical location, border, sea, history, and extensive know-how, all of which together provide great perspectives and form a fruitful basis for the development of mutual cooperation. Finland is currently one of the most important partners in the external economic cooperation with the Russian Federation, especially with St. Petersburg and the Leningrad Region.

With its 4,571,100 inhabitants, St. Petersburg is the fourth largest city in Europe after London, Moscow, and Paris, while the population of the Leningrad Region is 1,650,000. On the Finnish side, the programme area has approx. 500,000 inhabitants. The total coverage of the programme area is 85,900 sq km on the Russian side and 32,000 sq km on the Finnish side. The average population density on the Finnish programme area and in Leningrad Region is 17 – 18 inhabitants per sq km, while the corresponding rate in St. Petersburg is 3,177. The EU average is 114. *(The figures do not include the adjacent areas.)* The population of the adjacent regions on the Finnish side amounts to 500,000 inhabitants – approx. 200,000 in Päijät-Häme, less than 100,000 in Itä-Uusimaa, and 251,000 in Pohjois-Savo, and 700,000 on the Russian side in the Republic of Karelia.

The population on the Finnish side of the programme area has, during the last three to four decades, been declining (*by approx. 1,500 inhabitants from the 1970s*), and according to statistical forecasts it will in 2010 be approx. 473,000. In 2005, the mortality rate in St Petersburg was 2.5 times higher than the birth rate. However, on the Russian side the population has been slightly increasing for the last two years; for the first time since the 1990s. About one third of the negative demographic trend on the Finnish side results from the excess of deaths over births and two thirds from a migration loss. The migration loss is caused by structural changes in the economy which, through the decrease in the number of jobs and the rising unemployment rate, have

caused the young and well-educated people to move out of the area. More detailed statistics on the population are provided in Annex 1, section 1.

### *3.2 Economic structure*

#### *Main industrial sectors*

With their tremendous scientific, industrial, cultural, and educational potential, St. Petersburg and the Leningrad Region are among the most dynamically developing regions in Russia (see Diagrams 3 and 4 in Annex 1). Their extremely advantageous economic and geographic locations, together with significant natural resources define the socio-economic development of the regions. On the Russian side, the service sector enhances 53 %, industry 33 %, primary production 6 %, and other sectors 8 %. St. Petersburg is a centre of shipbuilding, electronics, defence, energy, and machine engineering industries. The main industries in the Leningrad region are the fuel, chemical and petrochemical, timber, wood working, pulp and paper, engineering and metal working, and construction material industries. The output for production and technical purposes cover more than 85 % of the total industrial production. The region features 300 enterprises specialising in the basic industry, approx. 3 % of which employ more than 2 000 persons each. Since the region surrounds St. Petersburg, it is closely tied to the industrial potential of the city. With more than 50 % of its area covered by forests, the Leningrad Region is one of the leading timber harvesting, processing, and exporting regions in North-West Russia having also three big pulp and paper mills. (See Diagram 5 in Annex 1).

The level of competition in the core industries of St. Petersburg and the Leningrad Region (with minor exceptions, such as some segments of the food processing industry) is still rather low, but the on-going restructuring operations (including reforms in the energy sector and other natural monopolies, and the emergence of new markets, products, and services) create new market sectors (such as industrial services, engineering, and the manufacture of specialised equipment), which are highly competitive from the very beginning. At the same time, new market stimuli emerge in the 'traditional' sectors of the economy. Another feature of the current situation is the high level of wear and deterioration of the basic infrastructure and equipment used by enterprises that were established during the Soviet period and have not been able to succeed under the new economic conditions. This, on one hand, creates a high level of delayed demand and, on the other, may result in total loss of competitive advantages of many enterprises.

On the Finnish side, the service sector covers approx. 63 %, the industry 29 %, and farming and forestry 7 % of the total industrial activities. The programme area on the Finnish side depends on primary production (agriculture and forest industry) more than the rest of Finland on average. Consequently, a major part of the industry in the area consists of wood-processing plants and paper mills, among which are some of the largest ones in Europe.

#### *GDP/inhabitant*

In 2005, the Gross Domestic Product (GDP) of both St. Petersburg and the Leningrad Region was approx. 4 000 euros per capita, which is remarkably higher than the average in the Russian Federation. Both regions aim to double the figure by 2008. The average regional GDP per capita for the three



regions on the Finnish side of the programme area was 22 258 euros in 2004 (source: Statistics Finland), while the Finnish average was 25 288 euros. The statistics on the economic structure of the regions are given in detail in Annex 1, section 2.

### *SMEs and entrepreneurship*

The liberalisation of the economy has led to a rapid increase in the number of small and middle-sized enterprises: their number on the Russian side of the programme area is 173,000 (of which 161,000 in St. Petersburg and 12,000 in the Leningrad Region), and approx. 21,400 on the Finnish side (in 2005, the figure for the whole Finland was 236,000 and about one million for the whole of Russia). The Leningrad Region and St. Petersburg have been especially successful in attracting new production facilities and investments. However, in most cases this concerns big companies only. Active cooperation between the leading universities and IT-companies has increased the number of innovation centres especially in St. Petersburg. The Leningrad Region is second only to St. Petersburg within the North-West federal district in the number of small enterprises and people employed by them. In total, 23 % of the working aged population of the region is employed by small enterprises (including the registered farms – 6,032 units).

Despite their rather large number in the Programme area, the SMEs differ in terms of their policies, business culture, and size – most of them being micro-sized enterprises, which means that they are often too small to subcontract with bigger companies. Although a number of SMEs, especially on the Finnish side, have experience in cooperation with Russian companies and expertise in working in the Russian market, their knowledge of cross-border entrepreneurship and business cooperation and the opportunities they offer is still rather vague, especially on the Russian side. Preconditions for business cooperation and expertise in different fields of cross-border cooperation should be maintained and developed further in order to take full advantage of existing opportunities. (Russian legislation defines small-sized companies as businesses employing 30 to 100 people (depending on their branch of economy). The law provides no definition of medium-sized companies but they are usually understood as businesses employing no more than 500 people).

The most important competitive advantages of St. Petersburg and the Leningrad Region are their location in close proximity to the European and Russian markets, position as the centre of international trade for other regions in Russia, plentiful natural resources (primarily timber), infrastructure that is among the best available in Russia, industrial traditions, low-cost labour force, and advanced level of education and professional training. The inherent system of R&D and innovation has not so far been a competitiveness factor, but could, if the planned activities are carried out, become an important source of sustainable advantages owing to the existing resources and traditions in the regions. The development of the programme area could be facilitated by dynamic processes that may strengthen the above-mentioned advantages.

The innovation system in Russia has weaknesses such as insufficient funding, low efficiency in many types of operations, excessive government regulation,

low commercialisation of research and development results, as well as underdeveloped bridging institutions and public and private partnerships. There is, however, clear evidence of substantial scientific and technical potential, including the vast amount of knowledge and diverse skills accumulated in St. Petersburg, the high concentration of innovation infrastructure in the city, and the willingness to cooperate internationally. The growing number of international investment projects indicates a gradual improvement in the investment climate in the whole of North-West Russia. This region holds substantial prospective for advancing international cooperation in many areas, including science and technology. North-West Russia is the principal focus of Finnish investors receiving about 80 % of all Finnish investments in Russia.

The position of the Programme area as a trade venue between Russia and Europe could lead to increased number of investments, more advanced processing of various products locally, and improved services. Investments in ports, terminals, oil pipelines, and mobile telecommunication networks provide proof of this trend. Investments are also promoting the processing of transported goods, which the recent increase in logistics services demonstrates.

Another important factor is the complementary character of the economic and industrial structures on the Finnish and the Russian side - the first one need what the other one is well-equipped to offer. Finnish companies need, inter alia, the raw materials of North-West Russia for their own consumption and further processing. Russian companies need new technologies and an access to marketing channels. In the future, it is foreseeable that many activities will be relocated in new locations inside the region. There is a demand in Finland for shifting processing operations to lower cost locations that the two Russian regions could well accommodate. A problem for many companies in Russia is the lack of subcontractors. Russian companies have also started to outsource their operations.

In international comparison, a realistic opportunity for Finnish SMEs would be to settle in St. Petersburg or the Leningrad Region. The reasons are simple: 1) The close proximity and familiarity with each other's conditions of South-East Finland and the two Russian regions allow for the better management of direct investments and keeping of costs at a reasonable level. 2) The same clusters are important for both the Finnish and the Russian regions, but their products complement each other, which offer business opportunities. 3) Investments by large Finnish companies are directed to St. Petersburg and the Leningrad Region in particular, and these companies trust the subcontractors they have already found and tried. 4) In addition, the difference in labour costs at the Finnish-Russian border is one of the greatest in the world. It would be profitable for many Finnish companies to subcontract some of their operations, such as manufacture of technical products, to Russia. This would enhance the competitiveness of their products in the world market and increase market shares.

#### *Labour market*

In September 2006, the unemployment rate on the Finnish side of the programme area was approx. 11 % (the Finnish average was 7.7 %), while on

the Russian side, according to the official Russian statistics, the registered unemployment rate was hardly 1 %. The social and economic development in the Leningrad Region and St. Petersburg will continue with excess demand over supply of workforce, while the structural and registered unemployment will remain. According to the estimate of the city Committee for Economic Development, Industrial Policy and Trade, the labour demand will increase in the coming years. At first it will concern qualified personnel in the industrial, construction, and transport sectors, but also other fields, including finance, law, information technology, education, and public health, will be affected. Despite the rather high unemployment rate in South-East Finland, the area suffers from a growing shortage of qualified personnel in the social sector and similar. Immigration and commuting across the border could be increased within the programme area. This mobility should be seen as an opportunity to increase welfare, competence, competitiveness, and cultural understanding in the programme area.

### *Tourism*

In all participating regions, the authorities have acknowledged the importance of tourism for the development of the regional economy. With 13 %, Russia was (before Sweden and Germany) the largest country of origin of foreign tourists visiting Finland in 2006. Due to its location, South-East Finland benefits from transit travel from Russia to other parts of Finland and other countries. In 2005, one third of Russian tourists visited Lappeenranta during their trip, with Kotka and Hamina also ranking among the most visited destinations. A large proportion of the visits are one day shopping trips. Russian tourists visiting South Savo usually come for a vacation. Therefore, Russian tourists might be more important for the local retail and entertainment industry in Kymenlaakso and South Karelia, and for the hotel and accommodation businesses in South Savo.

The most important development in tourism business in St. Petersburg and the Leningrad region in the past decade has been the commercialisation of tourism services. Domestic tourism has been developing rapidly. Although tourism represents only a small proportion of the economy of the two Russian regions as a whole, it can become one of the generators of growth for the regional economies. The level of incoming tourism has in the two Russian regions and St. Petersburg in particular been growing during the past years. However, there are some weaknesses hindering the growth, such as a lack of middle-class hotels and other necessary infrastructure, especially in the countryside. The constant increases in the prices of various tourist services (mostly in St. Petersburg) are also eroding the city's competitiveness compared with other regions.

## *3.3 Infrastructure*

### *Transport networks and border crossing infrastructure*

Four international border crossing points are located in the programme area between Finland and Russia. In 2006, the total of crossings amounted to 5.2 million (of which approx. 70 % were Russian citizens). The number of border crossings increased by 6 % from 2005 (see the following map and the diagrams 1 and 2 in Annex 1).



*Border crossing points in the programme area and main international transport links.*

The infrastructure and new border crossing facilities have been built at the border crossing points in recent years. However, one issue of importance that need to be addressed urgently concerns the long queues of vehicles waiting to enter Russia at Vaalimaa - Torfjanovka, Nuijamaa - Brusnichnoye, and Pelkola - Svetogorsk. The problem is caused by a positive development, i.e., the increased volume of trade between the EU and Russia, which has increased approx. 10 % per annum over recent years. The existing infrastructure on both sides of the border is used at their maximum capacity and various administrative problems at the border crossing points are still constraining the flow of goods and people between Finland and Russia. Although some administrative simplification will be introduced on the Russian

side by new legislation, the programme could address some of the issues related to the custom procedures and border crossing. In the coming years, attention should be paid to the simplification of custom procedures in order to speed up the border crossing formalities in goods traffic at the EU-Russia border e.g., with help of IT systems and EDI technology. Two temporary border crossing points (Parikkala-Syvääro with 20,000 crossings in 2006 and Uukuniemi-Ristilahti with 1,500 crossings in 2006) connecting South-East Finland and the Republic of Karelia are mainly used for the transportation of timber from Russia. Assistance in developing the Parikkala-Syvääro border crossing point could be considered in the coming years.

Traffic from North America, Western Europe, North-West Russia, Moscow, and the Far East passes through South-East Finland. All traffic between Eastern and Southern Finland and most of the international rail transport between Finland and Russia, passenger and goods, go through the programme area (see map 1 in Annex 1). Road traffic between South-East Finland and Russia is also continuously growing (see diagrams 1 and 2 in Annex 1). The main road transport link is the highway E18 that passes to St. Petersburg and Moscow via Vaalimaa - Torfjanovka border crossing point. E18 is part of the Nordic triangle railway/road axis within the trans-European transport network and the Corridor IX and compasses the road/rail transport route between Helsinki, St. Petersburg, and Moscow. Road 13 is the main route from the northern and western parts of the Programme Area to the border crossing points in South-East Finland.

E18 has been upgraded, and also the remaining section from Hamina to the Russian border will be completed by 2015. There is a need to construct a new lane between the Finnish and Russian customs in Vaalimaa - Torfjanovka. Road 6 from Helsinki to the border crossing points Nuijamaa (Lappeenranta)-Saimensky and Pelkola (Imatra)-Svetogorsk will be repaired in the nearest future. Considering the steady increase in the volume of passenger and truck traffic that passes through the three border crossing points, the present condition and capacity of the roads from Saimensky to Vyborg and from Svetogorsk to Vyborg do not correspond to the requirements set for international transport corridors.

