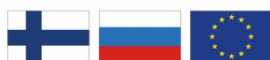


South-East Finland – Russia CBC 2014-2020

Joint Operational Programme



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CBC 2014-2020
SOUTH-EAST FINLAND - RUSSIA

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1. INTRODUCTION

The South-East Finland – Russia Cross-Border Cooperation (CBC) Programme 2014–2020 has been drafted jointly by the Finnish and Russian cooperation parties. The preparatory process for the programme was commenced in the summer 2013 with the establishment of the Joint Programming Committee (JPC) composed of an equal number of central government and regional level representatives of both participating countries. The JPC had the overall responsibility for the preparation of the programme. The preparatory work was assisted by a joint regional task force specifically appointed for this purpose. The Joint Regional Task Force (RTF) has been dealing with the objectives and the content of the programme, and it represented the regional level from both countries. A representative of the Commission has participated in the meetings of the JPC as observer. The 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 in the spring and autumn 2014 in all participating Finnish and Russian regions. In these events the participants and stakeholders were consulted and their needs and ideas were collected.

The South-East Finland – Russia CBC programme 2014–2020 will complement the overall EU-Russia relations, focusing on the eligible border regions on both sides of the border. CBC from 2014 onwards builds on experience with the planning and implementation of CBC in the European Neighbourhood and Partnership Instrument (ENPI) in the period 2007–2013. CBC from 2014 is included in the European Neighbourhood Instrument (ENI) regulation covering the period 2014–2020. The CBC is a practical implementation of the strategic partnership between the European Union and the Russian Federation, as the Russian Federation and the EU member-states have a large boundary.

The current basis for cooperation is the 1994 Partnership and Cooperation Agreement (PCA). Negotiations on an EU-Russia Agreement were launched at the 2008 Khanty-Mansiysk summit. The agreement should provide a more comprehensive framework for EU-Russia relations, reflecting the growth in cooperation since the early 1990s and include substantive, legally binding commitments in all areas of the partnership, including political dialogue, freedom, security & justice, economic cooperation, research, education & culture, trade, investment and energy.

Overall, the EU and Russia cooperate on a number of challenges of bilateral and international concern, including climate change, drug and human trafficking, organized crime, counter-terrorism, non-proliferation.

The South-East Finland CBC Programme 2014–2020 has been drawn up in a legal framework of the following legal documents:

- Commission Implementing Regulation (EU) No 897/2014 of 18 August 2014 lays down specific provisions for the implementation of cross-border cooperation programmes

financed under Regulation (EU) No 232/2014 of the European Parliament and the Council establishing a European Neighbourhood Instrument

- Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 (ENI Regulation)
- Council Regulation (EC, Euratom) No 966/2012 on the Financial Regulation applicable to the general budget of the European Communities
- CBC Strategy/Programming document 2014-2020, with indicative programme 2014–2017

In the preparation and formulation of the Joint Operational Programme (JOP) Implementing Regulation's provisions have been taken into account and the structures and procedures in the JOP are taken into account the EU Implementing Regulation's provisions. The applicable EU rules on State aid will be respected during the implementation of the programme.

In Finland a separate law No 657/2015 on the management of ENI CBC Programmes came into force on 1 June 2015.

In the Russian Federation the legal context for the implementation of CBC Programme is made of:

- the Concept for the Foreign Policy of the Russian Federation
- the Strategy for the Social and Economic Development of the North-Western Federal District of the Russian Federation till 2020
- the Strategy for the Development of the Arctic Zone of the Russian Federation and Safeguarding of the National Security for the period till 2020
- Federal law on procurement (No 44-FZ dated 5.4.2013)
- Applicable Codes of the Russian Federation
- Applicable decrees of the President of the Russian Federation and the Russian Government
- The Concept for Cross-Border Cooperation of the Russian Federation
- The Concept for the Long-term Social and Economic Development of the Russian Federation through to 2020.

According to the Concept for Foreign Policy of the Russian Federation the development of regional and cross-border cooperation is an important component of bilateral relations with the relevant countries and regions in commercial and economic, humanitarian and other fields. Cross-border cooperation is important for strengthening trust and mutual understanding between the Russian Federation and the European Union.

In addition to the legal framework described earlier, a separate financing agreement will be signed between the European Union, the Russian Federation and Finland. This agreement sets the basic joint principles for the implementation of the programme. Financing agreement will be signed after the Joint Operational Programme (JOP) has been adopted by both participating countries and the European Commission.

Cross-border cooperation is based on principles such as multi-annual programming, equal partnership and co-financing. Furthermore, the JOP has been developed taking into account the

experiences and best practices gained during the implementation of its predecessors, South-East Finland – Russia Neighbourhood Programme during 2004-2006 and South-East Finland – Russia ENPI CBC Programme 2007-2013.

In establishing the present cross-border cooperation, the programme partners from both participating countries have reached an agreement on the joint management structures, the objectives to be pursued and the activities to be funded. The preparation of the Programme is perceived as a mutual undertaking in that the participating countries jointly submit the proposal for a common programme to be adopted by the national governments of the participating states and by the European Union.

The guidance provided by the INTERACT ENPI (ENI CBC Programming Guides) and the EC was taken into account in the programming process which has been carried out by the Joint Programming Committee (JPC) where both participating countries are represented by national and regional members. The Joint Managing Authority of the South-East Finland - Russia ENPI CBC 2007-2013 programme and its Branch Office in Russia have participated in the programming process by gathering and analysing information, based on consultations with regional and national authorities, public and private organisations and other relevant stakeholders.

The basis of the joint cross-border development strategy of the South-East Finland - Russia CBC Programme is the geographical position of the Programme area and the well-established cooperation between the regions. The programme strategy responds to the development needs and opportunities identified in the Programme area, as well as in the consultations with the regional and national stakeholders. The strategy goals will be achieved by implementing the selected strategic themes and other objectives of the Programme. These themes and objectives take into account compatibility with other programmes and with the relevant objectives included in the Regional Strategic Programmes of the participating regions. The programme strategy goals will be achieved by implementing joint activities within four (4) selected thematic objectives and four (4) priorities.

The Strategic Environmental Assessment (SEA) was developed in dialogue between external environmental experts, the MA, the JPC and the wider audience via public hearings and consultation events, arranged in both countries. In addition to the public hearings and consultations, the draft JOP and the SEA were published on the website, which facilitated access to the draft documents from the whole programme area. Feedback from public hearings and consultations, as well as comments received via internet have been taken into account and reflected in the final JOP.

2. DESCRIPTION AND ANALYSIS OF THE PROGRAMME AREA

2.1. Programme regions

The CBC programme is intended to benefit those regions that directly share a land or maritime border between the EU Member State Finland and the Russian Federation. The regions eligible to participate in the programmes are those departments or provinces directly sharing the border on both sides. Another essential characteristic is the deep-seated and long-standing historical and cultural links which have been established over the centuries. The border regions have a long common history. CBC has an important role to play, building on the long-standing shared heritage of contact and cooperation across the border. One lesson learned from the past is the need to focus the vast majority of the effort and funding on populations close to the border to maximise cross-border impact.

The strengths and potentials of the programme area are grouped under the four topics as follows:

1. geographical location and traffic communications
 - advantageous location
 - functioning and developing traffic communications
 - border crossing points for different modes of transport
 - potential usage of waterways
2. lines of business and sources of livelihood
 - richness of forests and strong wood processing industry
 - developing service sector
3. environment
 - vast lakes and shores
 - potential of nature e.g. in tourism
4. know-how
 - increase of education e.g. related to forests
 - experience of neighbouring cultures
 - strong networks

The weaknesses and threats are following:

1. geographical location and traffic communications
 - capacity in border crossing points
 - quality of roads

2. lines of business and sources of livelihood
 - one-sidedness of industries
 - decrease of jobs
 - increase of unemployment
 - bias age structure
3. environment
 - harm and disadvantage of traffic and industry
4. know-how
 - centralisation in the capitals and the European core areas

2.1.1. Core regions

The South-East Finland – Russia CBC programme’s core area for the period 2014–2020 includes the regions of Kymenlaakso (FI1C4), South Karelia (FI1C5) and South Savo (FI1D1) in Finland and the Leningrad region and the City of Saint Petersburg in Russia. In the programme area, Finland and Russia share approximately 200 km of land and 130 km of sea border. The South-East Finland – Russia CBC programme’s core area covers 117 538 km². The total coverage is 85 900 km² on the Russian side and 32 000 km² on the Finnish side. On the Finnish side, the core programme area has approximately 466,000 inhabitants and on the Russian side 6,9 million inhabitants.

Differences between the Finnish and the Russian sides of the programme area (population, economic structure, standard of living) make cooperation very challenging. However, the Finnish and Russian regions of the programme area have also a lot in common: their geographical 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 external economic partners for the Russian Federation, especially for Saint Petersburg and for the Leningrad region. The Russian Federation is also a very important partner for the Finnish side.

Large Infrastructure Projects can be funded and implemented only in the programme’s core regions.

2.1.2. Adjoining regions

The regions of Uusimaa (FI181), Päijät-Häme (FI1C3), North Savo (FI1D2), North Karelia (FI1D3) in Finland and of the Republic of Karelia in Russia are added as adjoining regions to the programme. This decision is based on the principle of continuity with the previous programmes apart from the the region of North Karelia which is introduced as a new adjoining region. The total coverage of the adjoining regions in Finland is 57 772 km² and in Russia 180 500 km². Population density in Uusimaa is 175,9/ km² and there are total of 1,6 million inhabitants, population density in Päijät-Häme is 39,45/ km² and there are 202 185 inhabitants, in North Savo the population density is 14,83/ km² and total of 248 636 inhabitants, and in North Karelia the population density is 9,3/

km² and there are 169 164 inhabitants. On the Russian side, the population density is 3,6/ km² and there are 643 548 inhabitants in the Republic of Karelia. These regions are not enlargements of the programme area but regions that are able to develop their activities via the core programme area, and vice versa. This means that projects initiated by partner(s) from an adjoining region should have partners from the core area both from Finland and Russia. Partners from adjoining regions have to bring an expertise or know-how that is unavailable in the core area. This know-how includes for example health cluster, food products, water and air processes (North Savo), medical knowledge, digitalisation, environmental technologies and processes, bioeconomy, education technologies and processes (Uusimaa), cleantech, water and waste management (industrial and service) and design (Päijät-Häme) and nature tourism and forest know-how (Republic of Karelia). North Karelia has know-how in forest-bioeconomy and technology and materials. Programme funding to partners from adjoining regions is limited to 25 % of the total funding for the programme. The activities have to support and benefit the development of the core area.

Large Infrastructure Projects cannot be funded in adjoining regions.

2.1.3. Major social, economic or cultural centres

The City of Moscow is included as a major economic and cultural centre under the Programme Thematic Objective (TO) 10 (Strategic objective C) - Promotion of border management and border security, mobility and migration management. National level public entities based in Moscow can act as project partners only if they do not have structural units in the programme area.

Participation of these entities should bring substantial added value for the core area and strongly contribute to the achievement of the CBC impact and be essential to achieve the programme's objectives in a sustainable way.

The City of Turku is included as a major economic and cultural centre due to its long-term relation with the City of Saint Petersburg (over 60 years). Projects initiated by partner(s) from Turku should have partners from the core area both from Finland and Russia. Based on the need to direct the funds to the core area, partners from Turku have to bring an expertise or know-how that is unavailable in the core area (e.g. Bio-medicine). Based on their expertise partners from Turku can participate to the priorities under TO1 (Strategic objective A) Business and SME development, and TO2 (Strategic objective A) Support to education, research, technological development and innovation.

The activities of the projects initiated by partners from major social economic or cultural centres have to be mainly implemented in the core area as well as to support and benefit the development of the core area.

Programme funding to partners from adjoining regions and major social, economic or cultural centres is limited to 25 % of the total programme funding.

Large Infrastructure Projects cannot be funded in major social, economic or cultural centres.

2.1.4. Regions outside the programme area

Partners from other regions than the programme area (= partners and regions outside the core area, adjoining regions, the City of Turku and the City of Moscow) can participate in the programme when the following requirements are met: partners are from adjoining regions of countries not participating in the programme, projects are of common interest and partners can bring added-value to the programme e.g. Estonian partners in projects related to maritime safety and environment in the Gulf of Finland.

The maximum limit of funding to partners from outside the programme area amounts to 20 % of the programme funding.

2.1.5. A map of the programme area

The eligible programme area is shown on the following map:



2.2. Socioeconomic situation

Both sides have many strengths and opportunities when it comes to socioeconomic development, but during recent years the weak economic development around the world has also affected the Programme area.

Saint Petersburg is a region of Russia with an above-average level of economic development. Comparative competitive advantages of Saint Petersburg are a large domestic market, active position in foreign markets, transport infrastructure, development of education, information and communication, innovation and technology, large tourist resources and good residential provision.

The position of Saint Petersburg above the average is based on the following indicators: the quality of life, the quality and efficiency of infrastructure and the level of innovation. But in terms of doing business Saint Petersburg and Russia are positioned at the bottom of the list, and even among Russian cities Saint Petersburg is lagging behind. The shortage of labour force, (which clearly felt since the beginning of 2000s), has become in Saint Petersburg a serious limit to economic growth. The shortage of labour resources is defined by a serious imbalance in the labour market - the inconsistency between qualitative and quantitative parameters of the labour supply and labour demand. A serious weakening of links between the labour market and vocational training has occurred. The most acute shortages are in industry, construction, transport, trade, housing and utilities, and in some social sectors. Labour shortages are covered in Saint Petersburg by immigration of workers from other regions of Russia, first of all, from a nearby Leningrad region, as well as from foreign countries. On the other hand Saint Petersburg saved considerable industrial potential thanks to its leadership in a number of branches – energy machinery, shipbuilding, instruments production with high value added. Enormous industrial enterprises survived through the transitional period of 25 years (1989–2013).

The Leningrad region has a population of 1,8 million people, of which 65,2 % are urban dwellers and 34,8 % live in rural areas. The region borders on Finland and Estonia, and has administrative borders with five other constituent regions of the Russian Federation: the Novgorod, Pskov and Vologda regions, the Republic of Karelia and the City of Saint Petersburg. The Leningrad region is becoming one of the most important automotive industry centres in Russia and there are more than 20 producers of automotive components established there. The development of an industrial cluster for automotive assembly and components production is among the priority areas of economic development outlined in the strategy for socio-economic development of Leningrad region. There are also some objective advantages in the region: The availability of Russian and European sales markets and their highly developed transport, and logistics infrastructure should allow businesses to operate successfully in the Leningrad region as well as to increase the degree of localisation of automakers.

The construction of the Baltic Pipeline System - 2 routes of Urecha (Bryansk region) - Ust-Luga (Leningrad region) with a capacity of up to 50 million tons of oil per year is a strategically important project not only for the North-West Federal District, but also for the Russian Federation as a whole.

The presence of a large transport and logistics hub near production facilities will enable the effective handling of the entire nomenclature of manufactured products. The commercial Sea Port of Ust-Luga with a planned turnover of 180 million tons will be among the 20 largest ports in the world.

Moreover, the Leningrad Region is rich in various natural resources. The region has major reserves of bauxite, clay, phosphorite, shale, granite, limestone, sand and peat. New types of feedstock

have been discovered in the region, including magnetite ore of tin-silver and uranium mineralisation, ornamental stones, natural gas and bitumen. The region is also among the leaders in North-West Russia in timber cutting, processing and export.

These factors support the Leningrad Region's development as a highly industrialised region where all types of production and transportation are represented.

South-East Finland lives for a great part from industry. Due to structural changes, thousands of jobs have been lost during the past years. However, forest industry should not be considered as an industry of the past. South-East Finland is still highly specialised in forest industry and related engineering. Finland also has raw material trump with long fibre cellulose. Finland is one of the rare countries with such high quality conifer together with Sweden, Russia and Canada. The renewing and the competitiveness-building of the forest industry have become very important to the area. Tourism industry is growing in high speed and new jobs have emerged in trade and service sector. While Kymenlaakso and South Karelia are known for their large forest industry factories, South Savo is a region where a high number of small and medium size enterprises are established. As a bordering country, Russia has a large influence on the business and industry in the Finnish regions of the programme area.