Transit traffic from Russia reaches Finland by rail, while the fast-growing container traffic and transportation of cars through the Finnish sea ports to Russia from the west is mainly conducted as road transport. Consequently, the busiest border control points are in the programme area. With the growth of the wood processing industry, Kotka and Hamina have become the most important export ports in Finland (see Annex 1, map 3). St. Petersburg and the Leningrad Region have access to sea routes through the Baltic Sea, through which a large and increasing proportion of Russian foreign trade is forwarded. The role of the two regions as Russia's main trade gateway will undoubtedly grow in significance also owing to their advantageous location inside Russia.

St. Petersburg and the Leningrad Region constitute a node of transport networks with straight-through highways, a railroad and, to a degree, canals that facilitate connections to Moscow, the Murmansk Region, Finland, the Baltic States, and the Southern parts of the Russian Federation. The Port of

St. Petersburg has tripled its capacity during the last decade, while several new petroleum and coal ports are being built in the Leningrad Region (Primorsk, Vysotsk, Ust-Luga) with participation of the leading Russian oil companies. St. Petersburg and the Leningrad Region are being developed as an international transport centre of Russia. (see map 2 and 3 in Annex 1). Cooperation between parties that operate in the sea ports within the programme area should be enhanced in order to better take advantage of the existing infrastructure and develop cooperation in the field of transport and logistic services.

### *Energy*

The fuel and energy sector is one of the main industries in the Leningrad Region and also provides an important supply for the whole North-West Russia. St. Petersburg is one of the largest consumers of fuel energy resources in Russia, due to its high population and industry. The chemical wood processing industry in South-East Finland is a major producer and consumer of electricity and thermal energy. Industrial enterprises account for approx. 80 % of total power consumption. Approx. 30 % of the electricity generated in the region is hydroelectric. Natural gas and industrial waste both account for approx. 50 % of the industrial energy consumption in the region. Finland imports electricity and natural gas from Russia via power lines and pipelines that run through the Karelian Isthmus to Lappeenranta. The use of renewable energy resources (bio-fuel, low grade wood) for energy production is a topical issue in the cross-border cooperation from economic and ecological points of view. The participating regions can participate in ensuring the sustainable development by promoting the development of renewable energy sources and the efficient management of energy on their territories. Experience sharing and practical cooperation, e.g. on energy efficiency and bio-energy can be intensified by the Programme's support.

### *Telecommunications*

Cellular communication, Internet services, cable television, and telephone connections based on radio access are under dynamic development on the Russian side of the programme area. Between 1995 and 2005, the penetration level of mobile operators in St. Petersburg increased from close to zero in mid 1990s to almost 100 % in 2005. Internet access still has a lower level of penetration in St. Petersburg and the Leningrad Region than in South-East Finland.

## *3.4 Education, research and culture*

### *Education and research*

St. Petersburg, the Leningrad Region, and South-East Finland have great research, scientific, expert, and know-how potential. Higher education organisations in St. Petersburg are clearly differentiated from those in any other city in the North-West Russia. St. Petersburg is the indisputable leader of the region in higher education. St. Petersburg features 111 universities and high schools (of which 66 are public and 45 private), which are also conducting research. In addition to this, the city has 710 general institutions of secondary education. 18–20 % of Russian research is concentrated in St. Petersburg. In the Leningrad Region, various cities boast remarkable

education and research institutions. Active cooperation between the leading universities and IT-companies has increased the number of modern educational programmes. Education and research statistics are given in detail in Annex 1, section 3.

All university units, higher education institutions, and research centres in South-East Finland have wide experience in international cooperation. Lappeenranta University of Technology, LUT, carries out joint research projects in sectors such as energy and environmental technology and business administration. LUT's Northern Dimension Research Centre, Nordi, coordinates Russia related research at the university. In the adjacent region of Pohjois-Savo, University of Kuopio has faculties of Pharmacy, Business and Information Technology, Natural and Environmental Sciences, Medicine, Social Sciences and Auxiliary Institutes. There are eight universities of applied sciences (polytechnics) operating on the Finnish side of the programme area (including the adjacent regions), and over 20 university departments, institutes, and research centres. The main areas of research include bio-energy, environmental technology, maritime, logistics and transport, food chains, translation technology, design, tourism and Russian affairs. Cross-border cooperation between the universities and other educational and R&D institutions within the programme area has already been carried out in several sectors. Measures should be taken to strengthen the existing networks, involve new parties in the activities, create new innovative joint research groups, connect R&D with business life in order to commercialize the innovations and results of R&D. Positive attitudes towards entrepreneurship should also be enhanced through education and networks.

Institutions of higher education should activate their cooperation both as an opportunity to secure additional investments (received in the form of grants, scholarships, etc.), and a source of maintaining competitive strength (through knowledge transfer, exchange of specialists, etc.). Lower level contacts can also be found – on the level of departments, laboratories and groups of specialists. The efficiency of international contacts between schools in the programme area is, on the whole, rather low, which can be attributed to the poor command of foreign languages, different motivations, and insufficient economic independence of schools. The implementation of the previous CBC programmes has led to the creation of an effective network of Finnish centres of expertise, which is well-prepared to face the IT related problems of the 21<sup>st</sup> century. These centres continuously develop various international projects, which have great importance for cross-border cooperation. International experience in the fields of education and innovations is a significant potential for the future development of these sectors.

### *Culture*

St. Petersburg is known as the cultural centre of Russia, featuring the State Hermitage Museum, the State Russian Museum, and Marinsky Theatre, to mention but a few. The cultural supply is also rich in South-East Finland: the most significant and traditional annual cultural festival being the Savonlinna Opera Festival. In addition to these, the area features various museums, arts exhibitions, historical castles, and many smaller cultural points of interest in various cities and municipalities on both sides of the border, of which only the old city of Vyborg with its rich traditions will be mentioned here. The Finnish

and Russian cultural institutions and organisations have existing cooperation connections. The cultural supply is the backbone of the tourism industry in the entire programme area.

Finland and Russia as well as the programme area including the adjacent regions share a long history. During the second half of the 19<sup>th</sup> and in the beginning of the 20<sup>th</sup> centuries, a lot of cultural contacts existed between the countries involving people from both sides. Our shared history has also involved conflicts and war, but today we can look back at this without hard feelings. Our shared history is much more about further enhancing the successful cooperation and mutual benefits that derive from our cultural cooperation and influence on each other. Innovative ways to make this cultural heritage more visible and accessible provides the basis for further exploitation of cultural resources for educational purposes, research, and tourism.

### *3.5 The environment*

The programme area contains vast forests, most of which are managed, large expanses of water, and islands. In addition to timber resources, the area also features stone, ore, and mineral deposits. Four national parks are located on the Finnish side of the programme area. The network of protected areas of the Leningrad Region covers approx. 6 % of its land area; five territories have the status of Ramsar sites. St. Petersburg has two nature reserves and four nature monuments, which occupies 200 hectares – 1.5 % of the city's area. The most important objective of nature conservation is to preserve the biodiversity and natural heritage and, as far as possible, the unique landscape of the Karelian Isthmus. Increasing transportation and harbour operations are a typical example of the environmental load and risks. The diversified and clean environment also plays an important role in the tourism industry in the region. The largest nature protection areas are shown in Annex 1, map 4.

A growth in the number and extent of wild fires, especially in the Leningrad Region close to the border, has been observed during the last years. In most of the cases, they are caused by human activities. Wild fires can damage the environment, resulting in the destruction of fauna and flora and similar. In general, the environmental situation is much better on the Finnish side, and the management and effectiveness of the clean production technologies are much more advanced. A lot of expertise and know-how in environmental issues could be transferred to the Russian partners. For example, a new system of waste management, which better meets the requirements laid down for environmental protection, has been introduced on the Finnish side. The development of waste management aims both at decreasing the amount of waste and promoting the industrial use of waste, either as a source of energy or raw material.

One of the most significant environmental problems on the Russian side is the non-treatment of waste waters in St. Petersburg: at the present, it is estimated that approx. 15 % of all waste water is dumped untreated. The northern collector and the water treatment facilities that are under construction will improve the situation in St Petersburg. Many towns in the Leningrad Region



also have problems with water supply and sewerage systems. They often discharge untreated waste water into the water system in addition to which water leaks into the sewer network making it difficult to organise waste water treatment. The growing agricultural industry in the Leningrad Region also causes environmental problems. Another large-scale problem is the air pollution, which concerns the surroundings of the main road transport corridors in the programme area and, like most large cities in the world, especially St. Petersburg. Approx. 80 % of the air pollution is caused by road traffic and 20 % by other factors. To decrease the amount of exhaust gasses, the city is building road interchanges, developing traffic management systems, and supporting the development of public transport.

In addition to these, industrial companies, which form the basis of the economy in St. Petersburg and the Leningrad Region, produce a great amount of various industrial wastes that needs to be managed. Additionally, according to the authorities of the Leningrad Region, approx. 1.7 million tonnes of solid domestic waste is accumulated every year in the region. The data provided by the St. Petersburg Statistics Committee indicates that 500 of the approx. 9 000 enterprises in the region reported annual production of approx. 3.7 million tons of industrial waste, which often include hazardous substances. Another problem is the lack of modern solid waste treatment and recycling facilities as well as pollution and nutrient flow originating mostly from agriculture into the water system. The programme can support joint activities of various environmental authorities, organisations, and enterprises to develop modern environmentally friendly systems for the management, technologies, and recycling of industrial, household and toxic waste in St. Petersburg and the Leningrad Region.

Over the last decade, maritime transport in the Gulf of Finland has changed significantly. Russia is now the second largest oil producer in the world. New oil ports have been opened – Primorsk in the Leningrad Region being now the largest oil transportation port in Russia – and more have been planned on the Russian coast of the Baltic Sea. On the Finnish side in Porvoo there is the largest oil port in Finland and also a large oil refinery. As traffic volumes in the Gulf of Finland continue to rise, the risk of accidents is also increasing accordingly. A growing concern has been expressed over accidental oil spills and various negative impacts caused by maritime transport in the Gulf of Finland, which is a sensitive brackish water area with a unique ecosystem. The EU Marine Strategy Directive obliges the Member states to improve the ecological status of the marine environment. In this respect, the Programme can enhance cooperation and exchange of knowledge as well as preparedness in case of disasters at regional and local levels in accordance with the HELCOM recommendations.

Attitudes and values towards the environment can be changed by encouraging participation in the initiation of environmental improvements. The programme can provide more opportunities to improve water protection, conserve natural resources for future generations through efficient use of land, less wasteful use of non-renewable natural resources, their substitution by renewable resources wherever possible, and the maintenance of biological diversity.

### *3.6 Health and social problems*

Despite the achievements in the economic development in the programme area, some serious health threats remain or have become even more acute. As stated earlier, the demographic development is still negative due to the low birth rate and rising mortality rate in the region. On the Russian side, tuberculosis continues to be a serious challenge – especially in prisons. The number of HIV infections combined with drug abuse is increasing. Hepatitis and sexually transmitted infections (STIs) are also on the increase. Lifestyle related diseases, such as those caused by tobacco and alcohol, are of increasing concern. Furthermore, alcohol and narcotic drugs and other toxic substances are closely linked with social and family problems, risks of social exclusion, and homelessness. Health and social policy challenges are more diversified and difficult than previously. They include the increased alcohol consumption, drug abuse, and mental health problems among both children and adults.

These problems illustrate the complexity of most health problems and the need for coordinated solutions. This is especially evident in case of communicable diseases, substance misuse, and the health of indigenous people. Health problems are often associated with economic problems, family violence, and stigmatisation of the whole family. Children and young people are the first victims in these situations. When planning actions under the Programme, consideration will be given to other international and bilateral initiatives in the health care and social welfare sectors in the programme area.

## 4 COHERENCE WITH OTHER PROGRAMMES AND EXISTING STRATEGIES

### *4.1 Experience from previous CBC Programmes*

The European Regional Development Fund has funded CBC in the concerned border regions since 1996 (Finland became a member of the EU in 1995) under the South-East Finland INTERREG II A programme 1996-1999. The most significant objectives of the programme was to improve border crossing points and the conditions for later large-scale projects, increase economic and commercial profitability, and promote job creation and the competitiveness of the services and operations of companies in the programme area.

The participation of Russia, particularly the city of St. Petersburg and the Leningrad Region, in the CBC has been funded under the Tacis programme since 1996. In the period from 1996 to 2003, the total funding for Russian projects under the Tacis CBC Small Project Facility amounted to approx. 25 million euros. Of a total of 134 projects in Russia, the share of St. Petersburg was 34 and the share of the Leningrad Region 27 projects.

The South-East Finland – Russia INTERREG III A programme, covering the period of 2000-2004, focused on developing border crossing points and transport links, maintaining and improving the state of the environment,

supporting expertise and the conditions for cooperation and welfare, and increasing the number of SMEs and improving their operational preconditions.

Between 2004 and 2006, a new approach was adopted with the introduction of Neighbourhood Programmes. The previous INTERREG programme became South-East Finland – Russia Neighbourhood Programme 2004-2006. The main change was that EU financing was also provided for the Russian partners through Tacis CBC. A single application and project selection procedure existed for joint projects, but formally two financing decisions were made concerning EU financing: one on the INTERREG funds by the Finnish managing authority for the Programme and the other on Tacis CBC funds by the EU delegation in Russia. The content of the Programme was revised in the spring 2004, together with the Russian authorities and Commission representatives, to better comply with common priorities. The regional government and the Ministry of Economic Development and Trade of Russia were actively involved in the preparation of the Programme.