The level of the higher education on the other hand should be increased in all these regions. Education can be considered as one of the most important investments affecting development opportunities in the future. Significant share of higher education can be a sign of a good place to live: there are interesting jobs at all levels of education, for highly educated, too and people are able to use their professional skills. In South Karelia and Kymenlaakso the structure of industry affects the education level and also the number of universities in the area. The need to develop has been noticed in vocational, college and university education. To ensure the quality of education schools are increasing cooperation among each other and with the labour market. The goal is to respond to the needs of the actual work field.

On Finland's side renewable energy and green solutions all together have a very important role. Use and further development of this existing know-how and experience can help to resolve challenges throughout the Programme area. Regions and cities are choosing the ecological options when for example renewing their technology and infrastructure. Industrial emissions are no longer such a problem as they were a couple of decades ago. However, emissions from transportation are a problem due to the increase of the traffic.

As stated earlier, the demographic development is still negative throughout the Programme area. On one hand the high demand in social and health sectors will create new jobs, but on the other hand this demographic trend will also mean less work force and higher costs: there will be a need for a dramatic change in the service structure.

2.3. Population and population density

The total population of the programme area is ca. 7 million inhabitants. In terms of population density, there are high differences between the regions, the City of Saint Petersburg being considerably more populated than other territories. The population density in Saint Petersburg is 3 390,94/ km², in the Leningrad Region 20,32/ km², in Kymenlaakso 32/ km², in South Karelia 18/ km² and in South Savo 8,1/ km². The EU average is 116. Saint Petersburg is the fourth largest city in Europe after London, Moscow, and Paris. On the Finnish side, the core programme area has approx. 466 000 inhabitants and on the Russian side 6,9 million inhabitants.

POPULATION IN THE PROGRAMME AREA						
Year	Unit	St. Petersburg	Leningrad region	South Karelia	Kymenlaakso	South Savo
2013	No	5 131 900	1 757 500	132 252	180 771	152 518
Births						
2013	No	63 636	15 413	1 107	1 577	1 214
Deaths						
2013	No	60 043	25 308	1 613	2 205	2 068
Age structure						
2013	%					
0–14 years		12,1	13,1	14	14	13
15–64 years		72,6	72,7	62	62	61
Over 65 years		15,3	14,2	24	24	26

More information in Annex 1.

2.4. Economic structure

2.4.1. Main industrial sectors

With their tremendous scientific, industrial, cultural, and educational potential, Saint Petersburg and the Leningrad Region are among the most dynamically developing regions in Russia. 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 covers approx. 78 %, the industry 20,5 %, and farming and forestry 1,5 % of the jobs. Saint 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 (See Annex 1, diagrams 1 and 2).

The level of competition in the core industries of Saint 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. 78 %, the industry 16 % and farming and forestry 5 % of the total industrial activities. The South Savo on the Finnish side depends on primary production (agriculture and forest industry) more than the rest of Finland on average. In Kymenlaakso healthcare provides most jobs and in South Karelia forest industry is the main employer. Consequently, a major part of the industry in the area consists of wood-processing plants and paper mills, which are some of the largest in Europe. (See Annex 1, diagrams 1, 2, 3 and 4).

2.4.2. Labour market and income

In 2013 the unemployment rate on the Finnish side of the programme area was approx. 13 %, while on the Russian side, according to the official Russian statistics, the registered unemployment rate was 2,5 %. The social and economic development in the Leningrad Region and Saint 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 force demand will increase in the coming years. At first it will concern qualified personnel in the industrial, construction, and transport sectors, but other fields, including finance, law, information technology, education, and public health, will also 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 and related sectors. Immigration and commuting across the border could increase within the programme area. This mobility should be seen as an opportunity to increase welfare, competence, competitiveness, and cultural understanding in the programme area.

ECONOMIC STRUCTURE IN THE PROGRAMME AREA						
Year	Unit	St. Petersburg	Leningrad region	South Karelia	Kymenlaakso	South Savo
Average GDP per capita						
2011	€	8 583,57	6 663,39	30 162,0	35 382,0	25 814,9
Average monthly income per capita						
2012	€	567,30	365,85	3 036,00	3 032,00	2 815,00
Unemployment rate						
2013	%	0,7	4,3	13,9	12,8	12,4

More information in Annex 1.

2.4.3. SMEs¹ 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 Saint Petersburg and 12 000 in the Leningrad Region), and approx. 20 000 on the Finnish side (in 2012 the figure for the whole Finland was 266 290 and about one million for the whole of Russia). The Leningrad Region and Saint 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 Saint Petersburg. The Leningrad Region is second only to Saint Petersburg within the North-West federal district in the number of small enterprises and their employees.

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. Therefore, unnecessary legislative and other hindrances and obstacles of business cooperation should be minimised on both sides of the border.

The city of Saint Petersburg is a major trade gateway, financial and industrial centre of Russia specialising in oil and gas trade, shipbuilding yards, aerospace industry, radio and electronics,

¹ (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). EU defines SME as follows: There can be 10–250 employees and turnover of 10–50 M€ or balance total 10–43 M€.

software and computers; machine building, heavy machinery and transport, including tanks and other military equipment, mining, instrument manufacture, ferrous and nonferrous metallurgy (production of aluminium alloys), chemicals, pharmaceuticals, medical equipment, publishing and printing, food and catering, wholesale and retail, textile and apparel industries, and many other businesses.

The most important competitive advantages of Saint Petersburg and the Leningrad Region are their location in close proximity to the European and Russian markets, their position as the centre of international trade for other regions in Russia, their natural resources (primarily timber), their infrastructure that is among the best available in Russia, their industrial traditions, their low-cost labour force, and their 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 Saint 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 needs 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.

A realistic opportunity for Finnish SMEs would be to settle in Saint Petersburg or, the Leningrad Region. The reasons are simple: 1) The close proximity and familiarity with each other's conditions allow for a better management of direct investments and for 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 Saint 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.

Tourism and culture are of great importance and potential to the programme area. Their meaning and importance is described below. However, they are not chosen as themes but as horizontal issues to three themes: 1. Business and SME development (Strategic objective A), TO1; 2. Support to education, research, technological development and innovation (Strategic objective A), TO2; 3. Environmental protection, and climate change mitigation and adaptation (Strategic objective B), TO6.

2.4.4. Tourism and Culture

In all participating regions, the authorities have acknowledged the importance of tourism for the development of the regional economy. With over 80 %, Russia was (before Sweden and Germany) the largest country of origin of foreign tourists visiting Finland in 2013. Due to its location, South-East Finland benefits from transit travel from Russia to other parts of Finland and other countries. 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 Saint 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 generator of growth for the regional economies. The level of incoming tourism has in the two Russian regions and Saint Petersburg in particular been growing during the past years.

Saint Petersburg has significant historical and cultural heritage and is thus considered a highly attractive tourist destination. Saint Petersburg is inscribed on the UNESCO World Heritage list as an area with 36 historical architectural complexes and around 4000 outstanding individual monuments of architecture, history and culture. The city has 221 museums, 2000 libraries, more than 80 theatres, 100 concert organizations, 45 galleries and exhibition halls, 62 cinemas and around 80 other cultural establishments. Every year the city hosts around 100 festivals and various competitions of art and culture, including more than 50 international ones.

Finland and Russia as well as the programme area including the adjacent regions share a long common history. During the second half of the 19th and in the beginning of the 20th centuries, many cultural contacts existed between the countries involving people from both sides. 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.

Saint 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.

The Leningrad region is also listed in UNESCO World Heritage list with Staraya Ladoga, an ancient capital of Northern Russia and Vyborg castle among with many other historic sights: Gatchina, Ivangorod, the old city of Vyborg. In Leningrad region there are at present 4700 objects of cultural heritage in the region - monuments of history, architecture, culture and archaeology. Among them 179 are deemed objects of cultural heritage of federal importance; 1300 are objects of cultural heritage of regional importance; 3225 are the so-called revealed objects of cultural heritage.

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.

2.5. Education and research

Saint Petersburg, the Leningrad Region, and South-East Finland have great research, scientific, expert, and know-how potential. Higher education organisations in Saint Petersburg are clearly differentiated from those in any other city in the North-West Russia. Saint Petersburg is the indisputable leader of the region in higher education. 18–20 % of Russian research is concentrated in Saint 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 LEVEL IN THE PROGRAMME AREA						
Year	Unit	St. Petersburg	Leningrad region	South Karelia	Kymenlaakso	South Savo
Population with secondary or higher education						
2010	%	90	78	64	65	63
Universities and institutions						
2014	per 1000 inhabitant	0,02	0,001	0,05	0,02	0,1
Research and development organizations						
2014	per 1000 inhabitant	0,06	0,007	0,08	0,02	0,07

More information in Annex 1.

Saint Petersburg is a major Russian centre of science and education, accumulating more than 10 % of its scientific capacity. It hosts more than 320 science and research organizations, including more than 65 research institutions of the Russian Academy of Sciences and other state academies. There are more than 250 state institutions, involved in research and development and 10 state research centres. More than 186,000 specialists work in scientific and higher educational institutions, including 8,000 Doctors of Sciences and 28,000 Candidates of Sciences. Heading the list is Saint Petersburg State University, founded in 1724 as the University of Saint Petersburg. No less renowned and nearly as old are the Academy of Arts (1757), the Institute of Mines (1773), and the Military Medical Academy (1798).

In the scientific community of Saint Petersburg there is a great potential. Leningrad region and the city of Saint Petersburg have the following competitive advantages: proximity to the land borders of the Russian Federation, well-developed network of highways, availability of seaports, high purchasing power of the population. Development of the business-tourism should contribute to opening of the new exhibition platforms, building of the contemporary hotels in all the regions of the Northwestern district.

There are also 693 public educational institutions, bringing together 389,000 children. A focus for research is the library of the Russian Academy of Sciences (from 1925 to 1991 the Academy of Sciences of the U.S.S.R.), which remained in the city when the academy's headquarters moved back to Moscow after the Revolution. The research establishments of the Academy of Sciences in the city include the Pulkovo Observatory, along with the Botanical, Geological, Forestry, and Zoological institutes, among many others. The city is the principal centre in Russia for Arctic research, notably at the Arctic and Antarctic Research Institute and the Institute for the Study of Permafrost.

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 North Savo, University of Eastern Finland (UEF) has faculties of Pharmacy, Business and Information Technology, Natural and Environmental Sciences, Medicine, Social Sciences and Auxiliary Institutes. In Kotka the Kotka Maritime Research Centre Merikotka provides high level research based on conditions of the Gulf of Finland with cooperation universities, polytechnics and other organization.

In South Savo Mikkeli University Consortium (MUC) is a joint campus of Helsinki University, Aalto University and LUT, and UEF has a third campus in Savonlinna. 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 funds. 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 21st 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.

2.6. The environment and nature

The programme area contains vast forests, most of which are managed, large expanses of water, and islands. Lake Ladoga is a freshwater lake located in the Leningrad Region and in the Republic of Karelia in North-West Russia just outside the outskirts of Saint Petersburg. It is the largest lake

in Europe (276 000 km²), and the 15th largest freshwater lake by area in the world. Lake Onega (9 900 km²) is the second largest lake in Europe. It is located in Northwest Russia mainly in the Republic of Karelia, but also in the Leningrad Region and Vologda. Onega flows to Ladoga by Svir River and it is connected to the Gulf of Finland by canals. There are a number of significant rivers on Russian side forming the water basin of the Gulf of Finland and the whole Baltic Sea. A network of 47 protected areas in the Leningrad Region covers 585,600 hectares, which represents approx. 6 % of its land area. Five territories have the status of Ramsar sites. Saint Petersburg has two nature reserves and four nature monuments, which occupies 200 hectares – 1,5 % of the city's area.

On Finland's side is located the Saimaa lake. It extends from South Savo and South Karelia to North Karelia and North Savo. With approximately 4,400 km², it is the largest lake in Finland, and the fourth largest natural freshwater lake in Europe. An endangered freshwater seal, the Saimaa Ringed Seal, lives only at Saimaa. Another of the lake's endangered species is the Saimaa salmon. The Vuoksi River flows from Saimaa via Ladoga to the Gulf of Finland. The Kymi River (Kymenlaakso) also flows to the Gulf of Finland. The Saimaa Canal from Lappeenranta to Vyborg connects Saimaa to the Gulf of Finland. Other canals connect Saimaa to smaller lakes in Eastern Finland and form a network of waterways. Four national parks are located on the Finnish side of the programme 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 1)

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. 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.

Saint Petersburg ranks as one of Russia's most polluted cities. Results of the environmental ratings of Russian cities conducted in 2014 revealed Saint Petersburg to be in 85th place. Saint Petersburg fell to the bottom of the group due to its high levels of air pollution, and its poor abilities to maintain fragile ecosystems.

One of the most significant environmental problems on the Russian side is the non-treatment of waste water. However, 98 % of waste water in Saint Petersburg are treated. The northern collector and the water treatment facilities that are under construction will improve the situation in Saint 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 Saint 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 Saint Petersburg and of 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 Saint 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 has supported 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 Saint Petersburg and the Leningrad Region. A lot of expertise and know-how in environmental issues has been transferred from Finland to the Russian partners. Sustainable regional development, exploiting municipal and industrial residues, improvement of waste oil management and developing a modern ecological system for waste management and recycling system – these are few examples of the cooperation targets of the previous Programme.

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 previous Programme has enhanced cooperation and exchange of knowledge as well as preparedness in case of disasters at regional and local levels in accordance with the HELCOM recommendations. Finland and Russia have for example enhanced cooperation regarding risk management to improve maritime safety and produced tools for marine spatial planning and management.

Attitudes and values towards the environment can be changed by encouraging participation in the initiation of environmental improvements. The new Programme can also continue providing 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.

2.7. Environmental sustainability

Europe 2020 is the European Union's ten-year growth and jobs strategy that was launched in 2010. It is about more than just overcoming the crisis from which the EU Member States economies are now gradually recovering. It is also about addressing the shortcomings of the EU Member States growth model and creating the conditions for a smart, sustainable and inclusive growth. One of the main goals is sustainable growth meaning:

- building a more competitive low-carbon economy that makes efficient, sustainable use of resources
- protecting the environment, reducing emissions and preventing biodiversity loss
- capitalizing on Europe's leadership in developing new green technologies and production methods
- introducing efficient smart electricity grids
- harnessing EU-scale networks to give our businesses (especially small manufacturing firms) an additional competitive advantage
- improving the business environment, in particular for SMEs
- helping consumers make well-informed choices

Europe is over-dependent on fossil fuels – oil, gas and coal. This leaves Europe's consumers and businesses vulnerable to harmful and costly price shocks. This also threatens the economic security and contributes to climate change. Reduction of emissions is needed and harness of new technologies such as wind and solar power and carbon capture and sequestration. Economies' resilience to climate risks, and capacity for disaster prevention and response must be strengthened. Global competition for natural resources will intensify and put pressure on the environment.

The objectives of the strategy are also supported by seven 'flagship initiatives' providing a framework through which the EU and national authorities mutually reinforce their efforts in areas supporting the Europe 2020 priorities such as innovation, the digital economy, employment, youth, industrial policy, poverty, and resource efficiency. Other EU levers such as the European single market, the EU budget and the EU external agenda (including the CBC instrument) also contribute to the achievement of the goals.

In the Russian Federation the Ecological Doctrine of the Russian Federation was adopted by the Government on August 31, 2002, and sets up following priorities:

- ensure sustainable nature management,
- reduce pollution and ensure resource-saving,
- protect and restore natural environment.

The Doctrine stipulates a set of measures aimed at environmental security in areas such as industrial production, healthy and environmentally secure living conditions, reduction of consequences of natural and anthropogenic disasters, better control over invasive species and genetically modified organisms.

2.8. Infrastructure

2.8.1. Telecommunications and broadband

Cellular communication, Internet services, cable television, and telephone connections based on radio access has been under dynamic development on the Russian side of the programme area. These days Internet access is available in the whole Programme area, but there might be a lower level of penetration in the Leningrad Region than in Saint Petersburg and South-East Finland.

Russia took over Germany as the market with the highest number of unique visitors online in Europe, says comScore in its September 2011 Internet usage study. The digital statistics company counted as many as 50,8 million users aged 15 and older in Russia, compared to 50,1 million in Germany, 42,4 million in France and 37,2 million in the UK.

According to TNS Gallup, in January 2011, in Russian cities of 100,000 inhabitants or more, an average of 65 % of Russian Internet users twelve years old or older used broadband Internet connections from home, with 70 % in Moscow, 71 % in Saint Petersburg and 81 % in Yekaterinburg.

In 2008 the Finnish government made a decision on the national broadband project. Aim of this project is to have 99 % of Finnish citizens (permanent residences, businesses and public organisations) no more than two kilometres from 100 Mbit/s internet access (either optical fibre or cable). Consumers purchase local loop at its own expense from telecom operator of his choice.

Many large international IT companies have taken interest in Finland. For example Google, an American multinational corporation specialising in Internet-related services and product has established an office in Hamina, Kymenlaakso. Russian Yandex has also shown interest towards Finland, but the project is currently on hold.

2.8.2. Energy

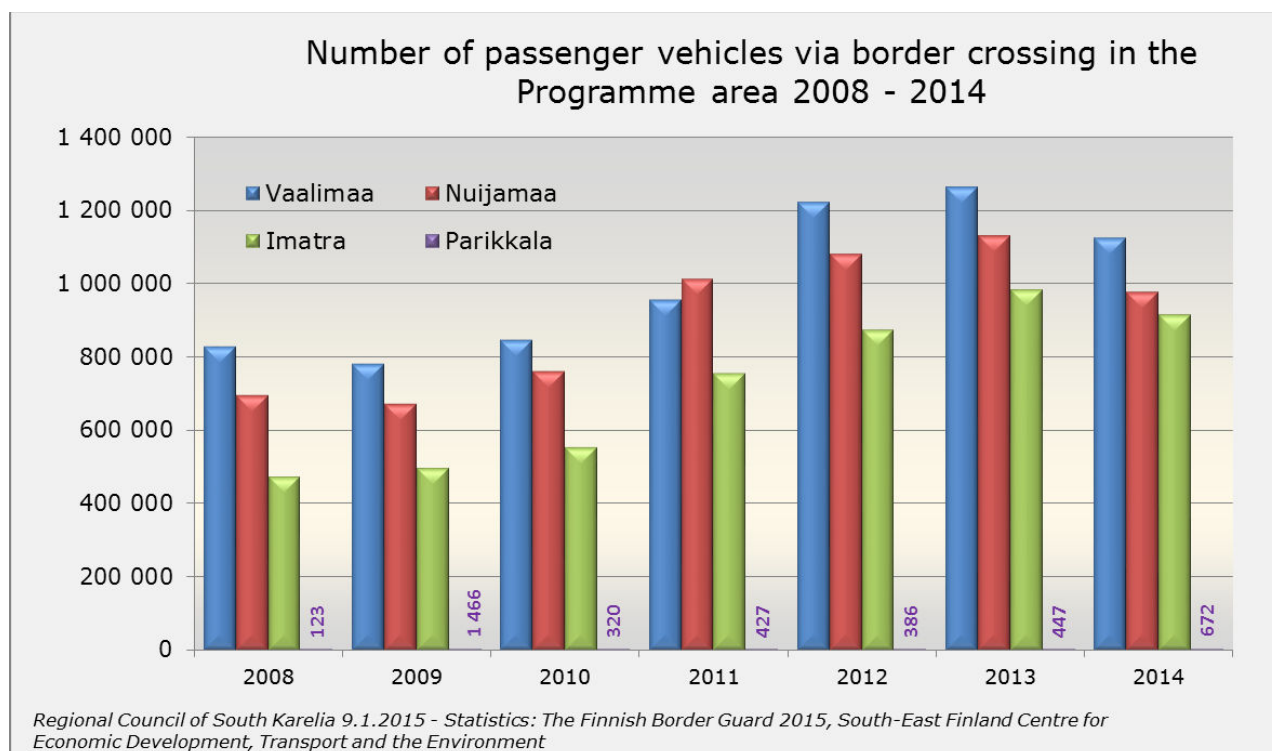
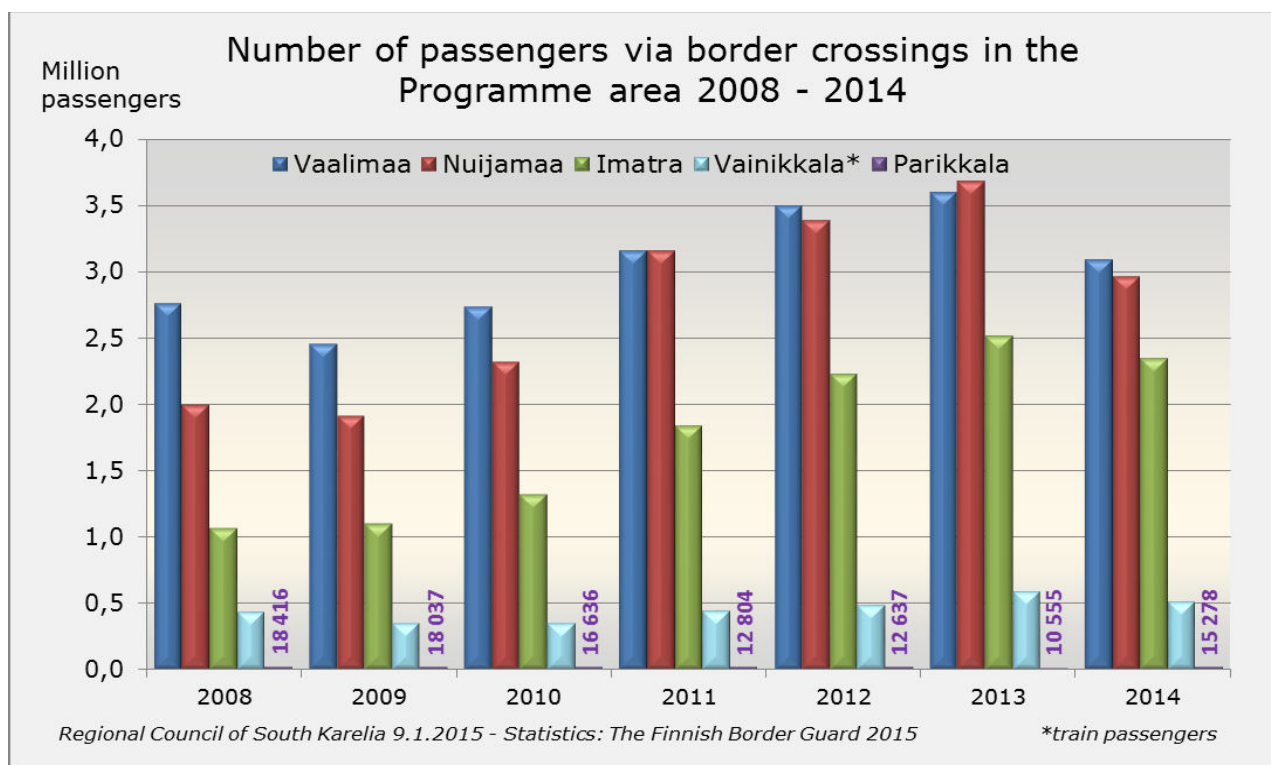
The fuel and energy sector is one of the main industries in the Leningrad Region and also provides an important supply for the whole North-West Russia. Saint Petersburg is one of the largest consumers of fuel energy resources in Russia, due to its high population and industry. The chemical wood processing 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.

2.8.3. Border crossing infrastructure and transport networks

Four international border crossing points are located in the programme area between Finland and Russia. In 2013, the total of crossings amounted to 6,8 million (of which over 80 % were Russian citizens).

The infrastructure and new border crossing facilities have been built at the border crossing points and nearby border roads on both sides in recent years. For example Imatra-Svetogorsk, as one the most important border crossing points, was a target of many improvements during the ENPI 2007-2013 Programme. Nuijamaa-Brusnitshnoje, the second busiest border crossing point, was also a target of development actions. There is only one temporary border crossing point, Parikkala-Syväoro, connecting South-East Finland to the Republic of Karelia. Parikkala-Syväoro is mainly used for the transportation of timber from Russia.

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. Road traffic between South-East Finland and Russia is also heavy.



The main road transport link is the highway E18 that connects Saint 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 encompasses the road/rail transport route between Helsinki, Saint 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 the remaining section from Hamina to the Russian border will also be completed by 2018. There is a need to construct a new lane between the Finnish and Russian customs in Vaalimaa - Torfjanovka. During the period 2007–2012, main road 6 was upgraded between Lappeenranta and Imatra to a four-lane, so-called mixed traffic road. Road 6 leads from Helsinki to the border crossing points Nuijamaa (Lappeenranta)-Saimensky and Pelkola (Imatra)-Svetogorsk.

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, Hamina-Kotka has become the most important export port in Finland (see Annex 1, map 2 and graphics). Saint Petersburg and the Leningrad Region have access to sea routes via 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 also undoubtedly grow in significance due to their advantageous location inside Russia.

Saint Petersburg is the largest industrial and transport centre, the marine capital of Russia. The port of Saint Petersburg is the European gateway of the country, the most important transport link between East and West. There are many important harbours also in the Leningrad region and the area is a link not only to Saint Petersburg and the Neva River but via them to many river ports in Russia. Going through Vyborg the Saimaa Canal operates as a ferry road to east Finland's inland waters. Ust-Luga and Primorsk are among the four most important harbours in the Leningrad region. In Ust-Luga there is the second oil pipeline export terminal in the Gulf of Finland. On Finland's side in the core region there is the port of Hamina-Kotka. Kotka is located at the mouth of the Kymi River and because of its location it has become significant and diversified industrial centre and one of the biggest and modern export ports. Hamina specialises in forest products and transit cargo to Russia.

Saint 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 Saint 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. Saint Petersburg and the Leningrad Region are being developed as one of the international transport centres of Russia (see maps 3 and 4 in Annex 1). Cooperation between parties that operate in the sea ports within the programme area

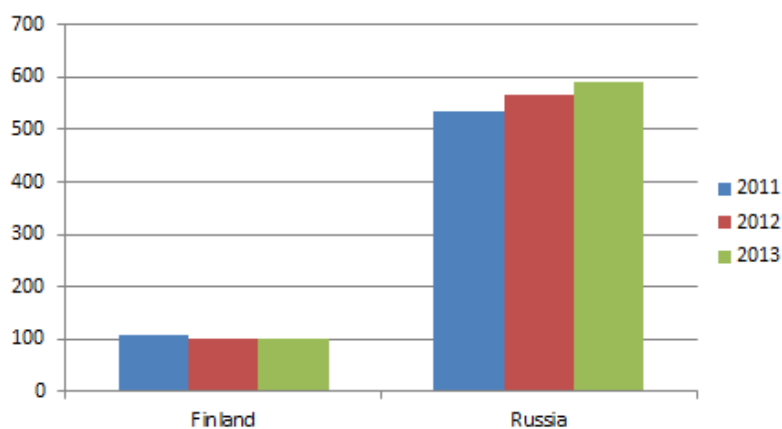
should be enhanced in order to better take advantage of the existing infrastructure and develop cooperation in the field of transport and logistic services.

Saint Petersburg is part of the important transport corridor linking Scandinavia to Russia and Eastern Europe. The city is a node of the international European routes E18 towards Helsinki, E20 towards Tallinn, E95 towards Pskov, Kiev and Odessa and E105 towards Petrozavodsk, Murmansk and Kirkenes (north) and towards Moscow and Kharkiv (south). Since 12 December 2010, the Karelian Trains, a joint venture between Russian and Finnish Railways have been running Pendolino-operated high-speed services between Saint Petersburg's Finlyandsky and Helsinki's Central railway stations. These services are branded as 'Allegro' trains.

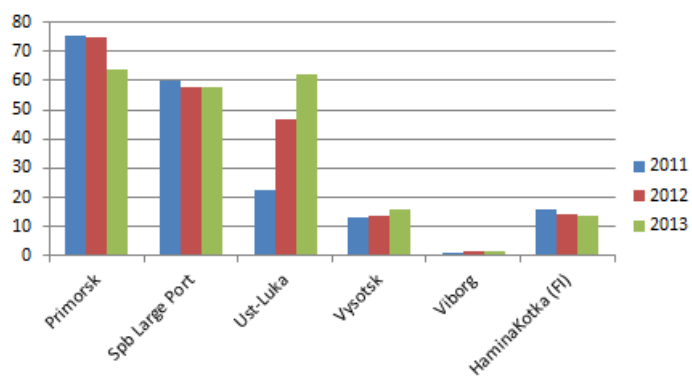
Terminal and cargo statistics of the Programme area



Freight turnover of seaports (Mln. Tonn)

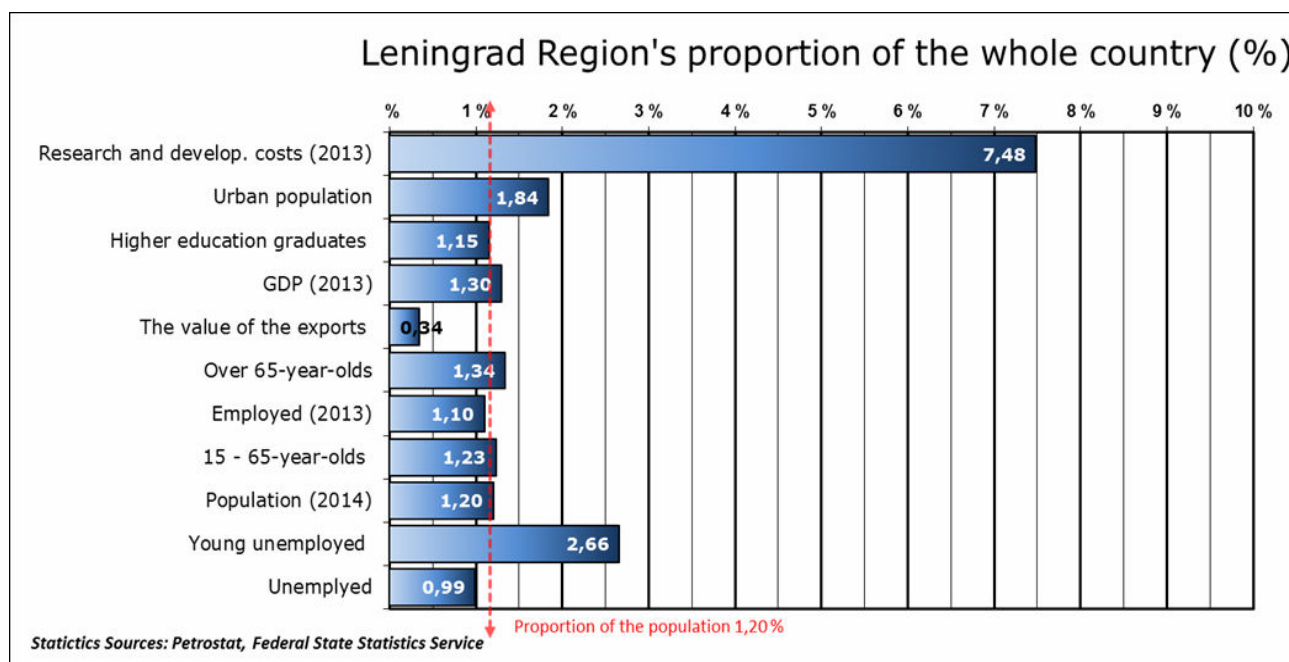


Freight turnover of sea ports of the Programme area (Mln. Tonn)