A number of lessons learned from the CBC cooperation in recent years have been taken into account in the preparation of the ENPI CBC Programme. Successful cooperation and working for mutual benefit can be built on in the Programme by capitalising prior experience, best practices, and achievements. Despite the fact that under the previous Neighbourhood Programme the combination of different sources of funding (INTERREG and Tacis) caused some inconvenience, the partners have become accustomed to working together in tasks such as the joint project selection and decision making processes. Moreover, a project evaluation system has been created also on the Russian side involving a large number of experts from the sectorial Committees of the St. Petersburg city Administration and the Leningrad Region Administration, who have also been trained for project assessment work. A large number of both Finnish and Russian partners have become more familiar with the new way of working on the programme management as well as the project implementation levels.

The South-East Finland – Russia Neighbourhood Programme 2004-2006 has made a contribution to the developing and deepening of collaboration between participating adjacent regions. A large number of discussions and joint projects involving stakeholders on both sides of the border has emphasised that cooperation in the programme area can be intensified and optimised further through systematic cross-border cooperation.

#### *4.2 Coherence with other programmes and strategies*

##### *EU-Russia Strategic Partnership*

Cross-border cooperation is an integral component of the EU-Russia Strategic Partnership, which is based on the Partnership and Cooperation Agreement (PCA). Preparations have started for negotiations on a new framework agreement that is to replace the PCA. The June 2008 EU-Russia summit marked the launch of negotiations on a New Agreement to replace the current PCA.

The current work for developing the EU-Russia relations is set out in the road maps of Common Space: The Common Economic Space (CES), the

Common Space of Freedom, Security and Justice, the Common Space of External Security, and the Common Space on Research and Development, Education and Culture. In the Road Map, CES refers to the deepening and diversification of interregional cooperation through the involvement of local and regional key operators as well as of the civil society. The further deepening of cooperation is achieved by taking the following measures:

- increasing the importance of regional development and cross-border cooperation through active support to cross-border initiatives and programmes;
- encouraging the involvement of local and regional key operators such as the various authorities and civil society, in all aspects of cross-border cooperation;
- deepening cooperation and facilitating investments in the areas of cross-border infrastructure and other border issues;
- promoting the establishment and strengthening of economic and people-to-people links between Russia and EU regions.

#### *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; maintaining a stable supply of energy; furthering cooperation in the fields of justice and home affairs, the environment and nuclear safety in order to combat 'soft' security threats; and increasing cooperation with Russia in the Southern Caucasus and the Western CIS countries to increase the geopolitical stability of the CIS region, including the resolution of frozen conflicts.

#### *Northern Dimension Policy*

The Northern Dimension (ND) is a dialogue and cooperation tool involving the European Union, Russia, Norway, and Iceland. The Northern Dimension Policy Framework<sup>1</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 to the region.

The Northern Dimension will support sub-national and governmental cross-border and trans-border cooperation as one of the instruments for promoting regional development. The priority sectors for dialogue and cooperation under the Northern Dimension are economic cooperation; freedom, security and justice; external security; research, education and culture; the environment, nuclear safety and natural resources; and 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.

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<sup>1</sup> Northern Dimension Policy Framework Document, 24 November 2006

The Northern Dimension is currently striving to find its place in the entirety of EU-Russia relations. In particular, the idea is to develop new partnerships alongside with the two existing (on environment and public health). Two sectors were identified for these partnerships – transport and energy. Work in the energy sector involves the further development and integration of energy markets, the strengthening of EU-Russia dialogue on energy, the development of energy resources in an environmentally friendly way, and the promotion of energy efficiency and saving. The Political Declaration on the Northern Dimension Policy invites also to examine opportunities for enhanced cooperation in the field of energy efficiency and renewable energy resources. An example of this sort of cooperation could involve launch of small and medium-sized energy efficiency projects.

The views and perspectives underlined in the concept of the Northern Dimension have been taken into account in the ENPI CBC Strategy 2007 - 2013. 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. The Programme has been drawn up with consideration of the aims of the Northern Dimension. The Programme will seek to ensure synergies with the new ND policy where appropriate and that actions financed by the Programme complement the ND framework for cooperation. The geopolitical position of the Programme area as a gateway to Russia and from Russia to the EU enables the achieving of the Northern Dimension objectives, including the development of traffic in the border area and border crossing points, transport and logistic systems, environmental protection, and energy production. The involvement of local and regional authorities in cross-border cooperation is given prominence in the context of the ND.

#### *Regional strategic programmes in Finland*

The Regional Development programme for each of the participating Finnish regions outlines regional development targets, key projects and measures, and a financing plan for the programme for the coming years. These are based on the development needs and potential of the region. In the preparation of the regional strategic programmes, the regions have taken into account the national regional development targets set by the Government and the regional development strategies adopted by different administrative sectors. The regional strategic programme is designed to act as an umbrella programme coordinating regional development work. In both, the Strategic Regional Plans and the Regional Development Programmes, the most essential objectives and measures for the development of the Regions are presented as four Objectives:

- 1) People, welfare and services
- 2) Expertise, innovations, and technology
- 3) Entrepreneurship, production, and working and labour policies
- 4) Infrastructure

The Regional Development programmes contain several principles and measures that deepen and strengthen the cooperation with St. Petersburg and the Leningrad Region. They are related to active immigration policy,

strengthening of educational networks, research and innovation activities, and promotion of business cooperation and its comprehensiveness. All these objectives are supported by facilitating the entrance of businesses in the Russian market, in other words, improving both physical and functional prerequisites for cooperation. The ENPI programme takes into account the national targets, special national programmes implemented in the region, programmes co-financed by the European Union (EU) and the strategies and development work of various authorities.

*Regional Competitiveness and Employment Objectives  
(Southern and Eastern Finland)*

The Regional Competitiveness and Employment programmes involving the participating Finnish regions have been prepared in the context of the Lisbon economic reform agenda for jobs and growth and its focus is on building the knowledge-based economy, promoting business competitiveness, and increasing employment. When implementing the ENPI programme, attention will be paid to the avoidance of overlaps between the programme and other Structural Funds based assistance, notably the Competitiveness and Employment objective programmes.

*Russia's Priority National Projects*

The primary goals of Russia's economic policy are: implementation of the priority national and state investment projects; creating special economic zones, facilitating the development of innovative and high-tech industries; and facilitating the development of the small business sector. Russia has created new mechanisms to reach the basic goal of the state policy, i.e., the substantial improvement of the quality of life of its citizens. Concrete steps towards the implementation of the tasks include priority national projects in areas such as health care, education, housing, and agriculture. Firstly, these areas determine the people's quality of life and the society's welfare. Secondly, solutions to these problems will ultimately have a direct effect on the country's demographics and, most importantly, create the necessary preliminary conditions for the development of its human capital.

The high-priority national projects have, without exaggeration, become an important phenomenon of life in the Russian Federation. In 2006, not only federal, regional, and local institutions but also a significant proportion of society was involved in their implementation. The development of education, healthcare, agriculture, and construction will lead to breakthroughs in other sectors. Implementation of national projects requires long-term planning and budgeting, which is extremely important for steady economic development. More importantly, the strategy of effective investment in people, in raising the quality of life, is logically developed in the budget-planning process.

The introduction of modern technology is another important aspect of the implementation of national projects. All Russian schools have been equipped with broadband Internet access in the last two years, creating new opportunities even in the most isolated regions. Internet connections in village schools are useful also for the local medical and agricultural specialists and will help to attract investments. New technology requires better management, which has become evident in many regions. Certain coherence can be seen between the general objectives of the ENPI Programme and the aims of the

Russia's Priority National Projects, which have been approved by the Government of Russia and implemented since 2005. For the part of the national projects in the Russian regions, this is evident in areas such as housing, agriculture, health care, and education.

*Development Programmes of St. Petersburg and the Leningrad Region*

The Socio-Economic Development Programme of St. Petersburg, ratified by the City Government, and the current Socio-Economic Development Programme of the Leningrad Region, which will be valid until 2008, (and the next Development Programme for the period 2008-2010, which is under preparation in the Government of the LR) aim at a substantial improvement in citizens' welfare and quality of life and the creation of preconditions for the socio-economic development of the regions. The objectives of the two Development Programmes corresponding to the priorities of the South-East Finland - Russia ENPI CBC Programme are listed below with some examples of feasible actions:

- Promoting economic growth; improving the preconditions for entrepreneurship; attracting investments and strengthening investment policy; developing industrial potential; developing international relations.
- Promoting innovations; supporting innovative enterprises; training staff; promoting systems of public support to innovations and scientific activities.
- Developing tourism: improving the attractiveness of the regions to tourists and the preconditions for entrepreneurship in tourism.
- Strengthening the position of the regions as a transit zone: developing the sea ports, increasing the volume of logistic companies and systems.
- Improving the environs of cities and the protection of natural and man-made environments: protecting inheritance; developing infrastructure; reducing emissions and improving waste management; ensuring the safety of the inhabitants; promoting housing reform; developing loans on real-estate.
- Creating a positive climate for entrepreneurship: developing public-private cooperation; promoting the transparency and predictability of decision-making processes; promoting state support to SME development; ensuring the safety of business.
- Strengthening family institution, maternity benefit, and child support: realising social codex; improving health care; developing medical and social support and social centres for mothers and children; propagating traditional family values; diminishing extensive poverty by e.g. helping the disabled to find work and thus integrate with society.
- Improving opportunities to reach a higher standard of living: developing labour market and continuing education; creating working places especially for the young.

*Other ENPI CBC programmes and INTERREG programmes*

The programme is linked as far as possible with the INTERREG and ENPI CBC programmes implemented in the neighbouring regions:

- Euregio Karelia ENPI CBC programme
- Southern Finland – Estonia sub-programme (SFE) under the Central Baltic programme (European Territorial Cooperation)
- Estonia/Latvia – Russia ENPI CBC programme
- Baltic Sea Region Programme 2007-2013.

In the implementation of the programmes, attempts are made to identify new ways of cooperation and practices to complement the existing ones. The connections between the Baltic Sea Region programme and the South-East Finland – Russia ENPI programme may be connected with the administrative cooperation and e.g. the development of transport services and activities related to marine environment protection and marine safety within the area covered by these programmes. A regular exchange of information will be organised between the administrative bodies of the programmes.

#### *Neighbouring area cooperation between Finland and Russia*

Finnish-Russian neighbouring area cooperation focuses on the North-West 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, nuclear and radiation safety, civil society, education and training.

Coordination between the South-East Finland - Russia ENPI CBC Programme and the Finnish neighbouring area cooperation 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 change of information between the programmes' administrative bodies shall be continued.

#### *The EU's Sustainable Development Strategy*

Sustainable development became a fundamental objective of the EU in 1997, when it was included in the Treaty of Amsterdam as an overarching objective. Subsequently, at the Gothenburg Summit in June 2001, the first EU Sustainable Development Strategy (SDS) was launched. Whereas the Lisbon strategy focuses on employment, economic reform, and social cohesion, the SDS adds an environmental dimension and establishes a new approach to policy-making. In June 2006, the European Council adopted a renewed SDS. From an environmental perspective, the SDS outlines priorities in four key areas of climate change, transport, public health, and natural resources.

#### *The EU's Sixth Environmental Action Programme*

The Sixth Community Environmental Action Programme 2002-2012 (EAP6)<sup>1</sup> addresses the key environmental objectives and priorities based on an assessment of the state of the environment and the prevailing trends including emerging issues that require a lead from the Community. It promotes the integration of environmental concerns in all EU policies and contributes to the achievement of sustainable development throughout the Community.



Its four priorities are climate change, nature and biodiversity, environmental health and quality of life, and natural resources and waste management. The European Commission developed, in accordance with the requirements of the above EAP6, also seven thematic strategies to fulfil the objectives of the EAP6. Based on the four priorities, these Thematic Strategies work with themes rather than specific pollutants of economic activities. They take a more long-term perspective in setting clear environmental objectives to be reached by approx. 2020, thereby providing a stable policy framework. Finally, they focus on identifying the most appropriate instruments to deliver the European policy goals in the least burdensome and most cost effective way possible. These strategies often overlap and synergies with other policies of other sectors are vital.

#### *Other strategies*

In the context of further development of a wider economic cross-border cooperation strategy between South-East Finland and St. Petersburg and the Leningrad Region, joint priorities were established by joint working groups involving experts from various regional and municipal organisations and administrations as well as institutions and NGOs from both sides of the border. The activities suggested by the strategic planning work have been implemented during the period of 2004-2006 under two projects co-financed by the South-East Finland – Russia Neighbourhood Programme.

The five priorities jointly agreed by the Finnish-Russian work groups are as follows: development of entrepreneurship and business cooperation; support and development of innovations; development of tourism industry; development of transportation and logistic networks; environmental protection; and development of ecological technologies. This means that a large number of mutually interesting fields of economic cooperation and innovations has been identified. The chosen priorities have a strong linkage to the four core objectives identified for the ENPI CBC Programmes 2007-2013. By processing the priorities, a number of concrete project ideas have been created. The results of the strategic planning work have been taken into consideration in the preparation of the content of the Programme.

#### *Conclusions and Recommendations*

By virtue of its regional character, involving actors in the border regions within the Programme area, the South-East Finland – Russia ENPI CBC Programme is complementary to the activities to be carried forward under the respective national, regional and interregional development programmes, strategies and policies described above. Coherence between the Programme and these initiatives, especially with the underlying policy objectives of the EU-Russia Strategic Partnership has been assured in the programming phase and will be ensured during the whole period of implementation of the Programme. In addition, the Programme will seek to encourage synergy linkages to, e.g. the Northern Dimension Policy and the Neighbouring area cooperation between Finland and Russia.