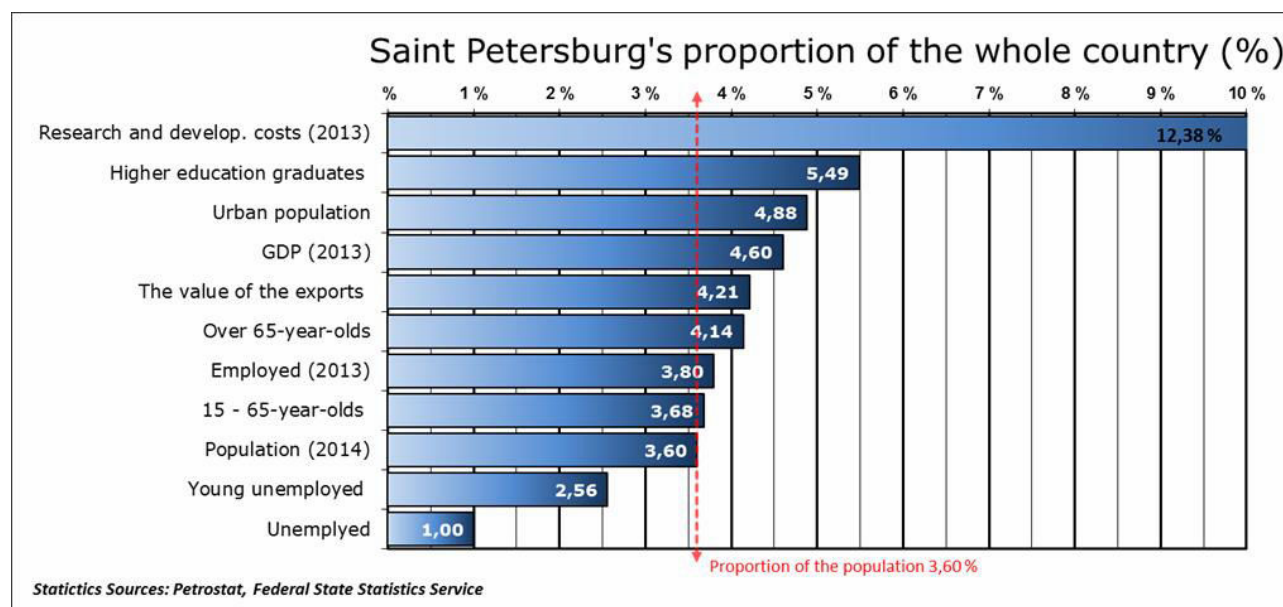


2.9. Area profiles

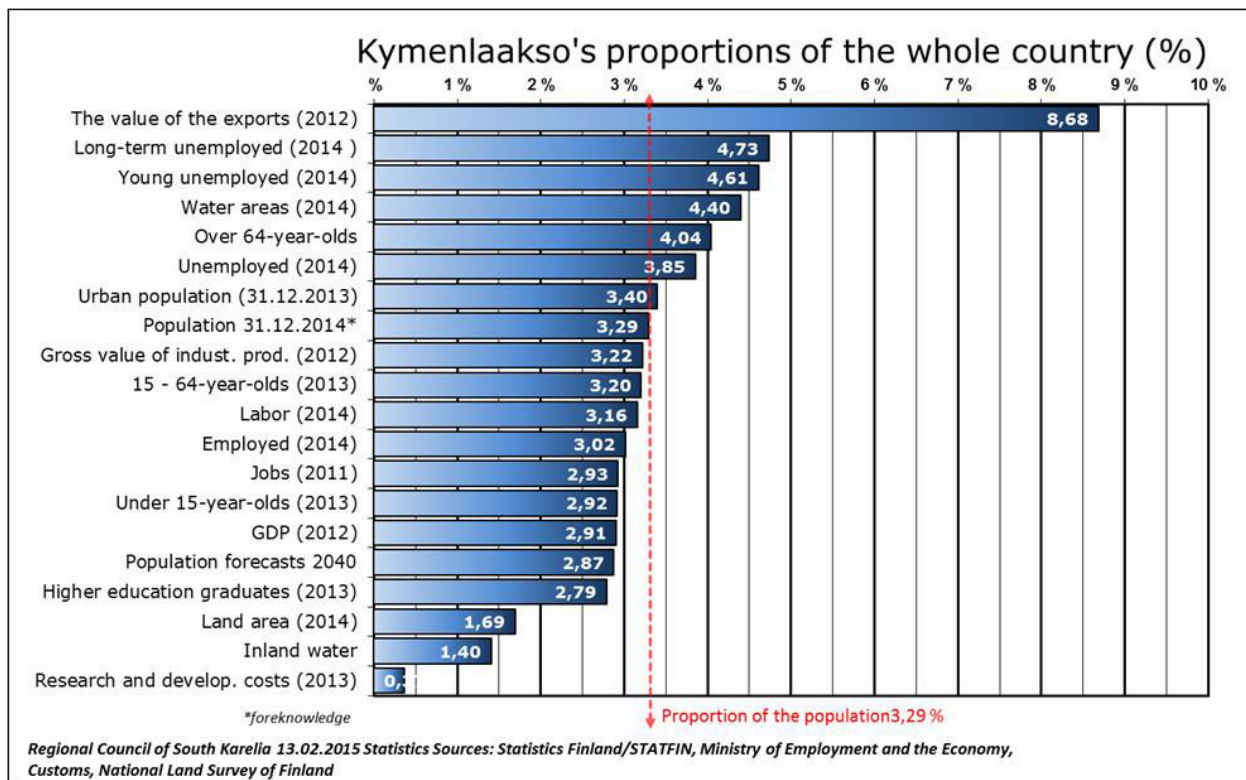
Leningrad Region



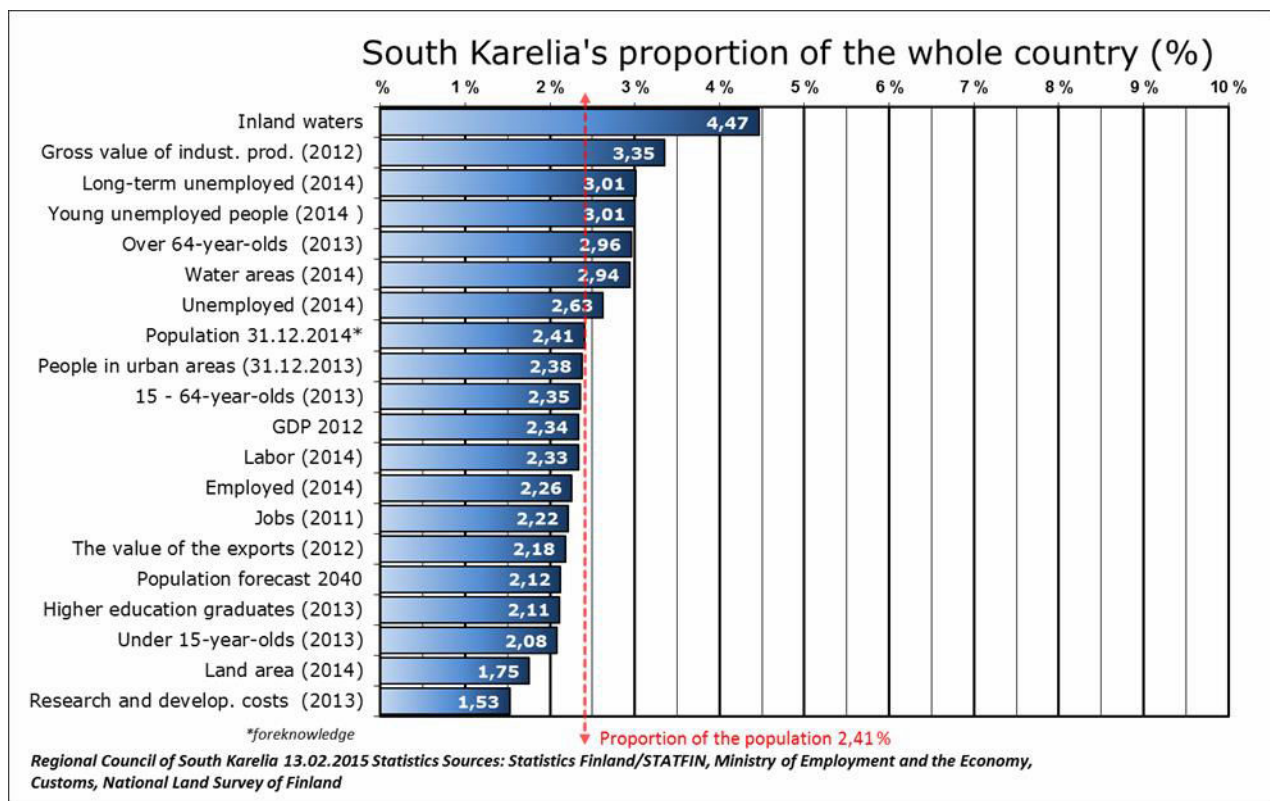
Saint Petersburg



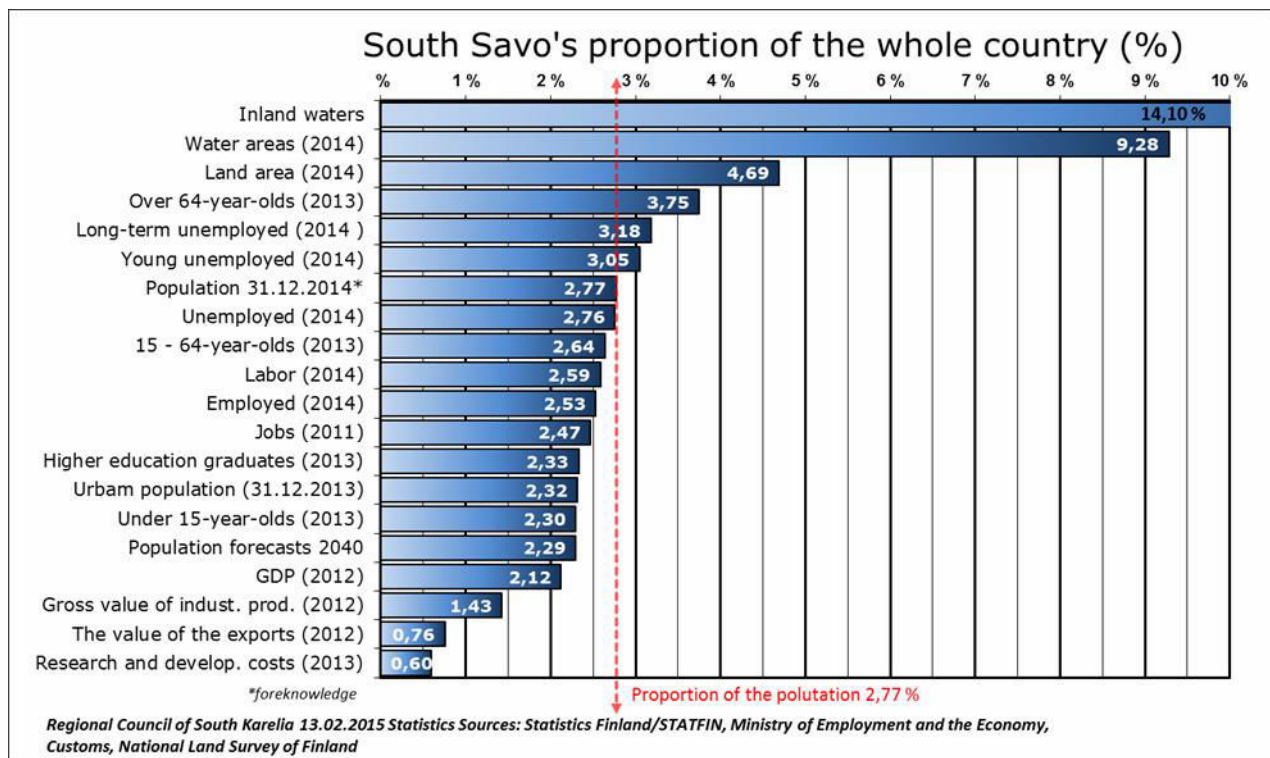
Kymenlaakso



South Karelia



South Savo



3. PROGRAMME STRATEGY

On the EU side the programming document 2014–2020 for ENI Cross Border Cooperation provides the strategic framework for EU support to the cross-border cooperation on the external borders of the European Union and establishes the strategic objectives to be pursued by cross-border cooperation and the thematic objectives of that cooperation. Cross-border cooperation (CBC) is an integral component of the EU-Russia cooperation. It aims to promote cooperation across the borders between EU Member State Finland and the Russian Federation. The overall objective of CBC with EU participation is increased shared prosperity and good neighbourliness between EU Member States and their neighbours. There are three overarching strategic objectives for CBC:

- A) Promote economic and social development in regions on both sides of common borders
- B) Address common challenges in environment, public health, safety and security
- C) Promotion of better conditions and modalities for ensuring the mobility of persons, goods and capital.

The South-East Finland – Russia programme must contribute to at least one of the strategic objectives. In order to increase the impact and efficiency of the CBC instrument, within the framework of objectives set out above, each programme will focus on a maximum of four

thematic objectives (TO) selected out of the 10 proposed in the programming document 2014–2020 for ENI Cross Border Cooperation.

The CBC programmes with Russian participation are to be implemented within following guidelines for actions stipulated in the Concept for Cross-Border Cooperation of the Russian Federation. These guidelines are: a) cooperation in cross-border trade; b) cooperation in investment projects; c) cooperation in transport and logistics and communication; d) cooperation in sustainable exploitation of natural resources and environmental protection; e) cooperation in law-enforcement; f) cooperation in regulating migration and labour market; g) cooperation in science and research and people-to-people contacts. The Russian and Finnish sides agreed that the basis for the joint cross-border development strategy of the South-East Finland – Russia CBC Programme is the location of the programme area, the long-established cooperation between its regions, and long-standing historical and cultural links. The strategy responds to the developmental needs and opportunities that are identified jointly. The programme must deliver real cross-border added value. It is jointly designed for the mutual benefit of both sides of the border and the results are achievable and sustainable through joint action.

Taking into consideration the main local and regional needs, the challenges and their previous experience, the participating regions have defined the following mission statement for the programme:

The Programme area will be a meeting place or a gateway between the European Union and Russian Federation, between East and West. The aim of the Programme is to increase the importance of the area and corroborate the area to become the most efficient, prosperous and interesting hub and investment target in Northern Europe. The Programme will also generate growth and well-being in the Programme area and for its inhabitants.

Building on this overall mission statement the programme strategy is further defined below presenting the overall objective of the Programme and the corresponding thematic objectives as well as priorities.

Overall objective of the Programme

On the basis of the objectives defined for cross border cooperation in the EU regulation and in the Russian and Finnish strategic documents, and of the needs and challenges identified above, the following overall objective is defined for the South-East Finland – Russia CBC Programme:

The Programme will contribute to economic and social development, mitigate common challenges and promote mobility among actors of regional relevance to further improve cross-border cooperation and the sustainable prerequisites of the Programme area.

3.1. Description of the four priorities (and measures) chosen in line with the overall objectives defined in the EU CBC strategy and Russian and Finnish strategic documents

The overall objective will be achieved with improved competitiveness, increased economic activity, knowledge based economy, skilled labour force, high-level cultural events and tourism, pure nature and waters, easy mobility, good transport corridors, smooth and modern border crossing points. These are also the principal regional needs identified in the regional strategies.

Consequently, the South-East Finland – Russia CBC 2014–2020 Programme has chosen four themes:

1. Business and SME development (Strategic objective A), TO1
2. Support to education, research, technological development and innovation (Strategic objective A), TO2
3. Environmental protection, and climate change mitigation and adaptation (Strategic objective B), TO6
4. Promotion of border management and border security, mobility and migration management (Strategic objective C), TO10

3.2. Justification for the choice of priorities and measures

The selection of themes is based on the SWOT analysis, the regions' characteristics, the identified needs and challenges that may potentially be addressed via cross-border cooperation and the demands originating from the mission statement (defined by the regions (p. 34) and overall objective. The impact of cross-border cooperation on the innovativeness, the creation of jobs and the environment were also valued in selecting these themes.

After selection, these themes have been translated into Programme priorities as follows:

TO1, Priority 1: Lively, active and competitive economy

The choice of theme TO1 “business and SME development” aims to develop and promote a knowledge based innovative economy, to benefit the area's location by strengthening the environment where the SMEs operate, to support the creation of new companies and to enable small and medium-sized enterprises' (SMEs) to access the international markets. The common goal of improved European competitiveness is translated at the local and regional levels. Through the business and SME development the area aims to create jobs and to decrease migration and unemployment.

Measures within this Priority are:

- SME and business development, incl. labour market development
- trade and investment promotion
- culture and tourism industry (incl. well-being)
- rural development
- transport and logistics
- energy cooperation

Indicative actions of promoting Business and SME development in the programme area include:

- supporting the business cooperation activities with the highest potential in order to achieve concrete and sustainable results from this 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, and where appropriate, through small-scale infrastructure projects;
- creating mechanisms for simplification of international trade, e.g. developing environmentally sound transportation and logistics 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 EU 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);
- developing an intensive and environmentally sound tourist industry and increasing the region attractiveness for tourists by promoting culture, improving the quality of services and the cooperation of tourist infrastructure companies as well as by developing new products, promoting eco-tourism etc.;
- promoting and supporting entrepreneurship and business start-up in jointly chosen priority branches, e.g. in knowledge based and innovation driven sectors, and the exchange between regional business support structures that aim to assist SMEs;
- fostering cooperation between public and private sector;
- strengthening economic clusters;
- enhancing of competitiveness;
- supporting the development and modernisation of businesses (e.g. in tourism, agriculture).

The implementation of the Programme's TO1 "Business and SME development" contributes reaching goals of the "Concept for a long-term social and economic development of the Russian Federation until 2020", the "Strategy for social and economic development of the Northwestern Federal district until 2020" and the "Strategy for a long-term innovative development of the Russian Federation until 2020". Support to the development and modernisation of businesses (e.g. in tourism, agriculture) which is included in the TO1 will help Russia to reach the targets of the "Strategy for social and economic development of the Northwestern Federal district until 2020" namely the production modernisation which is oriented towards the reduction of energy costs and of the consumption of materials and the development of agriculture.

The integration of Russian and Finnish industrial enterprises and the integration of Russian companies into the European business community within the framework of TO1 will help to strengthen Russia's position in the integration processes of the Eurasian space by maintaining balanced relationships with the European economic partners as mentioned in the "Concept for a long-term social and economic development of the Russian Federation until 2020". Support of the foundation of science parks (industrial / business / technological) and innovation centres will aid Russia in one the most important tasks stated in the "Strategy for a long-term innovative development of the Russian Federation until 2020" which is the development of innovative manufactures and an increase of the quantity of innovative businesses.

Table 1. Logical framework of priority 1.

Description	Indicators	Verification	Baseline and target value
Overall objective: To attract businesses to invest, locate and operate in the programme area			
Purpose / Programme Priority: Lively, active and competitive economy	Increase in the number of SMEs operating cross-border and number of new business investments	Statistics	
Output 1 /CBC 3 Knowledge of cross-border business, international trade, and skills demanded have improved, and businesses are able to operate in foreign cultures	Number of enterprises participating in cross-border business events	Information from the projects	baseline 0 target 50-60
Output 2 New business opportunities and modernization of businesses	Number of business organisations receiving support	Information from the projects	baseline 0 target 15-20
Output 3 New regional SME support structures	Number of created structures	Information from the projects	baseline 0 target 10-15
Output 4 New cross-border economic clusters have been created	Number of new cross-border economic clusters	Information from the projects	baseline 0 target 5-10

TO2, Priority 2: Innovative, skilled and well-educated area

The reason for the selection of the theme TO2 “support to education, research, technological development and innovation” is the need to increase the level of education among youth and elderly people. The rapid changes in the society demand update of education and lifelong learning. All stages of education (comprehensive school, secondary general academic and vocational education, higher education and adult education) enables opportunities to get employment, and often reduces the risk of social exclusion.

The wage level in Europe sets demands and conditions on jobs, which are competitive in global context. There is therefore a need for innovation, new products and new knowledge-based jobs. The aim is to continue and deepen cooperation of education and innovation, which has started during the ENPI CBC 2007-2013 programme period. Through education and research, the programme can promote internationalisation of both persons and companies.

Measures within this Priority are:

- research and education
- innovation and technology
- skill development and lifelong learning

Indicative actions of promoting education as well as R&D and technological development and innovations in the programme area include:

- promoting R&D, education, and training in business areas of mutual interest;
- supporting the use of new ICT by businesses and innovation activities in high schools, R&D institutions, industrial enterprises, and assimilated;
- fostering cooperation between businesses and training institutions for innovation and R&D, joint educational planning;
- promoting of skills development and lifelong learning;
- supporting local cooperation in education;
- promoting and supporting research and innovation.

The achievement of the Programme’s TO2 “Support education, research, technological development and innovation” will assist Russia to reach some of the main targets stated in the “Strategy for innovative development of the Russian Federation until 2020” such as improving public perception of innovation; developing human resources in science, education, technology, and innovation spheres; adapting the educational system to innovation.

Promotion and support of research and innovation within the framework of TO2 will help Russia in the modernisation and innovative development of the key-industries of the Northwestern Federal

district according to the “Strategy for social and economic development of the Northwestern Federal district until 2020”.

Promoting R&D, education, and training in business areas of mutual interest included in the programme theme TO2 will help the Russian Federation reach the target of developing its economy based on knowledge and high technologies as indicated in the “Strategy for a long-term innovative development of the Russian Federation until 2020”.

Table 2. Logical framework of priority 2.

Description	Indicators	Verification	Baseline and target value
Overall objective:			
To increase the level of education among young and elderly people and to guarantee skilled workforce			
Purpose / Programme Priority:	Increase in knowledge intensive educational level	Statistics	
Innovative, skilled and well-educated area			
Output 1 / CBC 5 Increased cooperation between SMEs and research institutions	Number of enterprises using programme support for cooperating with research institutions	Information from the projects	baseline 0 target 20-30
Output 2 Increased skills and lifelong learning	Number of <24 years and >45 years participating to educational events	Information from the projects	baseline 0 target 150-200
New cross-border curricula	Number of curricula created	Information from the projects	baseline 0 target 5-10

TO6, Priority 3: Attractive, clean environment and region

The choice of the theme TO6 “environmental protection, climate change mitigation and adaptation” results from the fact that many regions are dealing with challenges related to the protection and development of their biodiversity and natural and cultural assets. The demand of a healthy and safe environment is increasing and is becoming more important when selecting the place to live and visit. As large fresh water reservoirs and the Gulf of Finland are situated in the programme area the issue is considered of utmost importance. One of the corner stones of the area is the preservation of this asset.

Measures within this Priority are:

- environmental protection and sustainable management of nature and its resources including cooperation in emergencies
- biodiversity
- waste and waste water management
- climate change mitigation

Indicative actions of promoting environmental protection, climate change mitigation and adaptation in the programme area include:

- promoting rational use and research in the field of natural resources and 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 land areas, and preserving biodiversity;
- promoting research, planning, and education in the fields of 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 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, forest fires, and oil spills;
- promoting low carbon and climate resilient development;
- cooperating in climate change challenges, including modelling of impacts of the changing climate and development of the corresponding measures.

The implementation of the Programme's TO6 "Environmental protection, climate change mitigation and adaptation" will help Russia reach some targets in the area of environment which are stated in the "Ecological Doctrine of the Russian Federation" such as rational use of natural resources, reduction of the environmental pollution and saving of resources by supporting ecologically efficient production including the use of renewable energy sources and secondary raw materials.

One of the field of activities within the scope of TO6 - the promotion of nature protection and of conservation of the marine environment and land areas as well as preserving biodiversity - will help Russia reach one of the main priorities of the "Strategy for social and economic development of the Northwestern Federal district until 2020" which is keeping the natural legacy of the district alive. Projects within this priority will contribute to reaching the goal set in the Strategy for the development of maritime activities of the Russian Federation until 2030, namely by contributing to maritime environment protection against pollution from ships and protection of maritime environment in areas under Russian jurisdiction.

Table 3. Logical framework of priority 3.

Description	Indicators	Verification	Baseline and target value
Overall objective:			
To maintain and preserve the fresh water reservoirs and the sea clean and to attract tourists and new inhabitants with pure and clean environment			
Purpose / Programme Priority:	Improved living environment	Survey	
Attractive and clean environment and region	Increased number of recreational areas	Statistics	
Output 1 / CBC17 Increased environmental awareness	Number of persons participating in awareness raising activities	Information from projects	baseline 0 target 150-200
Output 2 Improved systems on water and waste management	Number of project proposals to be financed	Information from the PROMAS	baseline 0 target 15-20
Output 3 Reduction of environmental load and risks	Number of project proposals to be financed	Information from the PROMAS	baseline 0 target 15-20

TO10, Priority 4: Well-connected region

The selection of the theme TO10 “promotion of border management and border security, mobility and migration management” is based on one hand on the need for security and on the other hand on need for efficiency of border-crossings and of mobility. 80 % of the border-crossings between Finland and Russia happen via the border-crossing points situated in the Programme area. If the border-crossings form a bottleneck it has impact on the economies on both sides of the border. By creating conditions for fluent and safety border traffic the programme will have a wide impact on the economic and social development of the programme area.

Measures within this Priority are:

- border efficiency and security
- border-crossing infrastructure and equipment
- border management, customs and visa procedures
- traffic safety

Indicative actions of promoting border management and border security in the programme area include:

- supporting border efficiency and security;
- improving border-crossing infrastructure;
- improving equipment at the border crossing points;
- promoting training and networking between border authorities;
- promoting cooperation of customs and control authorities assuring efficient and secure controls and smooth border crossings;
- exchange of know-how and information;
- improving border management operations, customs and visas procedures
- measures improving traffic safety.

Achievement of the Programme’s TO10 “Promotion of border management and border security, mobility and migration management” will help Russia resolve some issues which are mentioned in the “Federal law on customs regulation of the Russian Federation” such as ensuring economic security of the country within the framework of foreign trade and improvement of state administration in the field of custom.

The TO10 activities will also help Russia improve the migration regulation system e.g. by developing databases as stipulated in the “Federal law on migration record of foreigners and stateless persons in the Russian Federation”.

Table 4. Logical framework of priority 4.

Description	Indicators	Verification	Baseline and target value
Overall objective:	Reduced waiting time on border crossing points	Statistics, surveys, interviews	
To guarantee safe, secure, smooth and efficient border-crossings and easy mobility			
Purpose / Programme Priority:			
Well-connected region			
Output 1 Improved traffic safety on cross-border roads	Number of accidents	Statistics	baseline 2014 level target -10%
Output 2 / CBC 27 Improvement of roads in the vicinity of border crossing points	Total length of reconstructed or upgraded roads	Information from projects	target 20-30 km
Output 3 Improvement of border crossing points (land, water, rail) with increased throughput capacity	Number of improved border crossing points	Information from projects	target 5

3.3. Objectively verifiable indicators, related target values and expected results

All CBC programmes with EU participation must choose some of the common indicators introduced by the Commission. Actions not measurable by output indicators from the common list will require Programme specific output indicators to be developed. All indicators assume implicitly that all actions undertaken by the Programme do have a specific cross border value-added character or dimension, even if this is not explicitly reflected in the wording and/or in the definition of a particular individual indicator.

To monitor the Programme achievements and report on Programme progress towards the defined goals, the objectively verifiable indicators that reflect the Programme needs have been defined by the participating countries as follows:

In particular;

- There are expected results and corresponding result indicators, with a baseline value and a target value for each priority;
- There are output indicators, including quantified target value, which are expected to contribute to the results for each thematic objective priority;
- There are result indicators with a baseline value and a target value that correspond to the most crucial general area for expected results for each priority.

Output indicators measure direct products of the projects implemented within the Programme and capture what the programme is expected to deliver. They are only affected by the Programme and are in principle insensitive to any external impact. There are two types of output indicators: common output indicators and programme specific output indicators covering the aspects that are not covered by the common indicators.

1) Common output indicators

In response to strengthened EU accountability requirements and in order to allow the aggregation of output indicators across the programmes for monitoring and evaluation it is necessary to set a common framework for reporting programme progress towards the defined goals. A list of common output indicators for the use of the CBC Programmes, taking account of standard EU indicators for external assistance has been communicated to all CBC Programmes to choose the ones which best fit their programmes. This framework of common indicators will pave the way for improved communication of achievements both at Programme and instrument levels. Actions reflected in common indicators are not more important than other actions reflected by Programme specific indicators. The common output indicators assume implicitly that all actions undertaken by the programmes have cross-border value-added character or dimension, even impact. A clear CBC impact added value needs to be demonstrated in this regard and projects will not be funded under CBC if this is not explicitly the case. This is built in to the three strategic objectives of CBC, but also need to be fully reflected in the wording and/or definition of a particular individual indicator.

2) Programme-specific output indicators

As the list of common output indicators covers some, but not all actions, the Programme identified its programme-specific indicators that reflect the specific actions of the Programme. Defined result indicators measure the broader societal impact of priorities and correspond to the expected results of the Programme. They span beyond the direct beneficiaries of the support and cover a wider group of society. Defined result indicators to a certain extent are affected by the outputs of the Programme, but in general, they are also affected by other external factors that lay beyond the activities of the programme. There is a causal link between the output and the result indicator, meaning that changes in the output indicator exert effect on its corresponding result indicator defined against the selected thematic objectives for each programme.

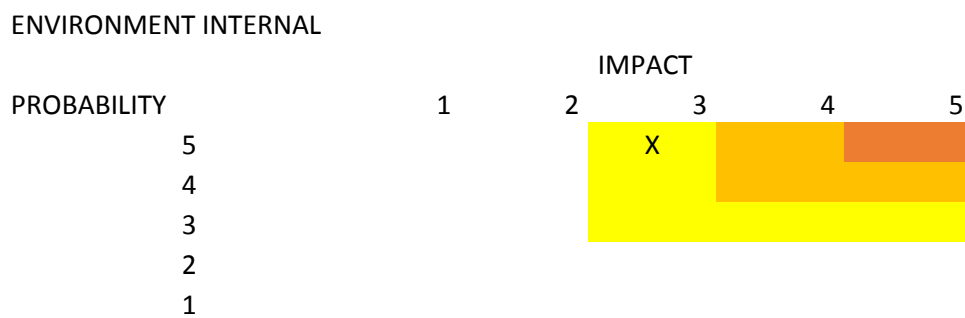
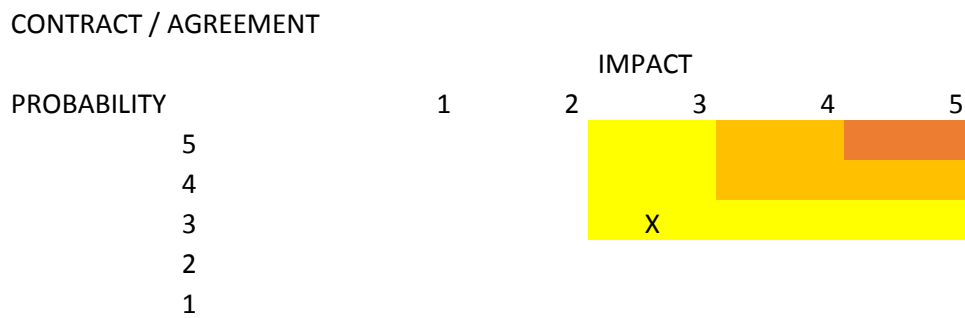
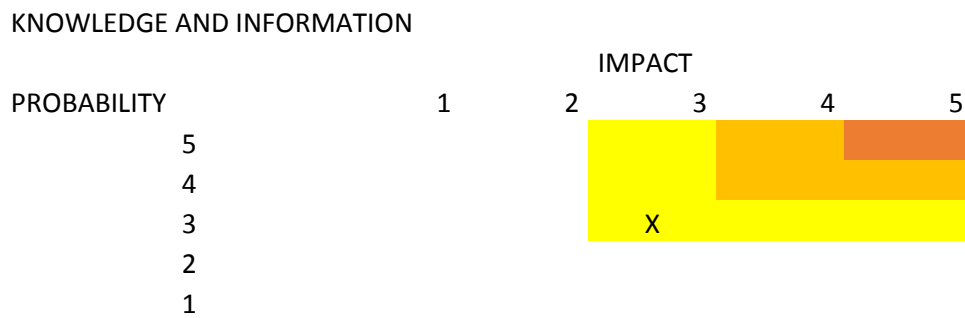
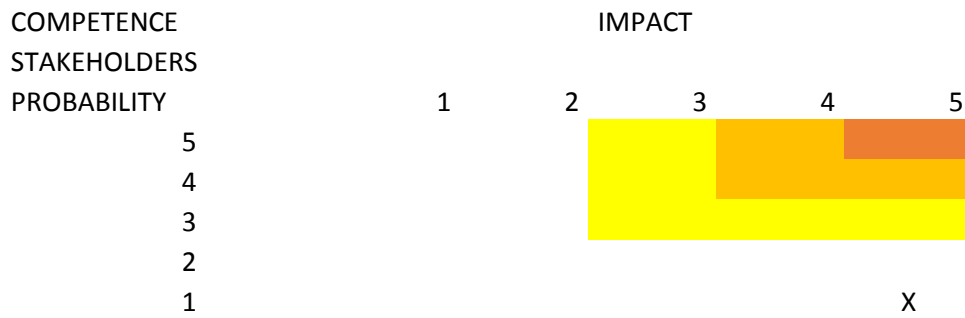
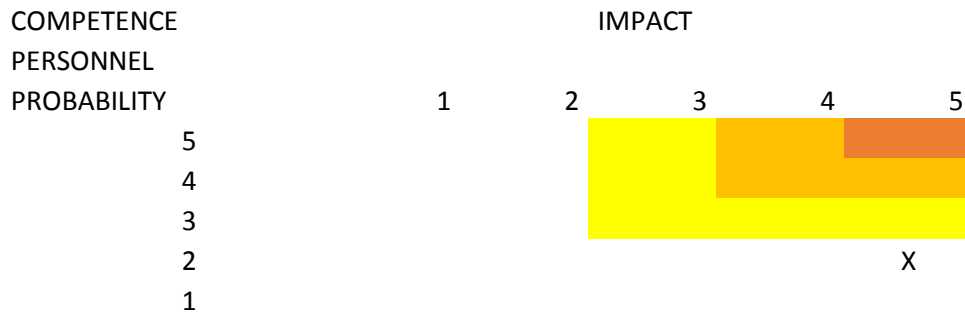
3.4. Risk analysis