As in the previous programming period, the Programme will have some geographical overlap with some other CBC programmes such as the Baltic Sea Region Programme. There are, however, considerable differences

between the objectives and priorities of the BSR Programme. On the other hand, there are also shared programme elements (e.g. support for innovations, promotion of transport, maritime safety, etc.) which, however, are complementary and give the potential for synergies. The Karelia ENPI CBC and the Estonia/Latvia – Russia ENPI CBC Programmes will also have some geographical as well as “strategic” overlap with the South-East Finland – Russia Programme. However, each of them has been prepared and will be implemented in a distinctive, regional context. By ensuring a close coordination and information change between the administrative bodies of these programmes possible overlaps can be avoided and rather synergies and complementary benefits can be achieved between the programmes.

In order to promote high effects of the cross-border activities from possible synergies and coherence with projects and programmes funded under other 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.

## 5 OBJECTIVES AND ACTIVITIES OF THE PROGRAMME

The South-East Finland – Russia ENPI CBC Programme 2007-2013 represents a new stage in the cross-border cooperation in the programme area. The mutual learning and developing process, which started during the preparation of the Neighbourhood Programme 2004-2006 and its joint implementation, will, during the period 2007-2013, aim to demonstrate the status of the programme area as an integrated economic zone and a good example of regional level cooperation between the European Union and Russia. The programme will also consolidate the position of the programme area as a “booster” in business cooperation as well as in transportation and logistics in the context of the EU and Russia's transport policies and transport corridors. Furthermore, the programme will respond to the needs to reduce trans-boundary environmental risks and pollution and their effects on the environment at both local and regional levels. The programme will also accentuate actions dedicated to the promotion of mutual cultural contacts and networking across the border and tightening of the links between local communities.

As the programme operates at both regional and local levels while also promoting the socio-economic development of the participating regions in the programme area, its general strategic objective is:

**To promote the position of the programme area as an integrated economic zone and a centre for transportation and logistics in order to strengthen its competitiveness and attractiveness to investors, and to improve the state of the environment and the standard of living and welfare of its citizens.**

The programme will contribute to the transfer of competence, and the flow of goods, passengers and information, as well as the diffusion of innovation over

the border, and provide ground for common actions to improve the environment.

The European Commission has indicated four core objectives for the ENPI programmes, which respond to the challenges identified for external border regions, and remain entirely valid as a basis for the Programme priorities to be carried out by local and regional programme partners. The four objectives indicated by the Commission are:

1. Economic and social development
2. Common challenges
3. Efficient and secure borders
4. People-to-people cooperation

The programme **addresses all of these four objectives**. However, the programme will **focus on the first one**, and activities and measures implemented under it will be prioritized. The other three objectives include measures which should promote cross-border cooperation and support activities related to the overall objective of the programme. The Programme is divided into three priorities:

- 1. Economic development**
- 2. Common challenges: border crossing and the environment**
  - **Efficient and secure borders**
  - **Environment and Nature protection**
- 3. Social development and civil society**

#### *5.1 PRIORITY 1: Economic development*

The promotion of economic development is the key objective of the Programme. This is due to the enormous potential for economic development and Finnish-Russian cooperation in the programme area: the economic structure and the leading industries on both sides of the border coincide with each other, and the scientific potential, particularly in Russia, is high enough to provide opportunities for joint development and innovative measures. The main aim of the Programme is to strengthen local and regional sustainable economic development in the programme area, the main issues on which the local actors can focus within this Priority being:

- SME and business development, incl. labour market development
- trade and investment promotion
- transport and logistics
- research and education
- innovations and technology
- energy cooperation
- tourism industry
- rural development

The priority addresses sustainable economic development in the programme area by addressing the specific needs of the participating regions. One of the

main focuses of the priority is to increase the activity of SMEs, particularly promoting innovations and business activity in the key sectors, and to extend their influence over the border. Another objective is to improve the opportunities of the SMEs to advance their competitiveness by means of networking, corporate cooperation, production development, and technological expertise. The programme aims at promoting entrepreneurship and its preconditions also in rural areas.

As trade and cooperation is constantly increasing, the aim is to ensure that a sufficient number of experts in international affairs are available to meet the needs of the programme area. This is achieved by combining the various training and know-how resources in the area. The programme also focuses on improving the knowledge of the Russian-Finnish business environment as part of internationalisation training, training of managers and key personnel, and quality training. The skills and abilities of Russian immigrants on the Finnish side of the Programme area are also worth consideration, as they could be trained to work in the service of businesses or similar.

The programme area is a node of European-Asian transport and logistics infrastructure, and the Finnish-Russian border is an external one of the EU. Smooth, well-functioning, efficient, and safe traffic is a common interest in the programme area but also in the EU. Most of the questions concerning the development of logistics and transport systems (transportation, handling, and warehousing of goods), based on environmental safety and security issues, are to be solved jointly, and the area has potential for innovative development of this sector.

One of the aims of this priority is to develop the operation and networking of universities and other similar units in their areas of expertise, such as small business activities and new technologies. The starting point is to combine the extensive studies on Russia carried out in South-East Finland and the practical experience with top-level expertise which will, in addition to local operators, serve the EU and other international organisations. Existing network structures will be further developed and new ones initiated by cross-border cooperation between companies and R&D institutions in the partner regions. This means bundling of competence and vertical cooperation to establish value-added chains. The Programme will support developable business sectors with growth potential and promising approaches to the CBC. Attention must also be paid to education in order to improve the quality and status of vocational training.

The level of scientific and technological research conducted in research institutes in St. Petersburg is very high. A competent and highly trained research community is therefore available across the border. Joining the resources of South-East Finland and eastern Finland in general in technology cooperation projects would serve to increase business activity between companies and research institutions in Russia and Finland while also promoting technological competitiveness in both countries. In addition, the exploitation of opportunities in areas such as bio-fuels and other alternative energy sources offers good opportunities for innovative businesses with the potential to provide new services and eco-efficiency to the participating regions. Eco-efficiency is achieved by supplying competitively-priced goods

and services that satisfy human needs and promote quality of life, while progressively reducing the ecological impacts and resource intensity throughout the life-cycle of the products to a level at least in line with the earth's estimated carrying capacity.

There is a great potential for joint energy projects and a need for them in North-West Russia and, in particular, in the Leningrad Region and St. Petersburg. Energy intensity is two times higher in Russia than in the EU. The improvement of energy efficiency is a key factor in developing the Russian economy which is also reflected in the target program for economic development approved by the Russian government, which covers the period up to the year 2010. Energy saving i.e. energy efficiency has an enormous potential in the participating Russian regions. Furthermore, these regions are rich of different kinds of renewable fuels and renewable energy sources (e.g. wood waste and other bio-fuel sources). On the other hand Finland possesses some important expertise in this field. However, it is important that the sourcing of bio-fuel is made in an environmentally sustainable way.

Regional energy cooperation and local actions can make considerable contribution to energy efficiency, energy savings and development of renewable sources of energy. Also small scale projects can play a role as they can effectively be replicated on a local and regional level.

Tourism is an important sector of regional economic development. The history of the area together with cultural institutions and events, rich natural world, and varied urban views provide a number of opportunities for the tourism industry. New products can be created by means of cultural exchange and joint marketing efforts and by exploiting the opportunities for various types of tourism, and the existing products can be developed by international cooperation. The programme area also interests tourists from outside its borders. A well-functioning transport system also serves to promote the active tourism industry.

The Programme area includes large rural areas on both sides of the border, of which especially the ones on the Russian side need to be developed. The aim is to promote the preconditions for effective entrepreneurship in agriculture and the creation of various kinds of accompanying businesses in rural areas. By these measures, the level of welfare remains balanced and, further, the rural areas populated. The rural development measures include social aspects, such as activities in local villages promoting the well-being of their inhabitants, but also several economical aspects, for example the development and promotion of rural entrepreneurship and tourism.

#### *Directions of support*

The main objective of the Priority is to enhance the regional economic development and competitiveness of the programme area, and to facilitate cross-border cooperation and better flow of goods and people by emphasising innovations, experience share and collaboration in energy efficiency and energy saving, comprehensive and qualitative economic cooperation, and the development of connections. An important principle under the priority is eco-efficiency: combining of the economic, ecological, social, and cultural

dimensions of the development. The indicative actions to be taken under the objective of promoting sustainable economic development in the programme area include:

- supporting the most potential business cooperation activities in order to yield concrete and sustainable results from the cooperation, e.g. subcontracting, production cooperation, joining forces in the marketing of products and services, transfer of technologies and innovations, etc.;
- supporting the foundation of science parks (industrial / business / technological) and innovation centres through the creation of preconditions for further large-scale investments in production and, where appropriate, through small-scale infrastructure projects;
- creating mechanisms for simplification of international trade, e.g. developing environmentally sound transportation and logistic services and networks, cargo terminals, logistic centres; increasing the speed and transparency of the goods flow; actions in real-time mode; and improving maritime transportation system where appropriate through small scale infrastructure projects;
- promoting energy cooperation, e.g. encouraging R&D, use of new solutions and training in renewable energy sources and energy efficiency, use of bio-fuels, and transfer of (energy saving, environmentally sound, and best available) technologies and know-how, and sustainable management practices;
- developing mutual integration between Russian and Finnish industrial enterprises and the integration of Russian companies into European business community with jointly chosen prior branches;
- promoting mutual brand of the region on the internal and external markets to promote the attractiveness of the region in terms of investment;
- creating automatic computer-based system for processing data concerning goods flows (transporting companies and terminals);
- promoting R&D, education, and training in business areas of mutual interest;
- supporting the use of new ICT by businesses and innovation activities at high schools, R&D institutions, industrial enterprises, and similar;
- developing intensive and environmentally sound tourist industry and increasing tourist attractiveness of the region by improving the quality of services and cooperation of tourist infrastructure companies, developing new products, promoting eco-tourism etc.;
- promoting entrepreneurship and business start-up in jointly chosen prior branches, e.g. in knowledge based and innovation driven sectors, and the exchange on regional business support structures that aim to assist SMEs.

## *5.2 PRIORITY 2: Common challenges: border-crossing and the environment*

### **5.2.1 Efficient and secure borders**

The Finnish-Russian border is one of the EU's external borders. Constantly growing transport indicates positive economic development but places a physical strain on roads, railroads, harbours, and border control points. The

most important border crossing points between the EU/Finland and Russia are situated in South-East Finland. Developing the transport links to these border crossing points and the operations of the border crossing points is, therefore, especially important. Projects related to the development of the transport links and border crossing points have been funded within the South-East Finland INTERREG III A/Neighbourhood programme as abundantly as expected. The funded projects have focused on issues such as the improvement of road connections, development of the operational conditions of the customs and border authorities, and improving terminal and other logistical premises.

Effective border management requires that the EU's external borders are both efficient (facilitating bona fide cross-border traffic of persons and legitimate trade and transit) and secure (preventing illegal border-crossing and illegitimate trade and transit, and combating organised crime, trafficking, and contraband). Organised crime crossing the borders is a threat to the safety of citizens, business life, and investment. Measures required to fight crime should be further developed. In many respects, these issues can only be effectively addressed by the Russian federal and Finnish national (state) level authorities, but the local and regional level cross-border cooperation under the Programme provides a significant contribution for instance in enhancing and improving cooperation and exchange of experience between the Finnish and Russian border authorities at the local level and upgrading the border-crossing control equipment.

The rapidly increasing shipment of oil and other goods in the Gulf of Finland means that more attention should be paid to the strengthening of maritime search and rescue services in the area. In addition, the need to develop emergency cooperation to have appropriate means to respond to possible disasters and hazards such as accidents, wild fires that can cause damage to the environment, oil and toxic waste spills, and maritime transport accidents, should be addressed. Rescue actions in the event of various types of accidents will also be provided by increasing collaboration between the areas across the border.

Possible hazards, such as floods and wild fires, technological, road, and other accidents, can threaten ecosystems and the safety and health of the population in the Programme area. The priority aims at supporting activities that promote emergency preparedness and cooperation between local and regional authorities and organisations in order to minimize the risks and their consequences.

The objective of the priority is, with a view to facilitating smooth flow of goods, legitimate trade, transit, and bona-fide cross-border traffic of persons, to improve traffic arrangements at border crossing points and their vicinity, border management operations and procedures, and to increase transparency and efficiency of trade, travel, and border passage.

In order to ensure smooth flow of traffic and efficient and secure borders in the programme area, the indicative actions to be taken under this objective include:

- improving small-scale infrastructure projects at border crossing points and their vicinity where appropriate;
- improving equipment at border crossing points as necessary;
- promoting training and networking between border authorities;
- promoting cooperation of customs and control authorities assuring efficient and secure controls and smooth border crossings;
- launching joint rescue actions such as accident risk management and emergency preparedness and training of rescue personnel, exchange of know-how and information, and improving the maritime search equipment as necessary.

### 5.2.2 Environment and Nature protection

The quality of the environment has a direct impact on the health and quality of life of the citizens in the programme area. Pollution and environmental disasters do not respect state borders, but their prevention is a common interest and responsibility. This priority aims at supporting environmental protection in order to maintain and improve the quality of the environment and to increase the attractiveness of the participating regions. Furthermore, the synergies between the environmental protection and economic development will be utilized as far as possible. The purpose is to enable regional and local authorities and other stakeholders at the regional and local levels to improve their capacities and methods in relation to the priority objectives of environmental protection, nature conservation, and the better use of natural resources. The means to do this include the exchange and transfer of knowledge, best practices, and experience; and the creation of new approaches between the regions in the Programme area.

Environmental issues are important in relation to the trans-border rivers and lakes in the programme area and particularly in the context of shared sea basins such as the Eastern part of the Gulf of Finland. Water and air pollution, whether from industrial or urban discharges, remains a problem, exacerbated by the risks of marine pollution in the Gulf of Finland. For example the number of oil shipments in the Gulf of Finland is increasing rapidly. It is estimated that the volume of oil shipments will by 2015 reach 250 million tons per year – the volume in 2006 was 140 million. This means that measures and investments need to be made to reduce the impact of the growing traffic, hazardous substances, and oil spills, and to improve the basic infrastructure for waste management and waste water treatment.