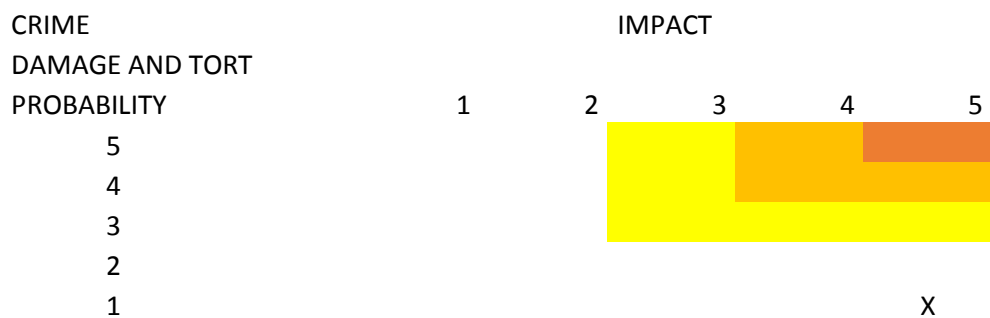
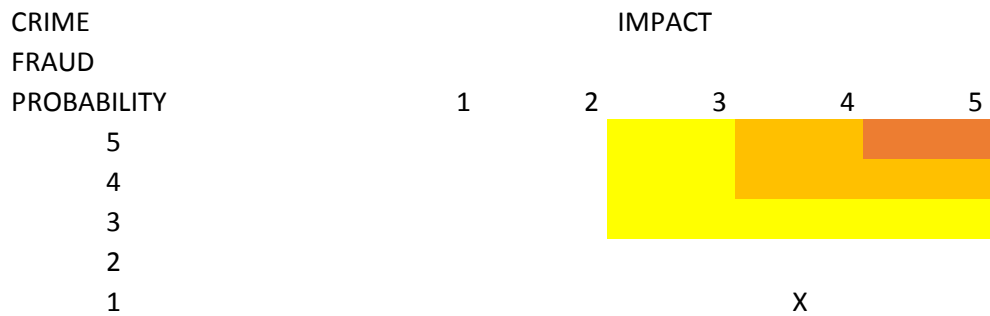
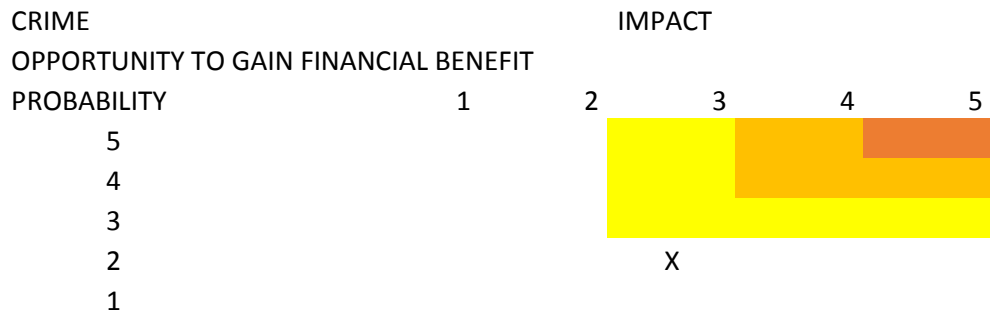
The programme has made an analysis of potential risks.

The following risk types were identified:

1. Risks related to competence. These risks can arise either from
 - the personnel of the programme or
 - the beneficiaries
2. Risks related to information and mainly because of IT.
3. Risks related to contracts. These risks arise from
 - the quality of work of the beneficiaries, (MA) and (BO)
 - the decision-making and evaluation process by experts, (JSC) and (JMC)
 - the implementation, delay of measures and achieved milestones, unforeseen external hinders
4. Risks related to environment
 - internal; project selection and its consequences
5. Risks related to crime
 - opportunity to gain financial benefit
 - fraud
 - damage and tort

After their identification an evaluation of the risks has been done. The risks have been evaluated according to their probability and impact with a scale from 1 to 5 (1 = very low, 5 = very high).





The next step in the risk management of the programme was the planning and implementation of the risk management and mitigation measures per identified risktype.

Risks and the measures for their mitigation

Risks related to competence and the measures for its mitigation:

- qualifications and experience, recruitment, training, competitive salaries, commitment, motivation

Risks related to information

- reliable systems, security, instructions, procedures of verification and tracking, audit trail

Risks related to contracts

- high-class impartial and transparent, decision-making, avoidance of conflict of interest, training, monitoring, clear and reliable procedures
- guarantees, contracts with reliable external experts

Risks related to environment

- flexibility to adapt to new situations and make changes, readiness to adapt the procedures

Risks related to crime

- monitoring, early interference, known preventive procedures
- reliable banks and banking systems, monitoring of the financial situation

Monitoring, follow-up and documentation of potential or realised risks and evaluation of risk management

Based on documented cases and on a regular update of risk management and risk management measures, monitoring and evaluation will be performed and reported to the JMC annually in connection with the draw-up of the annual report.

3.5. Cross-cutting and horizontal issues

The aim is to focus the programme by means of selected themes. Cross-cutting issues are deriving from the themes and they should assist this aim to focus the programme. Environmental sustainability and gender equality are the cross-cutting issues, mentioned among others, in the ENI implementing rules. They are relevant to the programme's themes. The selected cross-cutting issues apply to all project proposals and projects funded by the programme. Concerning cross-cutting issues, every project proposal and project funded will be divided into 3 groups: positive, neutral, and not applicable.

3.5.1. People-to-people

The promotion of local cross-border "people-to-people" actions will be an important modality to be deployed in support of any of the objectives. This could include support for enhanced cooperation among local and regional authorities, NGOs and other civil society groups, universities and schools, chambers of commerce etc.

3.6. Coherence with other national and regional strategies and with other programmes financed by the EU, the Russian Federation or Finland

Because several national and EU strategies are covering and overlapping the programme area, a good coordination and coherence with other policies and programmes is necessary in order to promote synergies and complementarities between them. Coordination and coherence is essential to reach the objectives but also to avoid overlaps in the double financing of identical actions.

In order to promote high effects of the cross-border activities from possible synergies and coherence point of view, as well as information on activity funding, will be regularly exchanged between relevant bodies.

The coordination between national and regional strategies (Russian and Finnish) and programmes will be ensured through an involvement of regional authorities and providing them with services, information, and good practices. A stronger relationship with regional and central level decision-makers will be put in place by organising events during the implementation process.

The coordination with other EU policies and strategies will be carried out by checking the coherence between and towards them. Coordination will be ensured through exchange of information between authorities and bodies in charge of the implementation of programmes.

Main areas where the programme can achieve synergies with other EU and national strategies and programmes will be:

- Innovations and research
- Education
- Economic development and competitiveness of SMEs
- Environment

The coordination and coherence will be done between and towards the strategies and programmes described below.

Russian national and regional strategies

The “Concept for a long-term social and economic development of the Russian Federation until 2020” aims at establishing the ways and methods to ensure constantly improving the well-being of the Russian population, the dynamic development of the economy and a stronger Russian position in a world society.

The “Strategy for a long-term innovative development of the Russian Federation until 2020” aims at helping Russia meet the challenges and threats in the sphere of innovative development. The Strategy determines targets, priorities and instruments of governmental innovation policy. This

Strategy also creates long-term guidelines for the development of innovations, financing framework for fundamental and applied science and support to commercialisation of products.

The “Strategy for tourism development in the Russian Federation until 2020” aims at developing Russian tourism, attracting foreign tourists, reorienting Russian consumers demand towards the domestic tourism, realisation of strategic role of tourism in spiritual development, upbringing patriotism and enlightenment.

The “Ecological Doctrine of the Russian Federation” determines goals, directions, tasks and principles of the policy in the area of environmental protection in the longterm.

Northern Dimension

The Northern Dimension (ND) is a joint policy between four equal partners the European Union, Russia, Norway and Iceland. Geographically, the ND covers North-West Russia, the Baltic Sea and the Arctic region, including Barents region. The Northern Dimension Policy was initiated in 1999 and renewed in 2006. It addresses the specific challenges and opportunities arising in the region and aims to strengthen dialogue and cooperation between the EU and its member states, the northern countries associated with the EU under the European economic area (Norway and Iceland) and Russia. A particular emphasis is placed on ensuring the active participation of all stakeholders in the North, including regional organisations, local and regional authorities, the academic and business communities, and civil society.

The key sectors for dialogue and cooperation under the Northern Dimension are:

- Environment
- Transport and logistics
- Public health and social well-being
- Culture and creative industries
- Academic and business cooperation

The ND cooperation takes place primarily within four partnerships:

1. Northern Dimension Environmental Partnership (NDEP)
2. Northern Dimension Partnership in Public Health and Social Well-being (NDPHS)
3. Northern Dimension Partnership on Transport and Logistics (NDPTL) and
4. Northern Dimension Partnership on Culture (NDPC).

The Northern Dimension Institute (NDI) and Northern Dimension Business Council (NDBC) complement the work of the partnerships.

The Northern Dimension framework is an important part of the overall Baltic Sea and Euro-Arctic region cooperation. It provides a platform for practical, result-oriented cooperation aiming at increasing regional prosperity.

Northern Dimension activities are implemented by various actors and financed from different sources, including the European Union financing instruments and programmes, budget of the Russian Federation, national budgets, international organisations, international financial institutions, regional and local public organisations, and other public bodies.

The views and perspectives underlined in the concept of the Northern Dimension have been taken into account in the South-East Finland – Russia CBC Programme. The Programme will seek to ensure synergies with the Northern Dimension Policy where appropriate and see to it that actions financed by the Programme complement the Northern Dimension framework for cooperation.

EU Strategy for the Baltic Sea Region

The EU Strategy for the Baltic Sea Region is the first comprehensive EU strategy to target an EU macro-region (Sweden, Denmark, Estonia, Finland, Germany, Latvia, Lithuania, and Poland) face several common challenges, which are reflected in the jointly agreed Action Plan for the Strategy. It includes a number of priority areas to save the sea, connect the region and increase prosperity. The Strategy helps to mobilise all relevant EU funding and policies and coordinate the actions of the European Union, EU countries, regions, pan-Baltic organisations, financing institutions and non-governmental bodies to promote a more balanced development of the Baltic Sea Region.

So far, cooperation between regions and other partners, including regions and partners from the Russian Federation, has improved in areas like environmental protection, water quality and innovation. Russian partners worked within the Strategy for social and economic development of the North-West Federal District of Russia.

The programme will exchange information with the relevant policy areas of the EU Strategy for the Baltic Sea Region.

Strategy for social and economic development of the North-West Federal District of Russia

The strategy embraces all spheres of life in the district. The geographic location of the North-West Russia predetermines its active participation in securing economic links of Russia with the European Union. Being an internal instrument of the Russian Federation, the Strategy also has an impact on the participation of Russian regions in Russia - EU cross-border cooperation (CBC) programmes.

According to the action plan of the strategy there are four main objectives:

1. Creation of conditions for effective economic development
2. Removal of transport, energy, information, telecommunication and other infrastructure restrictions
3. Social development
4. Resolution of environmental problems

Arctic Strategy in Russia and Finland

During the last decade, the Arctic has become more and more interesting and its strategic importance has increased in the European Union. Vast natural resources are seen to be a key to develop the European Union self-sufficiency on raw materials. Possibilities to use Northern Sea Routes in the future will open new possibilities for the global markets and European industries.

The Russian Federation is the owner of the largest part of the Arctic space and in practise 1/3 of its land 9 million km², belongs to the northern territories. The development strategy of the Russian Arctic zone for the period up to 2020 was signed on 20 February 2013 by the President of the Russian Federation. A number of objectives of the Strategy for the Development of the Arctic Zone of the Russian Federation and for Safeguarding of the National Security for the period until 2020 could be achieved through the cross-border cooperation, in particular those related to social-economic development, development of science and technologies and international cooperation in the Arctic zone. International cooperation includes among others bilateral and multilateral interaction with the Arctic states with the aim of strengthening relations with them, promoting economic, scientific, cultural and cross-border cooperation. The strategy identifies the key priorities, practices and means to achieve the strategic objectives for the sustainable development of the Russian Arctic.

The European Council recognises Finland as an Arctic country of the EU. Finland's new Strategy for the Arctic Region defines a number of objectives for Finland's Arctic policy. The strategy addresses local residents, education, research, the economy, infrastructure, the environment, stability and international cooperation in the Arctic.

Underlying the review of Finland's Strategy for the Arctic Region is the increased significance of the region and a growing perception of the whole of Finland as an Arctic country. Finland possesses diversified Arctic expertise and it is very much in its interests to be involved in the development of the region. The new strategy is a reflection of the drive to pursue these ambitions.

The new strategy addresses a wide range of issues. It examines the possibilities for bolstering Finland's position regarding the Arctic region; the creation of new business opportunities; the Arctic environment and the region's security and stability; international cooperation; and Arctic expertise in the widest sense of the term. Inherent in the perspectives created by the new strategy

are the four pillars of policy outlined by the Government: an Arctic country, Arctic expertise, Sustainable development and environmental considerations and International cooperation. Together, these elements define Finland's role in the Arctic region. It is Finland's objective to promote growth and actions to enhance competitiveness in the region with due regard to the local environment.

Europe 2020 strategy

Europe 2020 is the strategy to turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion. Europe 2020 is an agenda for the whole Union, taking into account Member States' different starting points, needs and specificities to promote growth for the whole EU. Europe 2020 has three mutually reinforcing priorities: smart growth: developing an economy based on knowledge and innovation, sustainable growth: promoting a more resource efficient, greener and more competitive economy, inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

The EU Sustainable Development Strategy (SDS)

The EU Sustainable Development Strategy (SDS) sets out a single, coherent strategy on how the EU will more effectively live up to its long-standing commitment to meet the challenges of sustainable development. It recognises the need to gradually change our current unsustainable consumption and production patterns and move towards a better integrated approach to policy-making. It reaffirms the need for global solidarity and recognises the importance of strengthening our work with partners outside the EU, including those rapidly developing countries which will have a significant impact on global sustainable development.

Central Baltic

The Central Baltic programme area consists of parts of Finland (incl. Åland), Sweden and Latvia as well as all of Estonia. The programme supports four priorities: Competitive economy, sustainable use of common resources, well-connected region and skilled and socially inclusive region.

The programme supports the sustainable growth of the region and aims at a balance between economic and environmental interests. The means to achieve this goal is to develop and promote the Central Baltic region as a knowledge-based innovative economy, supporting the creation of new companies and promoting the SME entrances to international markets. The focus is on innovations to the business development encouraging entrepreneurial activities of the young generation as well as creating links between the generations of entrepreneurs.

The programme aims to improve the status of the Baltic Sea, reducing pollution from nutrients, hazardous substances and toxins' inflows via jointly developed and implemented new innovative

methods and technologies. The programme also aims to protect and develop the regions' unique, joint natural and cultural heritage, promote sustainable use of marine ecosystems via maritime spatial planning and integrated coastal zone management, as well as to improve urban planning and management. The programme aims to achieve a more inclusive region by strengthening local communities and improving skills, knowledge and social well-being of people, especially of the youth and the elderly. Enhancing the competitiveness of vocational education and training and creating liaisons with the labour market are regarded as essential.

INTERREG Europe

To reinforce the effectiveness of cohesion policy, the INTERREG EUROPE programme promotes exchange of experience on thematic objectives among partners throughout the Union on the identification and dissemination of good practice with a view to its transfer principally to operational programmes under the Investment for Growth and Jobs goal but also, where relevant, to programmes under European Territorial Cooperation (ETC) goal. This will be done via the support and facilitation of policy learning, sharing of knowledge and transfer of good practices between regional and local authorities and other actors of regional relevance. The programme covers the whole territory of the European Union (EU) and Norway and Switzerland.

INTERREG EUROPE is one of the instruments for the implementation of the EU's cohesion policy. With this policy, the EU pursues harmonious development across the Union by strengthening its economic, social and territorial cohesion to stimulate growth in the EU regions and Member States.

The policy aims to reduce existing disparities between EU regions in terms of their economic and social development and environmental sustainability, taking into account their specific territorial features and opportunities. For the 2014-2020 funding period, cohesion policy concentrates on supporting the goals of the Europe 2020 strategy.

Karelia CBC Programme and Kolarctic CBC Programme

Close cooperation with Karelia CBC and Kolarctic CBC programmes is essential during the preparation of the programme, as well as during its implementation. The MAs of Kolarctic CBC, Karelia CBC and South-East Finland – Russia CBC programmes are all located in Regional Councils in Finland. This should enable them to harmonise administrative procedures so that the three programmes develop and use a common management and monitoring system.

The Karelia CBC Programme area covers the regions of Kainuu, North Karelia and Oulu in Finland and the Republic of Karelia in Russia. Adjoining regions are Lapland, North Savo, South Savo and South Karelia in Finland and Murmansk Archangelsk and Leningrad in Russia. As major economic centres, the City of Moscow, the City of Helsinki and the City of St. Petersburg are included in the

Programme. The selected themes of the programme are: TO1 Business and SME development, TO3 Promotion of local culture and preservation of historical heritage, TO6 Environmental protection and climate change adaptation, and TO10 Promotion of border management, and border security.

The area covered by the Kolarctic CBC Programme comprises Lapland in Finland, Norrbotten in Sweden, Finnmark, Troms and Nordland in Norway and Murmansk Oblast, Archangelsk Oblast and Nenets Autonomous District in Russia. Adjoining regions in Kolarctic CBC Programme are Northern Ostrobothnia in Finland, Västerbotten in Sweden and Republic of Karelia and Republic of Komi in Russia. The City of Saint Petersburg in Russia is included in the Programme as a major economic centre. The selected themes of the programme are: TO1 Business and SME development, TO6 Environmental protection and climate change adaptation, TO7 Improvement of accessibility to the regions, development of sustainable and climate-proof transport and communication networks and systems, and TO10 Promotion of border management, and border security.

Regional strategies

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.

The actions financed by the South-East Finland – Russia CBC Programme should be coherent with existing regional and local development plans and the related CBC grants should complement the resources allocated by the concerned regional and local public authorities.

The regions of South Karelia and Kymenlaakso will use their location and the growth potential of Russia for developing businesses, promoting their labour force and expanding their Russia-related knowledge and international education operations.

The vision of Southeastern Finland, i.e. of the regions of South Karelia and Kymenlaakso, is to profile themselves as first class experts of Russia-related services for public and private organisations.

In South Savo, the focus is on the knowledge of Russia, the international education as well as the strengthening the status of the region as a hub of Russia and EU innovation operations.

Universities and colleges form a nationally significant cluster of Russia-related know-how and they promote the competitiveness and growth of the region.

Regional strategies in Russian programme areas

The Regional Development programme for both participating Russian 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 regions. 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 the regional strategies the following issues are emphasised:

- Balanced and innovative regional development, activation of the economically depressed areas, diversification of economy, industrial modernisation.
- Development of the small and medium sized enterprises as well as those directed towards the regional and local markets, development of tourism.
- Transport and logistic systems development.
- Agriculture and food processing industry development.
- Environment protection.
- Development of culture, education, social and health care, youth policy and sport spheres.

Foreign trade ties of the Russian Northwestern federal district with the EU as well as with the other regions of the world are developed to maintain the Russian export and import sectors as well as to create joint-venture enterprises, special economic zones and development of production facilities using Russian and western innovation technologies.

3.7. Lessons learned from the previous Programmes

In order to promote synergies and coherence between cross-border activities and 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. The best possible results both from projects and programmes can be achieved when they are jointly designed for mutual benefit on both sides of the border and their results are achievable and sustainable only through joint action.

The European Regional Development Fund (ERDF) has funded CBC in the programme's border regions (core area) since 1996 under the South-East Finland INTERREG II A programme 1996-1999. The most significant objectives of the programme were 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 of the city of Saint Petersburg and of the Leningrad Region, in the CBC has been funded under the Tacis programme since 1996. In the period from 1996 to 2003, under the Tacis CBC Small Project Facility a total of 134 projects were funded in Russia, out of which the share of Saint 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 the 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 MA 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.

The South-East Finland – Russia ENPI CBC 2007-2013 Programme allowed for funding of joint projects across the border from one financial source, including EU co-financing (financed jointly from the ERDF and the European Neighbourhood and Partnership Instrument, ENPI), Russian co-financing and Finnish co-financing, and with one single administrative procedure and contract. The management of the programme was based on equality and partnership between the participating countries. Besides standard projects a remarkable amount was allocated to large scale investment projects related directly to border crossing.

A number of lessons learned from the CBC cooperation in recent years have been taken into account in the preparation of the South-East Finland – Russia CBC Programme for the period 2014-2020. A Successful cooperation based on mutual benefit can be built on in the Programme by capitalising prior experience, best practices, and achievements. The partners have become accustomed to working together in tasks such as project management, selection and decision making processes. Moreover, a project evaluation system has been created involving a large number of experts from both sides of the border. A large number of both Finnish and Russian

partners have become more familiar with the new way of working at programme management as well as at project implementation levels.

Both the South-East Finland – Russia Neighbourhood Programme 2004-2006 and the ENPI CBC 2007-2013 have made a contribution to the development and deepening of collaboration between participating regions. A large number of discussions and projects involving stakeholders on both sides of the border have emphasised that cooperation in the programme area can be intensified and optimised further through systematic cross-border cooperation. When CBC has already been active for several years, an increased involvement and support at national level has also been evident.

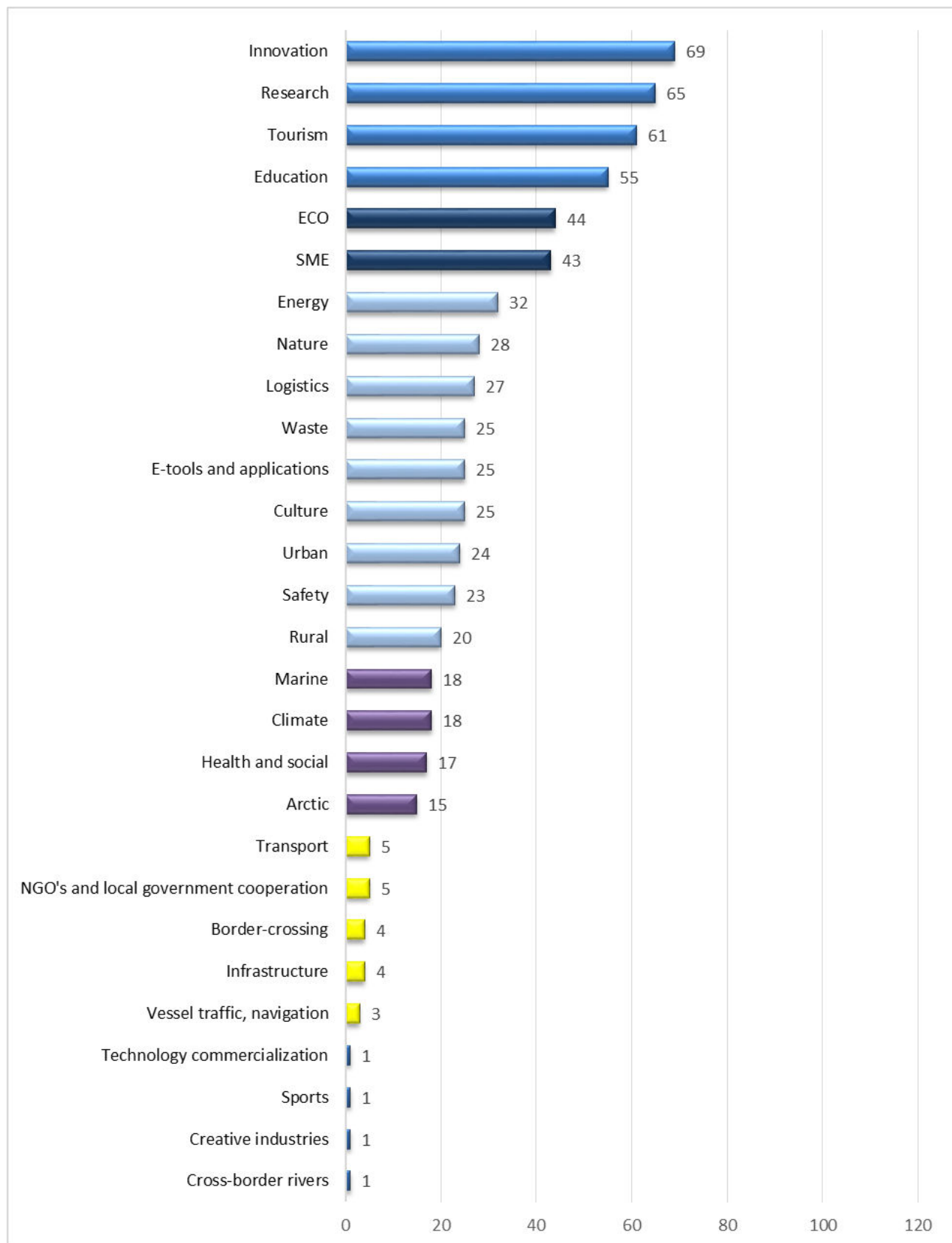
3.8. Information about the consultations and actions taken to involve the participating countries and regions to the preparation

In the context of the development of a cross-border cooperation strategy between South-East Finland and Saint Petersburg and the Leningrad Region, joint themes and 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. These working groups or task forces gathered data and needs of their own area and worked during the whole process. Besides, five large events for regional stakeholders were organised as follows:

Lappeenranta FI	04.03.2014
Mikkeli FI	11.03.2014
Kouvola FI	13.03.2014
Saint Petersburg RU	24.03.2014

(Two events, one for Saint Petersburg and the other one for the Leningrad Region)

Based on these events and on an on-line survey for the stakeholders, the following list of fields of interests was created.



By virtue of its regional character implying the involvement of the regional actors of the Programme area, the South-East Finland – Russia 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 strategies and programmes has been assured in the programming phase and will be ensured during the whole period of implementation of the Programme.

The Programme has some geographical overlap with other CBC programmes such as the INTERREG Baltic Sea Region Programme. The Karelia CBC, Kolarctic CBC, the Estonia/Russia CBC and Latvia/Russia CBC Programmes will also have some geographical as well as “strategic” overlap with the South-East Finland – Russia CBC Programme. However, each of them has been prepared and will be implemented in a distinctive, regional context. By ensuring a close coordination and information exchange between the administrative bodies of these programmes possible overlaps can be avoided and rather synergies and complementary benefits can be achieved between the programmes.

4. STRUCTURES AND APPOINTMENT OF THE COMPETENT AUTHORITIES AND MANAGEMENT BODIES

4.1. Joint Monitoring Committee (JMC)

The Joint Monitoring Committee (JMC) will monitor and follow the programme implementation and progress and may issue recommendations to the MA regarding the programme implementation and evaluation.

The JMC will be set up after the adoption of the JOP by the governments of Finland and the Russian Federation and within three months after the JOP has been adopted by the European Commission and the Government of the Russian Federation.

The JMC will consist of two (2) central government representatives and maximum of four (4) regional level representatives from the core area for Finland at two (2) central government representatives and maximum of four (4) regional level representatives from the core area for Russia. The European Commission will be involved in the work of the JMC as an observer. The JMC may appoint other observers when necessary. The JMC will draw up and adopt its rules of procedure by unanimity. The MA will convene the first meeting of the JMC. The JMC will meet at least once a year. It may also take decisions through a written procedure.

The JMC will in particular:

- (a) approve the MA's work programme and financial plan, including planned use of technical assistance;

- (b) monitor the implementation by the MA of the work programme and financial plan;
- (c) approve the criteria for selecting projects to be financed by the programme;
- (d) be responsible for the evaluation and selection procedure applicable to projects to be financed by the programme;
- (e) approve any proposal to revise the programme;
- (f) examine all reports submitted by the MA and, if necessary, take appropriate measures;
- (g) examine any contentious cases brought to its attention by the MA.
- (h) examine and approve the annual report;
- (i) examine and approve the annual monitoring and evaluation plan;
- (j) examine and approve the annual information and communication plans;
- (k) make the final approval of the projects to be funded.

In its work the JMC complies with the principles of transparency, confidentiality, equal treatment, impartiality, non-discrimination, objectivity, fair competition, and the programme rules.

The JMC nominates a JSC acting under its responsibility. (see below chapter 4.2.JSC).

The travel and accommodation expenses of the members of the JMC can be covered from the Programme's Technical Assistance budget. Expenses of invited experts can also be covered if needed. The procedures will be defined in JMC's Rules of Procedures.

4.2. Joint Selection Committee (JSC)

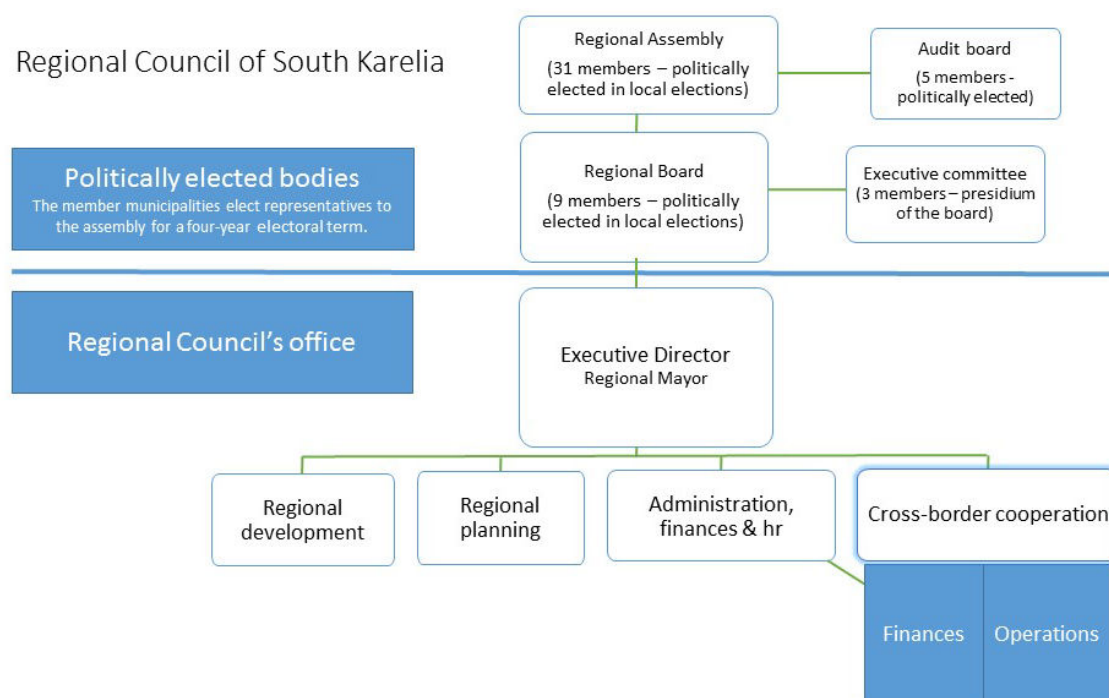
The Joint Selection Committee (JSC) will consist of maximum four (4) regional level representatives from the core areas of each participating country and of one representative of each national authority. The representatives will be appointed on functional (organisational) basis and not on personal basis. The JMC may appoint observers to the JSC when necessary. The project selection will be delegated to the JSC. It will provide the JMC with recommendations. The JMC will approve the selection criteria, the evaluation procedures and selection procedures as well as the result of the selection.

The JMC will draw up and adopt the rules of procedure of JSC by unanimity. The MA will convene the meetings of the JSC. The JSC will meet according to annual plan of the calls for proposals. The JSC may also make decisions through a written procedure. The JSC will make its decisions in unanimity and without voting.

The travel and accommodation expenses of the members of the JSC can be covered from the Programme's Technical Assistance budget. Expenses of invited experts can also be covered if needed. The procedures related to travel and accommodation expenses coverage will be defined in the JSC's Rules of Procedures.