Ensuring sustainable management of waste as well as protection of natural heritage is another considerable challenge of the Programme. In this respect, regional and local actors can play an important role and contribute to the achieving of the goals set forth in the Programme.

Themes such as radiation safety and protection of the marine environment are included in the priority sectors of the (bilateral) Finnish-Russian neighbouring area cooperation, which have been taken into consideration in the defining of the activities that are to be supported by the programme. Environmental projects will be carried out in North-West Russia together with Russia within the cooperation framework of the Finnish Ministry of the Environment.



Cooperation projects focus on measures that promote water pollution prevention, air protection, conservation of biodiversity, and hazardous waste management. The strategy for this particular cooperation has been prepared for the period of 2006-2010.

Climate change is a major global challenge to be addressed in the nearest future. European Union aims at achieving the objectives of the Kyoto Protocol. Consequently, one objective of the priority should be to promote, as far as possible, such activities that can lead to reducing greenhouse gas emissions.

#### *Directions of support*

The other main objective of the priority is to support sustainable development by improving environmental protection and enhancing cooperation in issues relating to the conservation of the natural heritage in order to maintain the quality of the environment, increase the attractiveness of the participating regions, and enhance the knowledge of and responsibility for the common environment.

To promote cooperation in addressing the common challenges in the programme area in the fields of environmental protection and ecological safety, the indicative actions to be taken under this objective include:

- promoting rational use and research in the field of natural resources and the implementation of sustainable systems of waste and water management (prevention, recycling, and recovery of waste), reduction of emissions, and pollution;
- promoting nature protection and conservation of the marine environment, and preserving biodiversity, including the establishment of special ecological zones;
- promoting research, planning, and education in the fields of the environment, resource efficiency, eco-efficiency, environmental audit schemes, and sustainable development;
- supporting public awareness of environmental safety, energy and eco-efficiency, and sustainable development;
- improving municipal systems of waste management, incl. the development of a network of companies specialising in waste management and processing;
- developing cooperation between industrial enterprises, SMEs, and R&D institutions in using environmentally safe and eco-efficient technologies;
- promoting the use of renewable energy sources (bio-fuel, landfill gas, hydro energy, etc.) and the substitution of non-renewable resources with renewable ones
- promoting cross-border cooperation aiming at reducing the environmental load and risks related to increasing traffic, eutrophication, hazardous substances, and oil spills.

### *5.3 PRIORITY 3: Social development and civil society*

Social development is partly a result of economic development, but also existing experience in the area can be used as examples and multiplied and applied. The Programme provides an opportunity to strengthen the people-to-people and civil society contacts at regional and local levels. Measures taken in the educational, cultural, and other similar fields, as well as the enhanced cross-border contacts between civil society groups and NGOs, aim at promoting the local governance and mutual understanding. People-to-people cooperation aims at creating direct linkages between the citizens, cities, educational and research institutions, youth and sport organisations, and all kinds of non-governmental organisations in order to advance understanding, share know-how, and develop new solutions to common problems. It is necessary for all cooperative projects to improve the conditions for cooperation, including people's knowledge of the culture and language of the neighbouring country and cooperation opportunities of citizens, civil organisations, and other organisations.

As a border region, the Programme area boasts a centuries-old tradition of knowledge of Russian culture (on the Finnish side) as well as a wide cultural exchange. The knowledge of Russian and Finnish cultures should be further enhanced through Finnish-Russian collaboration by various NGOs and cultural institutions. For instance, networking in different fields of art, improving people's knowledge of history, and youth work diversify South-East Finland's collaboration with Russia. Cultural knowledge will form a basis for increasingly intense industrial cooperation between the regions in the programme area. The traditional economic, social, and cultural links can provide a strong basis for rebuilding dynamic civil-society links. Educational, social, and cultural cooperation can play an essential role in breaking down barriers and prejudices. The priority aims at increasing cooperation between various cultural, training, and educational institutions in the nearby area, for instance, through teacher and student, youth, and sports exchange.

Not only business but also organisations in the administration, education, training, and research are forming networks both within the region and towards South-East Finland and St. Petersburg and the Leningrad Region. Networking requires well-developed telecommunications and physical transportation links. It is imperative to boost the exchange of information and research cooperation in social welfare and health care. Health and social problems are linked to economic problems, unhealthy habits, insufficient services, and judicial institutions. Infectious diseases such as tuberculosis and HIV, drug abuse, and environmental pollution are threats that do not respect national borders. The most significant threats to agriculture are infectious plant and animal diseases. By exchanging experiences and increasing countermeasures and training at the international, national, and local levels, it is possible to increase the capacity to meet these challenges. Several issues in the field of health and social development as well as cooperation between NGOs are being addressed in the bilateral Finnish-Russian cross-border cooperation. However, activities implemented under the Programme at the regional and local levels can have an important complementary role to play.

### *Directions of support*

- Promoting cultural exchange to strengthen the cooperation networks between cultural institutions and organisations in order to increase knowledge of the other country's culture and promote practical cooperation and exchange of arts and culture;
- conserving the cultural heritage;
- supporting regional and local communities, e.g., providing local level support to the administrative reform in Russia and enhancing cooperation between local and regional authorities;
- promoting educational cooperation: student and teacher exchange;
- enhancing cross-border contacts between civil society organisations and NGOs to support mutual understanding and knowledge about the programme area.

To promote cooperation in addressing common challenges in the programme area in the fields of public health and social welfare, the indicative actions to be taken under this objective include:

- increasing cooperation in the promotion of healthy society and healthy lifestyle, e.g. prevention of drug abuse, alcoholism, smoking, communicable diseases, and lifestyle related health and social problems;
- developing mutual research and implementation of programmes on social adaptation of certain groups of population such as discharged persons, disabled people, and orphans;
- supporting the development of health protection and welfare within the educational sector;
- promoting information exchange, incl. new I-net tools, e-health, and access to related existing electronic facilities (portals, databases, etc.);
- improving medical services through a better operational coordination of private and state medical institutions, and new equipment and staff as far as possible.

## 6 STRATEGIC ENVIRONMENTAL ASSESSMENT

The Strategic Environmental Assessment (SEA) under the Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment (SEA Directive) has been conducted simultaneously with the drafting of the Programme. The assessment has been carried out by the respective expert of the Regional Council of Kymenlaakso in cooperation with the Southeast Finland Regional Environment Centre in accordance with the Finland's Act on the Environmental Impact Assessment of Plans and Programmes of the Authorities (SOVA law, Laki viranomaisten suunnitelmien ja ohjelmien ympäristövaikutusten arvioinnista, SOVA-laki).

The assessment of the environmental effects of the programme consisted of different phases. Firstly, consultations were held with the Finnish environmental authorities. A Participation and assessment plan was prepared and sent out to the regional environmental authorities and the Finnish Ministry

of Environment as well as to the respective Committees of the Leningrad Region and St. Petersburg for comments. The launching of the programme preparation and the SEA processes was announced and the Participation and assessment plan was placed on the programme's web site. Consultations on the SEA were held with the Committee for Nature Use, Environmental Protection and Ecological Safety of St. Petersburg City Administration and the Committee for Natural Resources and Environmental Protection of the Leningrad Region Administration. It was noted that the Russian legislation does not oblige to execute an assessment of environmental effects of this kind of programmes as do not international conventions ratified by the Russian Federation. However, the relevant issues have been considered in the drafting of the Programme by the experts of the Committee for Nature Use, Environmental Protection and Ecological Safety of St. Petersburg City Administration. In addition, a group of experts from the St. Petersburg Scientific Centre of the Russian Academy of Sciences has carried out an assessment of the environmental impacts of the Programme, a report of which is attached in Annex 2 to this document.

In the second stage of the SEA process the draft programme document and the environmental reports prepared were subjected to a four week public consultation in both participating countries. The documents concerned were placed on display for public consultation which was announced also in the press. The draft programme and the environmental reports were kept on display for 30 days in the offices of the Regional Council of South Karelia, the Regional Council of Kymenlaakso, the Regional Council of South Savo and in the JMA's branch office in St. Petersburg. The documents were also published in electronic form ([www.southeastfinrusnpi.fi](http://www.southeastfinrusnpi.fi)). The acceptance of the documents shall be announced on the internet pages of the Regional Council of South Karelia and the programme and in press releases. The report on the Strategic Environmental Assessment is attached in Annex 2 to this document.

## 7 INDICATORS

In order to monitor and evaluate the results and effects of the Programme, a system of appropriate and measurable indicators have been put in place concerning:

- the direct **outputs** of the Project activities; and
- the **results** from the Projects' / Programme's direct and immediate effects on the beneficiaries.

These have been developed to measure the Programme's progress in relation to the baseline situation and the achievement of the priorities' targets. Output and result indicators have been defined for each priority taking into account the objectives of the Programme and its priorities. The targets for output and result indicators are based on the priorities' aims and the division of financing between the priorities. The baseline indicators have been set at zero. These are the indicators which the Programme can be expected to influence on a concrete level, and which can therefore be considered to directly reflect the Programme's success. Due to the "soft" nature of the Programme, the indicators do not include those which describe the general development of the

Programme area, such as population, GDP per capita, earnings, health indicators, employment rate, or the number of established enterprises. These are regional macro-indicators, which the Programme can influence only indirectly and even then by taking into account all other factors external to the programme that affect the regional dynamics.

As most of the impacts of the Programme will only be measurable after a certain time from the implementation of the Programme, e.g. after 4 or 5 years, and the impact indicators will be available only at that time, the evaluation of the impacts will be carried out by external experts at the end of the programming period after the completion of a certain amount of approved projects. Consequently, the impact indicators are not to be measured during the implementation of the projects, and these indicators are not included in the indicator structure of the programme.

Structure of the group of indicators:

- 1) Output Indicators relating to the concrete project activities and deliverables;
- 2) Result Indicators relating to the direct and immediate effects brought about by the Programme.

<b>OUTPUT INDICATORS</b>	<b>RESULT INDICATORS</b>
at project level for monitoring projects activities and deliverables	at priority level for detecting the direct tangible results delivered by the programme and direct effects of priorities

The Programme will use different methods for collecting relevant information on indicators in order to monitor and evaluate achievements towards targets and the Programme's impacts. The system for collecting this information will use a database containing all the information of the projects' expected results and indicators, which are given in the Application Packages. Necessary information regarding a project's expected contribution towards indicators and their progress in achieving these will also be collected regularly through Progress and Final Reports, which the Lead Partner of each project is obliged to submit regularly to the Programme's Joint Managing Authority. Additional information can also be collected from the stakeholders by using specific questionnaires and, e.g. various surveys of supported organisations/project partners, etc. Information on impact indicators shall be collected through programme evaluations.

<b>INDICATOR</b>	<b>DATA COLLECTION SCHEDULE</b>
Output indicator	Once/twice a year
Result indicator	At least once a year
Impact indicator	At the end of the programming period

Information on indicators shall be aggregated at programme level annually and reported to the Commission in the annual reports to be submitted by the Joint Managing Authority.

**Priority level indicators**

<b>Priority 1 Economic development</b>						
<b>Priority aims</b>	<b>Results</b>	<b>Base line</b>	<b>Target value 2013</b>	<b>Outputs</b>	<b>Base line</b>	<b>Target value 2013</b>
To foster socio-economic development and to encourage business and entrepreneurship	Number of projects supporting entrepreneurship and having a direct effect on R&D, innovation, production development, and new technologies	0	30	Number of innovation and technology centres involved in networking and know-how exchange	0	15
				Number of permanent networks established following project activities	0	20
To improve access to the region	Number of projects developing transportation, logistics and/or communication systems	0	10	Number of new solutions or studies on developing transportation, logistics or communication systems	0	10
To develop the operation and networking of universities and other similar units in their areas of expertise	Number of projects aimed at collaboration or enhancement in the field of R&D, innovation, increasing production, and new technologies	0	15	Number of partnerships contracts / agreements establishing permanent relations	0	10
				Number of tools for technology transfer between universities and SMEs	0	10
To promote regional energy cooperation	Number of projects developing cooperation, R&D and use of renewable energy sources, energy efficiency, energy services and transfer of best practices in these fields	0	10	Number of new solutions for the development of renewable energy.	0	5
				Number of solutions and tools for promotion of energy savings and energy efficiency.	0	5
To develop region's potential for tourism	Number of projects aimed at collaboration in the field of tourism and creating new or improving existing products and services	0	15	Number of tourist products and services created or improved which increase the regions' attractiveness for tourists	0	15
				Number of partnerships contracts / agreements establishing permanent relations	0	10
To promote the preconditions for effective entrepreneurship and the creation of various kinds of accompanying businesses in rural areas.	Number of projects aimed at developing entrepreneurship and businesses in rural areas	0	8	Number of tools/methods/model solutions developed/tested aimed at increasing entrepreneurship and businesses in rural areas	0	5
<b>Sources of information:</b> Monitoring reports, surveys or studies; National / Regional statistic <b>Method of measurement:</b> Annually						

Priority 2. Common challenges: border crossing and the environment						
Priority aims	Results	Base line	Target value 2013	Outputs	Base line	Target value 2013
To increase the efficiency and security of borders	Number of projects implemented which aim to improve border efficiency and security	0	12	Number of tools/methods/model solutions developed/tested aimed at improving border efficiency and security.	0	10
To protect and to improve the quality of the natural environment in the border regions	Number of projects addressing issues of environmental protection and joint use of natural resources	0	25	Number of tools/methods/model solutions developed/tested which protect environment and prevent climate change	0	15
				Number of joint planning activities / initiatives	0	5
Sources of information: Monitoring reports, surveys or studies; National / Regional statistic						
Method of measurement: Annually						

<b>Priority 3: Social development and civil society</b>						
Priority aims	Results	Base line	Target value 2013	Outputs	Base line	Target value 2013
To enhance Russian and Finnish cultures through collaboration by various NGOs and cultural institutions	Number of projects promoting cultural diversity and involving direct local participation of inhabitants	0	25	Number of joint actions in the field of culture and education	0	30
To boost the exchange of information and research cooperation in social welfare and health care.	Number of projects enhancing cooperation in social welfare and health care services and involving direct participation of local inhabitants	0	15	Number of joint actions in the field of social welfare and healthcare	0	20
<b>Sources of information:</b> Monitoring reports, surveys or studies; National / Regional statistic <b>Method of measurement:</b> Annually						

## 8 INDICATIVE FINANCING PLAN

### *8.1 Financing sources*

#### 8.1.1 EU Financing

The EU funding for the Programme comes from the European Neighbourhood and Partnership Instrument, located under Title 4 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 funds allocated to the programme from the ENPI may be used on either side of the EU's external border for the common benefit of the border regions. The indicative allocation of Community funding in the Indicative Programme 2007-2010 attached to the ENPI CBC Strategy Paper 2007-2013 to the South-East Finland - Russia ENPI CBC Programme is 18 871 million euros. The illustrative allocation for the remaining years is 17 314 million euros, which brings the total allocation of Community funding up to 36 185 million euros for the years 2007-2013.

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

#### 8.1.2 National co-financing by Finland

The Finnish national co-financing comes annually from the state budget and will be allocated and transferred to the Programme's JMA. In cases when required by national legislation, national co-financing may be channelled to the selected applicants through a Finnish State Authority.

The role of the JMA as the responsible body for the use of national co-financing in the South-East Finland - Russia ENPI CBC Programme will be defined in the national legislation on the Management of the ENPI CBC Programmes in Finland. The Finnish national co-financing will also be used to co-finance Programme's technical assistance.

#### 8.1.3 National co-financing from the Russian Federation

The Russian co-financing is to be determined later.



#### 8.1.4 Intervention rates/Project partners' own financing

Each individual project has to be financed by the project partners. The rate of the partners' financing varies depending on the nature/type of the project.

#### 8.2 Indicative allocation of financing

8.2.1. Priority 1	40%
8.2.2. Priority 2	35%
8.2.3. Priority 3	15%
8.2.4. Technical assistance	10%

#### 8.3 Indicative financial table

Indicative financing plan of the ENPI CBC programme, giving, for the whole programming period, the indicative amount of funding by priority					
<b>Priorities by source of funding (in euros):</b>					
	Community Funding (a) *	Co-financing (b) FI	Co- financing rate (in %) (c) **	Other funding (if applicable) (d)***	Total funding (e) = (a)+(b)+(d)
Economic Development Priority 1	14 474 144	6 332 439	44 %		20 806 583
Common challenges: Border Crossing and the Environment Priority 2	12 664 876	5 699 194	45 %		18 364 070
Social Development and Civil Society Priority 3	5 427 805	2 442 512	45 %		7 870 317
Technical Assistance	3 618 536	3 618 536	100 %		7 237 072
Total	36 185 361	18 092 681	50 %		54 278 042

\* In accordance with the Strategy Paper.

\*\* Co-financing 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).

\*\*\* Funding other than the Community contribution and the co-financing as described in Art. 19 and 20.1 of the Regulation n° 951/2007.

## 9 JOINT STRUCTURES AND DESIGNATION OF COMPETENT AUTHORITIES

### *9.1 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 and the involvement of the regions in both countries is a precondition for successful implementation of the Programme. Consequently, the size of the delegation does not allow for the involvement of representatives of all relevant stakeholders in the Programme area. This limitation obligates each participating country and region to set out national and regional coordination mechanisms to guarantee the commitment and influence of these other stakeholders.

Both participating countries have designated a Ministry, through which all the designations and other official communications will be transmitted to the Programme authorities and the European Commission. These Ministries are

- in Finland: the Ministry for Foreign Affairs
- in Russia: the Ministry of Regional Development / Ministry for Foreign Affairs

Each country has designated a coordinating body that is responsible for consulting the various regional bodies and authorities in the Programme area and its neighbouring area. These coordinating bodies are:

In Finland: Regional Council of South Karelia  
In Russia: St. Petersburg and the Leningrad Region

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

A JMC will be established for the Programme. It will consist of two (2) central government level representatives and four (4) regional level representatives from each participating country. A substitute member will be designated for each JMC member to attend meetings in case the regular member cannot attend.

Both participating countries have to designate their central and regional level representatives to the JMC no later than 30 days after the JMA has submitted a draft Programme to the European Commission for adoption. The designations will be transmitted to the JMA by the Ministries referred to in Chapter 9.1.

The first meeting of the JMC will be convened by the JMA. The Committee can begin its preparatory work before the adoption of the Programme by the

European Commission. However the expenditure of preparatory work before the adoption of the programme is not eligible for South-East Finland – Russia ENPI CBC funding.

A representative of the European Commission will be invited to the meetings of the JMC in advisory capacity. He/she will cover his/her own travelling costs. Representatives of the designated adjacent Programme areas will be invited to the meetings in advisory capacity when appropriate. They will cover their own travelling costs.

The JMC will meet regularly and at least two times per year in the period of 2007-2013 and at least once in 2014-2016 in duly justified cases in one of the participating countries.

The JMC will be co-chaired by Central Government level representatives of Finland and the Russian Federation, both elected by the Committee either from inside or outside the Committee. The office of chair and co-chair of the JMC will rotate every calendar year between representatives of Finland and Russia.

The JMC will make its decisions on the basis of unanimity. 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;
- postpone the issue until the next ordinary meeting of the Committee; or
- convene an extraordinary meeting of the Committee.

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

The JMC will, in accordance with the Article 13 of the Implementing Rules:

- approve the work plan for the JMA
- appoint the joint selection committee (JSC)
- decide on the selection criteria/themes and make the final decision on the selection and the amounts to be granted to the projects
- adopt the Rules of Procedure of the JSC, the Rules of Procedure will be compliant with PRAG
- decide on the TA budget and its use
- periodically, but at least once a year, control the work of the JMA
- review the management decisions taken by the JMA
- at least once a year examine operational and financial reports submitted by the JMA and, if necessary, take appropriate measures
- examine contentious cases of recovery brought to its attention by the JMA
- evaluate and monitor the progress towards the objectives of the Programme
- propose changes to the Programme
- decide on the early termination of the Programme in cases specified in Regulation (EC) No 951/2007 Implementing Rules for cross-border cooperation Art. 44 and/or Regulation (EC) No 1638/2006 General

provisions establishing a European Neighbourhood and Partnership Instrument Art. 9 10. (c) and (d).

The JMC will also adopt the Programme's Information Action Plan prepared by the JMA.

If, when making decisions on the selection and the amounts granted, the JMC decides not to follow the recommendations of the JSC, either in full or in part, it will explain its decision in writing. The decision will then be sent via the JMA to the European Commission for prior approval.

The JMC will adopt its Rules of Procedure unanimously.

Travel and accommodation expenses can be reimbursed by the JMA from the TA budget. The costs of representatives of adjacent areas will not be covered. The procedures for covering the expenses will be defined in the Committee's Rules of Procedure.

### *9.3 Joint Selection Committee (JSC)*

The JSC will be appointed by the JMC. It will consist of an equal number of permanent members from Finland and the Russian Federation, and they will be appointed for the whole programme period. An equal number of assessors as representatives of the JSC from each country can be appointed by the JMC for each year's call(s) (or each thematic call if appropriate). These assessors are specialists in specific fields. They can be appointed as non-permanent members depending on the necessity for their expertise. The JSC will be chaired by a representative of the JMA without voting rights.

The JSC will present a recommendation on the selection of the projects to be funded by the Programme. It will make its recommendations unanimously. The aim in decision-making is unanimity. The JSC will unanimously make a proposal for its Rules of Procedure to the JMC for adoption.

Travel and accommodation expenses of the members and experts of the JSC will be reimbursed by the JMA from the TA budget. The procedures for reimbursement will be defined in the Rules of Procedure.

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

The JMA designated by the participating countries and regions is:

Regional Council of South Karelia  
Kauppakatu 40 D, 53100 Lappeenranta Finland  
[www.ekliitto.fi](http://www.ekliitto.fi) and [www.southeastfinrusnpi.fi](http://www.southeastfinrusnpi.fi)

The Regional Council of South Karelia is a joint municipal authority of 12 member municipalities. It operates as the authority for regional development and a unit for regional planning. The Regional Council of South Karelia operates at NUTS 3 level and has a statutory responsibility for regional development and planning.

## 10 PROGRAMME IMPLEMENTATION

### *10.1 General issues*

Programme implementation is conducted according to the General provisions establishing a European Neighbourhood and Partnership Instrument (EC) No 1638/2006), Implementing rules for cross-border cooperation programmes (EC) No 951/2007), Financial Regulation (EC, Euratom) No 1605/2002 and its Implementing Regulation (EC, Euratom) No 2342/2002 and the Practical Guide PRAG (and its annexes).

The JMA is the Contracting Authority of the Programme. However, the JMC will appoint the members of the JSC, define the selection criteria, and make the final decision on the funded projects. Duties of the JMA will be performed in compliance with all valid regulations and provisions.

### *10.2 Tasks of the JMA*

The JMA will be responsible for the management and implementation of the joint operational programme in accordance with the principle of sound technical and financial management and ensuring the legality and consistency of its operations. To this end, it will put in place appropriate management, control, and accounting systems and standards. A description of the procedures and organisation of the JMA will be checked and approved annually by the JMC together with the technical assistance budget. The internal audits are outsourced and described in Chapter 12 CONTROL AND AUDITS.

The JMA will be divided into operational and financial units to guarantee a separation between initiation of a transaction and verification of it. The indicative number of staff will be 6 persons. In compliance with Art 5.2 (f) of the Implementing Rules, the JMA will on behalf of the Programme engage properly qualified staff fully dedicated to the Programme in a sufficient number to ensure good management of the Programme commensurate with the volume, content and complexity of the operations planned under the Programme. The majority of the staff will be the existing Managing and Paying Authority personnel of the present South-East Finland – Russia Neighbourhood Programme. The JMA will use “Status” tool for accounting (widely used in Finnish municipalities) and a new management tool for all Finnish ENPI Programmes is under preparation. The JMA will be chaired by the Head of the JMA.

*The JMA (Operational Unit)* will be responsible for the operational management of the Programme (initiation of the spending operation, estimation of costs, evaluation, selection, approval and execution until termination of the operation) and will carry out the following tasks:

- A. Calls for proposals and applications:
  - launching calls for proposals;
  - preparing and publishing guidelines/application packages;
  - receiving applications;
  - conducting an administrative check of the applications (the results will be approved by the JSC);
- B. Contracts and agreements:
  - concluding grant contracts with the lead partners of the selected projects;
  - contracting external auditing bodies (1. sample checks of projects, 2. internal audit and 3. annual audit of the JMA)
- C. Ongoing projects:
  - providing guidance to ongoing projects;
  - conducting activity checks on ongoing projects;
  - performing operational follow-up of the projects;
  - approving the projects' operational reports
- D. Meetings of the JMC and JSC:
  - organising the work of the JMC and acting as a secretariat;
  - organising the work of the JSC, chairing, and acting as a secretariat;
  - preparing the minutes of the JMC and JSC;
- E. Reports and plans:
  - preparing annual work plans;
  - preparing and presenting operational reports at agreed intervals to the JMC and the Commission;
  - forwarding audit reports to the JMC and the Commission;
  - establishing together with the Financial Unit and the external auditing body an audit programme of the projects for each successive year in accordance with the Article 37 of the Implementing Rules;
- F. Cooperation
  - securing contacts with participating countries' regional level sectoral authorities;
- G. Information
  - disseminating information of the Programme to potential beneficiaries;
  - implementing the information and visibility plan in accordance with Article 42 of the Implementing Rules.

*The JMA (Financial Unit)* will be responsible for the financial management, transactions, and operations relating to the Programme (legal and budgetary implications of the spending operation: budget line, tendering procedures, check on beneficiary, compliance with the Financial Regulation and Rules) and will carry out the following tasks:

- A. Annual budgets
  - preparing detailed annual budgets of the Programme;
  - preparing annual budgets of technical assistance;
- B. Payment requests and payments
  - providing guidance to ongoing projects;
  - performing financial follow-up of the projects;
  - conducting eligibility checks of the payment requests from the Lead Partners upon reception of supporting documents;
  - proceeding with payments upon reception, checking the certificates of verification from auditors, and making payments to the Lead Partners;
  - effecting final payments at the end of the project after all necessary audits have been carried out;
- C. Recoveries
  - notifying the JMC of recoveries
  - proceeding with recoveries and effecting final recovery orders at the end of the project after all the necessary audits have been carried out;
- D. Accounting (separate and independent from other operations of the Regional Council)
  - receiving funds (EU + co-financing);
  - taking care of the input of the accounting and monitoring systems;
  - performing follow-up of the bank account and all transactions;
- E. Reports
  - preparing and presenting financial reports at agreed intervals to the JMC and the Commission;
- F. Payment claims
  - issuing necessary payment claims to the European Commission.

The JMA will establish a branch office in St. Petersburg. The branch office will ensure contacts between the JMA and the participants in the Russian regions and other sector authorities. The branch office will help the JMA in the distribution of information to prospective beneficiaries on the Russian side.

### *10.3 Project selection procedures*

The JMC will decide on the schedule of each call for proposals. The calls for proposals will start in 2008 and will continue 'till the end of the Programme period according to the following indicative timetable.

Year	Type of call	Priority	Call for Proposals (mm/yy/duration)	JSC meetings (mm/yy)	JMC meetings (mm/yy)
<b>2008</b>				December	November
<b>2009</b>	Open	1,2,3	January - March (90 days)	April/May	June
	Open	1,2,3	August - October (90 days)	November	December
<b>2010</b>	Open	1,2,3	January - March (90 days)	April/May	June
	Restricted	1	August - September (45 days for Concept Notes) October - November (45 days for Grant Applications)	September/October November/December	December
<b>2011</b>	Open	1,2,3	January - March (90 days)	April/May	June
	Restricted	2,3	August - September (45 days for Concept Notes) October - November (45 days for Grant Applications)	September/October November/December	December
<b>2012</b>	Open	1,2,3	January - March (90 days)	April/May	June
	Open	1,2,3	August - October (90 days)	November	December
<b>2013</b>					November
<b>2014</b>					November
<b>2015</b>					November
<b>2016</b>					November

The JSC is responsible for selecting the recommended projects and the selection will be confirmed by the JMC.



### 10.3.1 Calls for Proposals and decision-making process

Calls for proposals can be either open or restricted. When using an open call for proposals, all the applicants submit a complete application with all requested annexes. When using a restricted call for proposals, the applicants are invited to submit a short concept note. The concept notes will be evaluated and the applicants with the best scores invited to submit a final proposal. The final proposals will then be evaluated according to a full evaluation process.

An open call for proposals will be open for at least 90 days depending on the call. The first phase of the restricted call for proposals will be open for 45 days and the second phase for 45 days. The opening and closing dates and times of the calls will be defined in the Guidelines for Applicants. Proposals must reach the JMA, at the very latest, by the date and time indicated in the call for proposals. The JMA organises the calls for proposals for the Programme and disseminates sufficient information concerning the submission of applications and measures related to publicity. The JMA compiles guidelines for the applicants and gives them advice on submitting applications (a prior opinion cannot be given on the eligibility of an applicant, a partner, an action or specific activities).

### 10.3.2 Submitting an application

Applications will be submitted by the Lead Partner to the JMA. Each project must include (defined in the application) an overall Lead Partner, responsible for the whole project.

### 10.3.3 Application guidelines/application package

Application packages will be published separately for each call for proposals. The official application form defined in the guidelines will be used when applying for funding. Guidelines/application packages will be prepared and published by the JMA in compliance with PRAG.

### 10.3.4 Geographical eligibility

In principle, Lead Partners should be located in the Programme area. However, Lead Partners located in the adjacent area are eligible to participate in projects funded under the Programme if their expertise does not exist in the Programme area and their role in the project is justified and relevant and the presented activities support the objectives of the call in question and the development of the Programme area, and they have partners in the Programme area in Finland or the Russian Federation. The project activities should benefit the Programme area.

Partners located outside the Programme area and outside an adjacent area are eligible to participate in projects funded under the Programme if their expertise does not exist in the Programme area and their role in the project is justified and relevant and the presented activities support the objectives of the

call in question and the development of the Programme area. Every project financed from the Programme must include as a minimum one partner from Finland and one partner from the Russian Federation.

The nature of the projects should be in accordance with the implementing rules of the CBC Programmes.

#### 10.3.5 Opening session of the applications

After the deadline of a call, the JMA organises an opening session of applications and registers all applications. Minutes of the opening session will be prepared by the JMA.

#### 10.3.6 Administrative check/technical evaluation

##### Open Call

The JMA will be responsible for the administrative check of the applications. In the administrative check, the eligibility of the applicant, the partners, and proposed activities will be evaluated. Proposals that fail to pass the administrative check will be rejected and will not continue to the quality assessment.

The JMA draws up a report which includes the list of administratively compliant proposals as well as the list of rejected proposals together with the reason for their rejection. This report must be approved by the JSC before it starts the technical evaluation of the proposals.

The applicants will be informed about the results of the administrative check. The JMA may ask the applicants to provide clarifications on their applications if necessary.

##### Restricted call

In case of restricted calls, the administrative check follows the same pattern as in open call. The proposals that fail to pass the administrative check will be notified at this stage. Proposals that pass the administrative check will be notified after the quality assessment and the selection.

#### 10.3.7 Quality assessment and the JSC

##### Open call

After the administrative check and the quality assessment made by external assessors, the JMA lists the applications and draws up recommendations for the JSC. The JSC assesses the applications' quality and relevance to regional development and selects the projects that are to be financed. The JMC confirms the selection in accordance with Article 13 of the Implementing Rules.

The assessment and selection of the projects follow the selection and award criteria defined for the Programme as well as any priorities defined by the

JMC 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, and budget and cost effectiveness.

The JSC may, when recommending a project, indicate a list of minor corrections to be made to the proposal. The conformity with corrections possibly requested by the JSC has to be verified by the JMA before contracting.

The JSC can define a reserve list consisting of projects fulfilling the selection criteria but rejected because of a lack of funds. Projects on the reserve list can be contracted if one or several approved projects fail to progress to the contracting phase. Lead Partners will be informed about the results of the selection process.

#### Restricted call

After the administrative check and quality assessment made by external assessors, the JMA summarises the applications and draws up its recommendations for the JSC.

The JSC assesses the quality and relevance of the applications and selects proposals for a shortlist. The short-listed proposals/applicants will be invited to submit a full application within 45 days. The Lead Partners will be informed about the results of the selection process. The assessment of these short-listed applications will be evaluated following the open call procedures.

#### 10.3.8 Contracting

The JMA prepares a funding contract for each selected proposal after the introduction of corrections possibly requested by the JSC has been verified. When preparing the contract, the JMC will check with all appropriate bodies to make sure that no double financing will occur. 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.

The list of contracts awarded by the JMA must be published by the JMA on its website in accordance with the requirements of the EC Financial Regulation and of the PRAG.

#### *10.4 Lead Partner Principle*

A Lead Partner will be nominated for each project. The Lead Partner is the beneficiary of the ENPI CBC funding and ENPI CBC equivalent funding and will act as a link between the project partners and the Programme. It will be responsible for all aspects of the project towards the JMA.

The role of a Lead Partner can be held by a partner located in Finland or in the Russian Federation. Both countries will individually have overall liability for the Programme funds granted to the partners located in its territory.

The Lead Partner principle is the central principle in the channelling of grants for the South-East Finland - Russia ENPI CBC Programme. The JMA will conclude Grant Contracts with the Lead Partner. The Lead Partner is responsible for the submission of a joint application form and ensuring that the financing commitments are in place, as these provide evidence of the funding. The Lead Partner is also responsible for:

- delivering project reports and documentation;
- contracting auditors;
- delivering project outputs;
- producing documents required for audits and payments;
- verifying that all project expenditure by other project partners has been validated by auditors;
- overall project management;
- arranging an agreement for its relations with other project partners to guarantee sound financial management of the funds allocated, including the arrangements for recovering amounts unduly paid
- respecting applicable procurement procedures.

## 11 FINANCIAL PROCEDURES AND FINANCIAL CIRCUITS

### 11.1 General description

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

The financial circuits of the JMA include commitment of expenditure, contract award procedures, authorisation and payment of expenditures, recovery of debts, closure of commitments and re-use of funds.

Segregation of duties will be defined in detailed job specifications.

The segregation of duties between the authorising officer and the accounting officer is guaranteed in the way that the authorising officer works in the JMA and the accounting officer is totally independent of the JMA and works in the Regional Council's administration and support services.

### 11.2 Management / Monitoring system

South-East Finland – Russia ENPI CBC programme has an electronic monitoring system 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. 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 are secured and only a restricted number of people have an access to the system.

### 11.3 Financial management

The South-East Finland - Russia ENPI CBC Programme has a separate bank account. This account has been divided into three sub-accounts:

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

This account operates under double signature principle. All transactions related to the bank account require signatures of both the authorising officer and the accounting officer.

In case the account bears interests, the interest income is individualized and entered into the sub-accounts separately. The interest income generated by the Community pre-financing payments will be assigned to the Programme and declared in the final report. The JMC will decide on the distribution of the interest income.

### 11.4 Annual commitments

The Programme has a financing table divided into annual provisional commitments for the programming period. After the initial commitment accompanying the decision to adopt the Programme, the Commission will each year make a budgetary commitment no later than 31 March of the year concerned. The amount of this commitment will be determined in accordance with the financial table detailing the provisional annual allocations within the Programme, and will also depend on the Programme's progress and availability of funds. The Commission will inform the JMA of the exact date on which the annual commitment will be 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 will make each payment from the Community contribution subject to the availability of funds.

### 11.5 Financial flows from the Commission to the JMA

Each year, once the JMA has been notified of the budgetary commitment, it may request, as pre-financing, 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 will be accompanied by a provisional annual financial report, which should cover all expenditure and revenue from the previous year not yet certified in the

annual external audit report, and a provisional budget with details of the JMA's commitments and payments for the following year.

After reviewing the report, assessing actual financing needs of the Programme, and verifying the availability of funds, the Commission will proceed with the payment of all or part of the requested pre-financing.

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 will submit an interim financial report showing that the expenditure incurred or likely to be incurred before the end of the year exceeds the amount of already granted pre-financing.

Such subsequent transfers will 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 will clear previous pre-financing payments on the basis that the 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 financial unit is responsible for making the payment requests to the Commission.

## 11.6 Payments to the Lead Partners from the JMA

The JMA makes three types of payments to the Lead Partners:

- pre-financing
- interim payments
- final payments of balance after verification of expenditure and activities

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

The first interim payment request can be made when 70% of the previous payment has been used. Further interim payments can be requested when 70% of the previous pre-financing payments and 100% of the ones preceding that have been used and substantiated by an expenditure verification report. 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 should enclose with it the corresponding verification report (ex-post control contracted out to auditors). The costs for verification will be supported from the project budget. The verification report should cover all expenditures of the project (including those of the Lead Partner and partners).

Based on the technical and financial project reports and the verification reports, the financial/operational managers of the JMA will check that all verifications are correctly undertaken before proceeding with the payment. Should they need clarifications related to certain aspects of claimed expenditures, they will turn to the Lead Partner (who should in turn contact his partner(s) in the event that the information requested is related to a partner) for more information.

The final payment for the project will be made on the basis of the actual eligible costs after expenses and activities have been verified by the auditors and the JMA (balance payment).

#### 11.7 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.

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

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

In case the recovery orders concern ineligible expenses in a partner country, and the JMA does not succeed in recovering the funds from the Lead Partner within the maximum of 12 months after the issuing the recovery order, the JMA refers the case to the Commission which, on the basis of a complete file, takes the responsibility to settle the matter.

The JMA is responsible for the recovery of any unjustified or ineligible expenditure of the Finnish project partners, and for the reimbursement to the Commission of any amounts of Community funding 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.

## 12 CONTROL AND AUDITS

### 12.1 Description of expenditure verification

The JMA proceeds with payments and recovery orders upon reception of supporting documents and after operational and financial verification. This verification will be conducted by a contracted auditor. The Auditor will be a member of the national accounting or auditing association 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 auditors will be jointly selected for each project by the participating partners and contracted by the Lead Partner of the project. The Terms of Reference contained in Annex VII of the PRAG will be applied to the contract.

Expenditure verification concerns all projects, whatever the size of the awarded grant. Projects must meet the programme eligibility criteria, comply with the relevant procurement rules, other EU legislation, and the eligible or relevant legislation in both participating countries.

The main functions of the expenditure verification are:

- controlling the eligibility of expenditures and activities of projects
- controlling the correctness of the application of contract procedures (public procurement rules)
- preparing validation reports to the project Lead Partner and the JMA after carrying out the project expenditures verification.

The model Report of Factual Findings for an Expenditure Verification of an EC financed Grant Contract for External Actions contained in Annex VII of the PRAG will be used.

## 12.2 Expenditure verification in Finland

Expenditure verification in Finland will be conducted by auditors who are members of the national accounting or auditing association, 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.

## 12.3 Expenditure verification in the Russian Federation

Expenditure verification in the Russian Federation will be conducted by private auditors who are members of the national accounting or auditing association, 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 auditors to projects' accounts and other relevant documents insofar as this is appropriate for securing the validation of declared expenditure.

## 12.4 Costs for expenditure verification

Auditors will invoice the Lead Partner of the project they are auditing for their services at a rate determined in agreements between the auditors and the Lead Partner and based on a tendering process.



Costs for expenditure verification are eligible for funding by the Programme and will be included in the proposed project budgets.

## 12.5 Audits/sample checks of the projects

The JMA will establish, for each year, an audit programme for the projects. It will be carried out by certified external international auditors to be contracted for this task by the JMA.

The controls included in the audit plan will be conducted by examining the documents or conducting on-spot checks of sample projects selected by the JMA based on a random statistical sampling method taking the internationally recognized audit standards into account, in particular having regard to risk factors related to the projects' value, type of operations, type of beneficiary, or other relevant elements. The sample will 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.

Costs for audits/sample checks are eligible for funding by the Programme and will be included in the TA budget.

The JMA will report the audits to the JMC and the Commission according to the Implementing Rules Art. 30.2.

## 12.6 Internal audit and external audit of the JMA

### 12.6.1 Internal audit of the JMA

As the JMA does not have an internal audit service, it will contract an independent certified auditor, who is a member of an internationally recognised supervisory body for statutory auditing, and who will each year implement a control programme to check the internal circuits and ensure that the procedures have been correctly and properly applied within the JMA. The auditor will prepare an annual report and send it to the JMA. The JMA will send the report to the JMC and to the Commission as an annex to the annual report.

### 12.6.2 External (annual) audit of the JMA

The same auditor will 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). The scope of this external audit will cover the JMA's direct expenditure on technical assistance and project management (payments). The external audit report will certify the statement of revenue and expenditure presented by the JMA in its annual financial report, and will, in particular, certify that the stated expenditure has actually been incurred and is accurate and eligible. The report will be sent to the JMC and to the Commission as an annex to the annual report.

### 13 TECHNICAL ASSISTANCE

Technical Assistance will be used to finance activities that are necessary for the effective and smooth implementation and management of the Programme. This concerns the preparatory, management, monitoring, evaluation, information, control, and auditing activities (sample checks of projects, internal audit and external (annual) audit of the JMA) of the Programme, and includes activities such as meetings of the JMC and JSC and the activities of the JMA. It will also cover other costs such as seminars, information measures, evaluation, and installation of computerised systems for management, monitoring, and evaluation. Another element that will need spending of the TA is the task of organising the project assessment and monitoring.

#### INDICATIVE TA BUDGET

<b>Posts</b>	<b>Planned budget (ENPI)</b>	<b>% of the overall TA budget supported by ENPI</b>
<b>Staff costs (estimated number of staff 6, staff related costs)</b>	4 500 000	62,18
<b>Organisation of Monitoring Committees</b>	300 000	4,15
<b>Project's selection: Selection Committees, assessors etc.</b>	300 000	4,15
<b>Project generation (information days etc.)</b>	300 000	4,15
<b>Communication Strategy (Website, leaflets etc.)</b>	360 000	4,97
<b>Annual Audits</b>	500 000	6,91
<b>Others (evaluation, administration, rents, studies, office)</b>	977 072	13,50

#### **Total**

**7 237 072**

- The table is solely indicative. Any modification of the above during implementation will not be subject to a modification of the programme
- The total amount indicated includes 3 618 536 EUR Community funding and 3 618 536 EUR national co-funding.

### 14 USE OF LANGUAGES

The official language used by the Programme is English. Being by definition multinational, the English language will be used in all official documentations and correspondence in order to facilitate the management of the Programme and shorten the completion periods. All Programme and meeting documents will be prepared and presented in English.

The meetings of the JMC and the JSC will be conducted in English or Finnish/Russian. At the request of a member of the JMC or the JSC, interpretation between English/Finnish and Russian will be secured for

individual Committee meetings. Such a request can be made to the JMA no later than 14 days before the meeting in question.

The project Lead Partners will submit all documents concerning their project in English. However, calls for proposals will be published in English, Finnish, and Russian. All costs related to interpretation in meetings and translation of documents into English according to this paragraph will be covered by the TA budget excluding project applications and their annexes.

## 15 INFORMATION AND PUBLICITY

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

The responsibility of the branch office of the JMA will be to publicise activities under the joint operational programme and to provide information to anyone, who may be interested. The objective is to contribute to the Programme's efficient implementation and to distribute information about the opportunities offered by the Programme. The exchange of experience and know-how between various project actors is also important and seminars on follow-up/guidance/exchange of experience of the ongoing projects will be organised.

Information will be targeted at the general public, potential applicants, regional and local authorities, and interest groups across the border. Distribution of information will secure 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 will be brought up in all programme-related information. The JMA will draw up an Information Action Plan which will be adopted by the JMC. The Plan will include planned and budgeted information and publicity activities.

The South-East Finland - Russia ENPI CBC –Programme has a website at <http://www.southeastfinrusnpi.fi>. This site provides key information about the Programme. The JMA will designate a contact person to be responsible for the information and publicity activities. Costs of the information and publicity activities will be covered by the Programme's Technical Assistance.

The Information Action Plan is attached as Annex 3.

*List of used abbreviations (in alphabetical order)*

AIDCO	EuropeAid Cooperation Office
BSR	Baltic Sea Region
CBC	Cross-border Cooperation
DG	Directorate-General
EC	European Council
EU	European Union
ENPI	European Neighbourhood and Partnership Instrument
ERDF	European Regional Development Fund
GDP	Gross Domestic Product
HELCOM	Baltic Sea Environment Protection Commission; Helsinki Commission
ICT	Information and Communication Technology
IFAC	International Federation of Accountants
JAMDT	Joint Administration and Management Drafting Team
JCDT	Joint Content Drafting Team
JMA	Joint Managing Authority
JMC	Joint Monitoring Committee
JSC	Joint Selection Committee
JTF	Joint Task Force
ND	Northern Dimension
NGO	Non Governmental Organisation
PRAG	Practical Guide to Contract procedures for EC external actions
R&D	Research and Development
SEA	Strategic Environmental Assessment
SME	Small and Medium-sized Enterprises
TA	Technical Assistance for programme implementation

## ADDENDUM NO 1

Addendum no 1, (approved 12/3/2010) to the Joint Operation Programme approving the suggested modifications / amendments to the South-East Finland-Russia ENPI CBC Programme 2007-2013 document as listed in the following text in an order of appearance.

### 1 SUMMARY OF THE PROGRAMME

The total indicative allocation of Community funding to the Programme is 36 185 million euros for the period of 2007-2013. The Finnish national co-financing amounts to 18 093 million euros (to be confirmed). The Russian co-financing is to be determined later.

#### Text modification approved:

The total indicative allocation of Community funding to the Programme is 36 185 361 euros for the period of 2007-2013. The Finnish national co-financing amounts to 18 092 681 euros. The Russian funding towards the Programme is 18 092 500 euros.

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### 3.2 Economic structure

#### Over lined text deleted:

~~The level of competition in the core industries of St. Petersburg and the Leningrad Region (with minor exceptions, such as some segments of the food processing industry) is still rather low, but~~ The on-going restructuring operations (including reforms in the energy sector and other natural monopolies, and the emergence of new markets, products, and services) create new market sectors (such as industrial services, engineering, and the manufacture of specialised equipment), which are highly competitive from the very beginning. At the same time, new market stimuli emerge in the 'traditional' sectors of the economy. ~~Another feature of the current situation is the high level of wear and deterioration of the basic infrastructure and equipment used by enterprises that were established during the Soviet period and have not been able to succeed under the new economic conditions. This, on one hand, creates a high level of delayed demand and, on the other, may result in total loss of competitive advantages of many enterprises.~~

~~The innovation system in Russia has weaknesses such as insufficient funding, low efficiency in many types of operations, excessive government regulation, low commercialisation of research and development results, as well as underdeveloped bridging institutions and public and private partnerships.~~ There is, however, clear evidence of substantial scientific and technical potential, including the vast amount of knowledge and diverse skills accumulated in St. Petersburg, the high concentration of innovation infrastructure in the city, and the willingness to cooperate internationally. The

growing number of international investment projects indicates a gradual improvement in the investment climate in the whole of North-West Russia. This region holds substantial prospective for advancing international cooperation in many areas, including science and technology. North-West Russia is the principal focus of Finnish investors receiving about 80 % of all Finnish investments in Russia.

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### 3.5 The environment

Over lined text deleted:

~~A growth in the number and extent of wild fires, especially in the Leningrad Region close to the border, has been observed during the last years. In most of the cases, they are caused by human activities. Wild fires can damage the environment, resulting in the destruction of fauna and flora and similar. In general, the environmental situation is much better on the Finnish side, and the management and effectiveness of the clean production technologies are much more advanced. A lot of expertise and know-how in environmental issues could be transferred to the Russian partners. For example, a new system of waste management, which better meets the requirements laid down for environmental protection, has been introduced on the Finnish side. The development of waste management aims both at decreasing the amount of waste and promoting the industrial use of waste, either as a source of energy or raw material.~~

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### 5.1 PRIORITY 1: Economic development

Over lined text deleted:

~~The Programme area includes large rural areas on both sides of the border, of which especially the ones on the Russian side need to be developed. The aim is to promote the preconditions for effective entrepreneurship in agriculture and the creation of various kinds of accompanying businesses in rural areas. By these measures, the level of welfare remains balanced and, further, the rural areas populated. The rural development measures include social aspects, such as activities in local villages promoting the well-being of their inhabitants, but also several economical aspects, for example the development and promotion of rural entrepreneurship and tourism.~~

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## 8 INDICATIVE FINANCING PLAN

### 8.1.2 National co-financing by Finland

The Finnish national co-financing comes annually from the state budget and will be allocated and transferred to the Programme's JMA. In cases when required by national legislation, national co-financing may be channelled to the selected applicants through a Finnish State Authority.

The role of the JMA as the responsible body for the use of national co-financing in the South-East Finland - Russia ENPI CBC Programme will be defined in the national legislation on the Management of the ENPI CBC Programmes in Finland. The Finnish national co-financing will also be used to co-finance Programme's technical assistance.

#### 8.1.3 National co-financing from the Russian Federation

The Russian co-financing is to be determined later.

#### 8.1.4 Intervention rates/Project partners' own financing

Each individual project has to be financed by the project partners. The rate of the partners' financing varies depending on the nature/type of the project.

#### Text and chapter modification approved:

#### 8.1.2 National co-financing by Finland and Russian funding

The Finnish national co-financing comes annually from the state budget and will be allocated and transferred to the Programme's JMA. In cases when required by national legislation, national co-financing may be channelled to the selected applicants through a Finnish State Authority.

The role of the JMA as the responsible body for the use of national co-financing in the South-East Finland - Russia ENPI CBC Programme will be defined in the national legislation on the Management of the ENPI CBC Programmes in Finland. The Finnish national co-financing will also be used to co-finance Programme's technical assistance.

Russian funding to the Programme (18 092 500 €) will be transferred to the JMA through the European Bank for Reconstruction and Development (EBRD) and used to fund projects. Rules and procedures concerning Community Contribution shall apply mutatis mutandis to Russian co-funding.

#### 8.1.3 Intervention rates/Project partners' own financing

Each individual project has to be co-financed by the project partners. The rate of the partners' co-financing depends on the nature/type of the project.

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## 8.3 Indicative financial table

<b>Indicative financing plan of the ENPI CBC programme, giving, for the whole programming period, the indicative amount of funding by priority</b>					
<b>Priorities by source of funding (in euros):</b>					
	<b>Community Funding (a) *</b>	<b>Co-financing (b) FI</b>	<b>Co-financing rate (in %) (c) **</b>	<b>Other funding (if applicable) (d)***</b>	<b>Total funding (e) = (a)+(b)+(d)</b>
Economic Development <b>Priority 1</b>	14 474 144	6 332 439	44 %		20 806 583
Common challenges: Border Crossing and the Environment <b>Priority 2</b>	12 664 876	5 699 194	45 %		18 364 070
Social Development and Civil Society <b>Priority 3</b>	5 427 805	2 442 512	45 %		7 870 317
Technical Assistance	3 618 536	3 618 536	100 %		7 237 072
<b>Total</b>	<b>36 185 361</b>	<b>18 092 681</b>	<b>50 %</b>		<b>54 278 042</b>

Indicative financial table modification approved:

<b>Indicative financing plan of the ENPI CBC programme, giving, for the whole programming period, the indicative amount of funding by priority</b>						
<b>Priorities by source of funding (in euros):</b>						
	<b>Community Funding (a) *</b>	<b>Russian Funding (b)</b>	<b>Co-financing (c) FI</b>	<b>Co-financing rate (in%) (d) **</b>	<b>Other funding (if applicable) (e)***</b>	<b>Total funding (f) = (a)+(b)+(c)</b>
Economic Development <b>Priority 1</b>	14 474 144	7 236 992	7 237 072	100 %		28 948 208
Common challenges: Border Crossing and the Environment <b>Priority 2</b>	12 664 876	6 332 368	6 332 438	100 %		25 329 682
Social Development and Civil Society <b>Priority 3</b>	5 427 805	2 713 872	2 713 903	100 %		10 855 580
Technical Assistance	3 618 536	1 809 268	1 809 268	100 %		7 237 072
<b>Total</b>	<b>36 185 361</b>	<b>18 092 500</b>	<b>18 092 681</b>	<b>100 %</b>		<b>72 370 542</b>

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## 10 PROGRAMME IMPLEMENTATION

### 10.2 Tasks of the JMA

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The JMA will establish a branch office in St. Petersburg. The branch office will ensure contacts between the JMA and the participants in the Russian regions and other sectoral authorities. The branch office will help the JMA in the distribution of information to prospective beneficiaries on the Russian side.

#### Text modification approved:

The JMA will establish a branch office in St. Petersburg. The branch office will ensure contacts between the JMA and the participants in the Russian regions and other sectoral authorities. The branch office will help the JMA in the distribution of information to prospective beneficiaries on the Russian side.

The JMA entrusts its branch office in Russia with tasks related to information activities for potential applicants with regard to issues such as applying for a grant, implementation of projects, contracting procedures, reporting, budget and payment issues, and supporting the activities of the JMA in Russian programme area.

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### D. Large Scale Projects (LSP)

#### New chapter 10.3.9 to be added:

There will be a possibility to implement large-scale projects, which in accordance with ENPI CBC Implementing Rules Article 2 (7) are projects comprising a set of works, activities or services intended to fulfil an indivisible function of a precise nature pursuing clearly identified objectives of common interest for the purposes of implementing cross-border investments. Taking into account the regional and cross-border dimension of the Programme as well as the size of the budget, the number of the projects and percentage of the Programme allocation spent on these kinds of projects should be limited, therefore up to 50% of the total Programme budget can be spent on large scale projects.

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## ADDENDUM NO 2

Addendum no 2, (approved 12/17/2010) to the Joint Operation Programme approving the extension of the South-East Finland-Russia ENPI CBC Programme 2007-2013 eligible area. By the decision of the Finnish Government to merge the Regions of Uusimaa and Itä-Uusimaa into new Uusimaa region from the 1.1.2011 on the whole territory Uusimaa Region is included as an adjoining area in the South-East Finland-Russia ENPI CBC Programme 2007-2013.



*South-East Finland - Russia ENPI CBC 2007-2013 Programme area*