4.3. Managing Authority (MA)

Organigram of the MA



The countries participating in the South-East Finland – Russia CBC Programme have jointly decided that the Regional Council of South Karelia from Finland will act as the MA of the programme and thus ensure continuation of practices developed in the management of the South-East Finland - Russia ENPI CBC Programme during the programme period 2007-2013. As programme body of the new programme its specific mandate will be established after the JMC has been appointed.

The Regional Council of South Karelia is a statutory joint municipal authority. It operates as an authority for regional development and spatial planning and looks after the interests of the region and its communities. The Regional Council of South Karelia has acted as Joint Managing Authority starting for the INTERREG II A Programme during the period 1996-1999, then of the INTERREG III A Programme / Neighbourhood Programme 2000-2006 and then of the South-East Finland – Russia ENPI CBC programme 2007-2013.

The final designation of the Regional Council of South Karelia as MA will be done by the Ministry of Employment and the Economy of Finland after the EC and the participating countries' approval of the JOP. The estimation of the designation is 1st semester of 2016. The designation will be based on a report and an opinion of the controller unit of the Finnish Ministry of Finance, which will act as the AA of the programme. The report and opinion of the AA assess the compliance of the management and control systems (MCS) with the designation criteria laid down in ENI CBC

Implementing rules. The AA will carry out its work in accordance with internationally accepted audit standards.

The MA will be responsible for the management and implementation of the joint operational programme in accordance with the principle of sound financial management and for ensuring that the decisions of the JMC comply with the regulations and provisions in force, and are carried out. To this end, it will put in place appropriate management, control and accounting systems and standards.

The Regional Council of South Karelia, as MA of the South-East Finland - Russia CBC Programme, will produce a detailed description of the procedures and organisation of the MA and of the programme. The procedures will be set in a description of the management and control systems.

As regards the programme management, the MA will:

- support the work of the JMC;
- contact with NAs and give all needed information about projects and programme on request;
- draw up and submit annual reports and the final report to the European Commission and governments of the participating countries;
- share information with AA and beneficiaries and audit bodies of participating countries that is relevant to the execution of their tasks or project implementation;
- establish and maintain a computerised system to record and store data on each project necessary for monitoring, evaluation, financial management, control and audit, including data on individual participants in projects;
- carry out, where relevant, environmental impact assessment studies at programme level;
- implement the information and communication plans and the monitoring and evaluation plans.

As regards the selection and management of projects, the MA will:

- draw up and launch the approved selection procedures;
- manage the project selection procedures;
- provide the lead beneficiary with a document setting out the conditions for support for each project including the financing plan and execution deadline;
- sign contracts with lead beneficiaries;
- manage contracts / projects and in problematic cases contact with all project partners to promote to resolve the problems;
- by the request of the Russian project beneficiary or project partners provide confirmation about participation of a named organisation in a project that has been awarded by the Programme in order to assist the Russian partners to apply for the tax and customs duty exemption.

As regards the technical assistance, the MA will:

- manage the contract award procedures;
- sign contracts with contractors;
- manage contracts.

As regards the financial management and control of the programme, the MA will:

- verify that services, supplies or works have been performed, delivered and/or installed and whether expenditure declared by the beneficiaries has been paid by them and that this complies with applicable law, programme rules and conditions for support of the projects;
- ensure that beneficiaries involved in project implementation maintain either a separate accounting system or a suitable accounting code for all transactions relating to a project;
- put in place effective and proportionate anti-fraud measures taking into account the risks identified;
- set up procedures to ensure that all documents regarding expenditure and audits required to ensure a suitable audit trail are held in accordance;
- draw up the management declaration and annual summary;
- draw up and submit payment requests to the EC;
- draw up the annual accounts;
- take account of the results of all audits carried out by or under the responsibility of the AA when drawing up and submitting payment requests;
- maintain computerised accounting records for expenditure declared to the Commission and for payments made to beneficiaries;
- keep an account of amounts recoverable and of amounts reduced following cancellation of all or part of the grant.

Verifications will include the following procedures:

- administrative verifications for each payment request by beneficiaries;
- on-the-spot project verifications.

The frequency and coverage of the on-the-spot verifications will be proportionate to the amount of the grant to a project and the level of risk identified by these verifications and audits by the AA for the management and control systems as a whole. On-the-spot project verifications may be carried out on a sample basis.

The personnel of the MA will be nominated according to the rules and procedures of the Regional Council of South Karelia and, in case of sub-contracting, according to the decisions of the JMC. It is recommended that Russian or Russian-speaking persons participate in the work of MA. Despite of nationality all staff recruited by the Regional Council of South Karelia to the MA has equal privileges.

4.4. National Authorities in participating countries (NA)

Both countries have appointed NA to support the MA in the management of the Programme in accordance of sound financial management.

NA will be responsible for the set up and effective functioning of management and control systems at national level. The NA will also assist the MA in the recovery process and they will support the MA in the prevention, detection and correction of irregularities by notifying irregularities without delay to the MA and the Commission and keep them informed of the progress of related administrative and legal proceedings.

NAs will ensure the overall coordination of the institutions involved at national level in the programme implementation, including, inter alia, the institutions acting as CCPs and as members of the group of auditors.

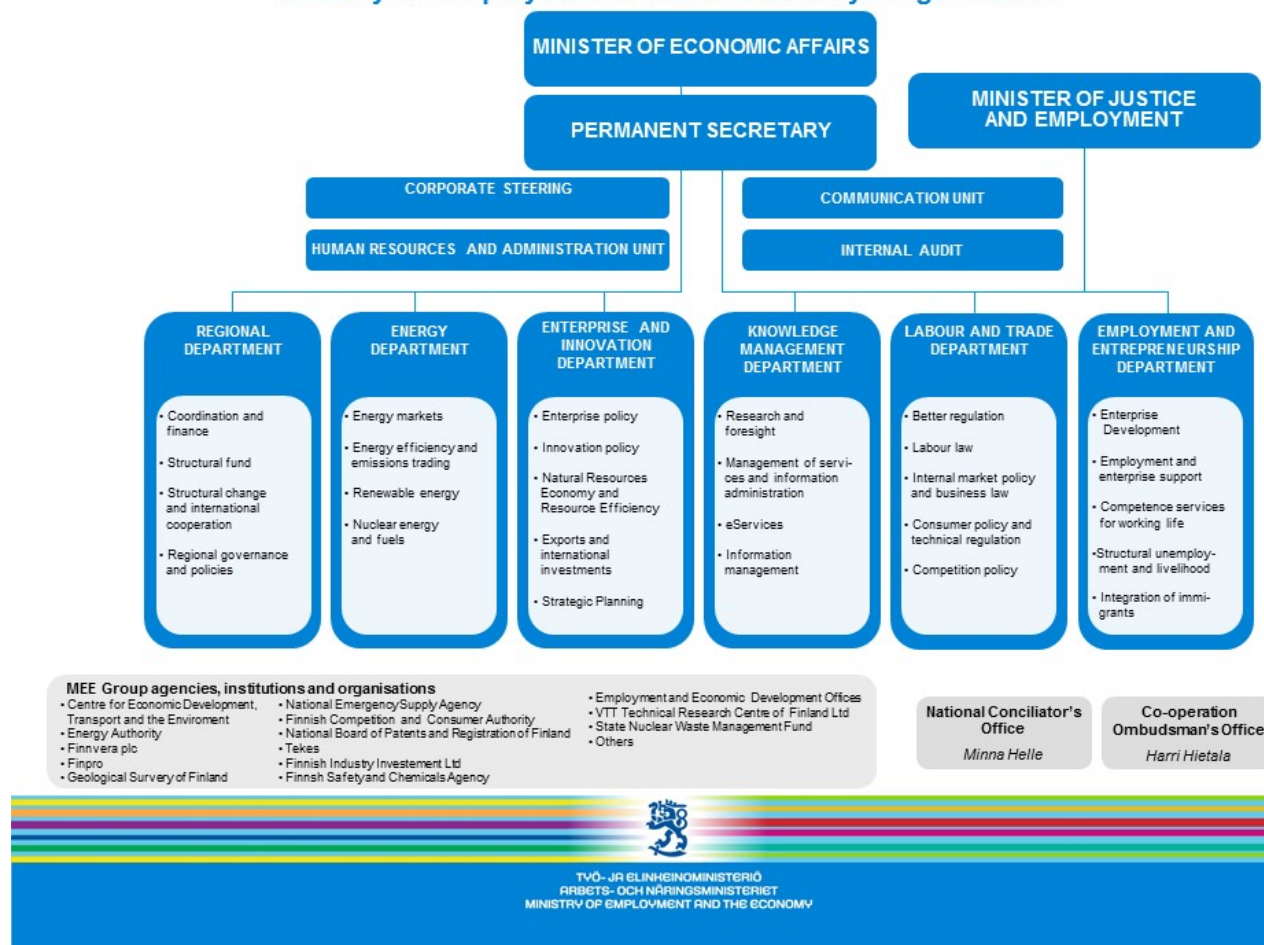
The NA will also represent the country in the JMC.

The NA for the Russian Federation is the ultimate responsible body for implementing the provisions set out in the South-East Finland – Russia CBC financing agreement to be signed between the Russian Federation, the European Union and Finland.

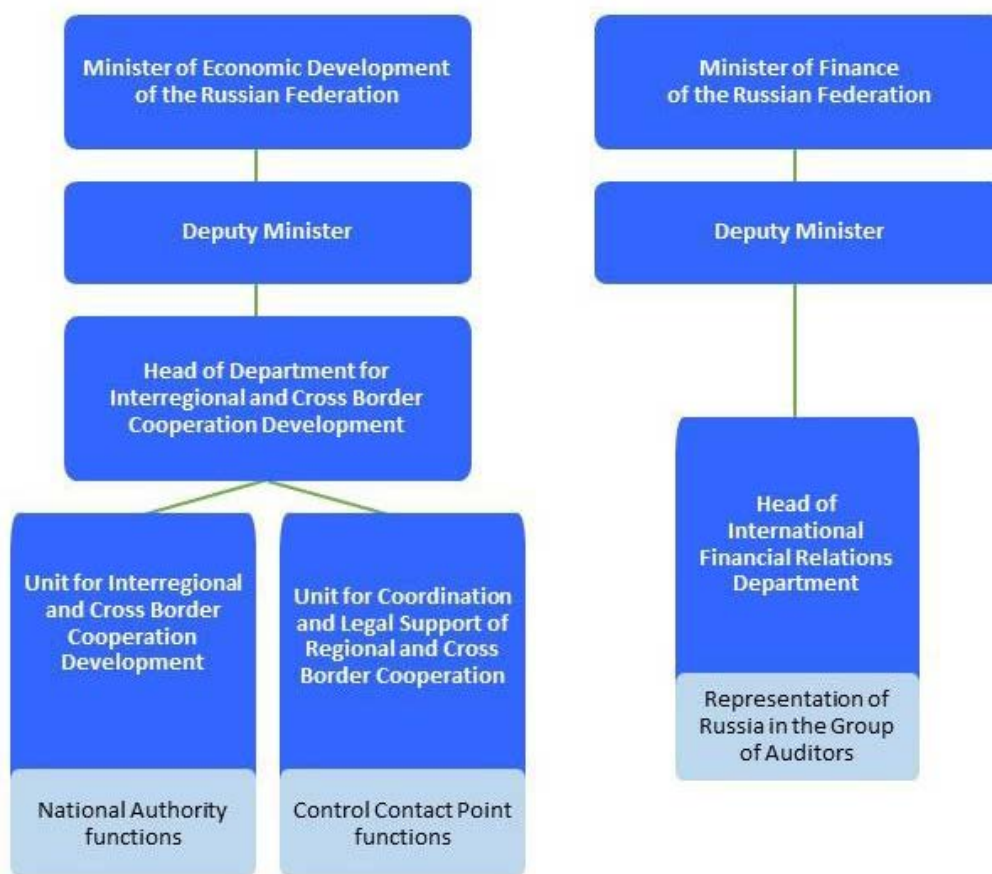
Participating Countries have nominated the following organisations to act as NA in South-East Finland - Russia CBC Programme:

Russia:	Ministry of Economic Development of the Russian Federation, Department for Interregional and Cross-Border Cooperation Development, Unit for Interregional and Cross Border Cooperation Development
Finland:	Ministry of Employment and the Economy, Regional Development Department, group of structural change and international cooperation

Ministry of Employment and the Economy: Organisation



Finland: Ministry of Employment and the Economy



Russian Federation: Ministry of Economic Development and Ministry of Finance

4.5. Branch Office (BO)

The participating countries have jointly decided to establish a Branch Office (BO) in Saint Petersburg. The BO will be set up by the JMC. Members of the JMC will provide recommendation concerning the organisation of the BO and the selection of the head of the BO. MA will sign the contract with the branch office and take care of the recruitment of the personnel with requisite consideration of the recommendations provided by the Russian members of the JMC. All agreements with the hosting organisation and requirements specification should be align with the Russian legislation and agreed by the Russian NA. The level of salaries will take into account the level of qualification and expertise required by the position/s.

The BO will work in cooperation and under guidance of the MA.

The BO will:

- a. assist the Programme's MA in fulfilling its Programme management tasks on the Russian side

- b. assist the MA in the project selection procedures and in the follow-up and monitoring of on-going projects.
- c. work with communication and information in line with the Programme's communication strategy and annual communication plans
- d. send reports on programme implementation to the Russian authorities on quarterly basis and at their request
- e. provide information to project partners and give guidance to potential applicants
- f. assist the national and regional authorities in their work with the Programme
- g. assist MA in its contacts with the Russian beneficiaries
- h. organise events on the Russian side of the Programme area; the events and the participation of Russian authorities in programme events etc. will be covered from the TA budget
- i. participate in the process of project evaluation.

Procurement rules related to the running costs of above mentioned ordinary functions and applied by the branch office will be described in the financial agreement.

4.6. Audit Authority (AA) and the members of the Group of Auditors

The participating countries have appointed the Government financial control function of the Ministry of Finance (Finland) to act as the AA for the South-East Finland – Russia CBCProgramme.

The AA will develop an audit strategy and submit it to the European Commission and to the Government of the Russian Federation within nine (9) months of the signature of the financing agreement. The AA will ensure that audits are carried out on the management and control systems, on an appropriate sample of projects and on the annual accounts of the programme. The AA will ensure that the audit work complies with internationally accepted auditing standards.

The AA will be assisted by a Group of Auditors comprising a representative of each participating country in the programme. The Group of Auditors will be set up within three months of the designation of the MA. It will draw up its own rules of procedures and will be chaired by the AA appointed for the Programme.

The Ministry of Finance of the Russian Federation will represent Russia in the programme's Group of Auditors and the Finnish member will be appointed by the Ministry of Employment and the Economy.

The Ministry of Finance of the Russian Federation and other audit bodies of participating countries may conduct documentary and on-the-spot checks on the use made of the Programme funding and may carry out full audits, throughout the duration of financing agreement and for seven years after the date of the last payment according to the principles defined in the financing agreement.

4.7. Control Contact Points (CCPs) in participating countries

The participating countries have nominated the following organisations to act as CCPs:

Finland:	Ministry of Employment and the Economy, Regional Development Department, Coordination and Finance Group
Russia:	Ministry of Economic Development of the Russian Federation, Department for Interregional and Cross Border Cooperation Development, Unit for Coordination and Legal Support of Regional and Cross Border Cooperation

Control systems are described in chapter 5.1. in more detail.

The CCPs will support the MA to fulfil its project level control and verification tasks. The CCPs will provide information and clarifications on the national rules that have consequences on the manner in which audits or additional checks on projects are conducted. The CCPs also help the MA to organise trainings for projects' auditors if necessary and receives information about the quality of expenditure verifications from the MA.

5. PROGRAMME IMPLEMENTATION

5.1. Summary description of management and control systems

The South-East Finland – Russia CBC Programme will be implemented in shared management with Finland and Russia. The general principles governing the management and control systems are functionality, including segregation of functions within each body and internal organisation in compliance within the principle of segregation of functions between and within the bodies.

The Management and control systems will include procedures for ensuring correctness and regularity of expenditure declared, electronic data systems for accounting, storage, monitoring and reporting. The functionality of the management and control systems, including arrangements for auditing and adequate audit trail, will be ensured by MA.

Procedures for prevention, detection and correction of irregularities, including fraud and the recovery of amounts unduly paid, together with any interest will be included in the management and control systems. Furthermore, management and control systems will include contract award procedures for technical assistance and project selection procedures, as well as the role of NAs and responsibilities of the participating countries.

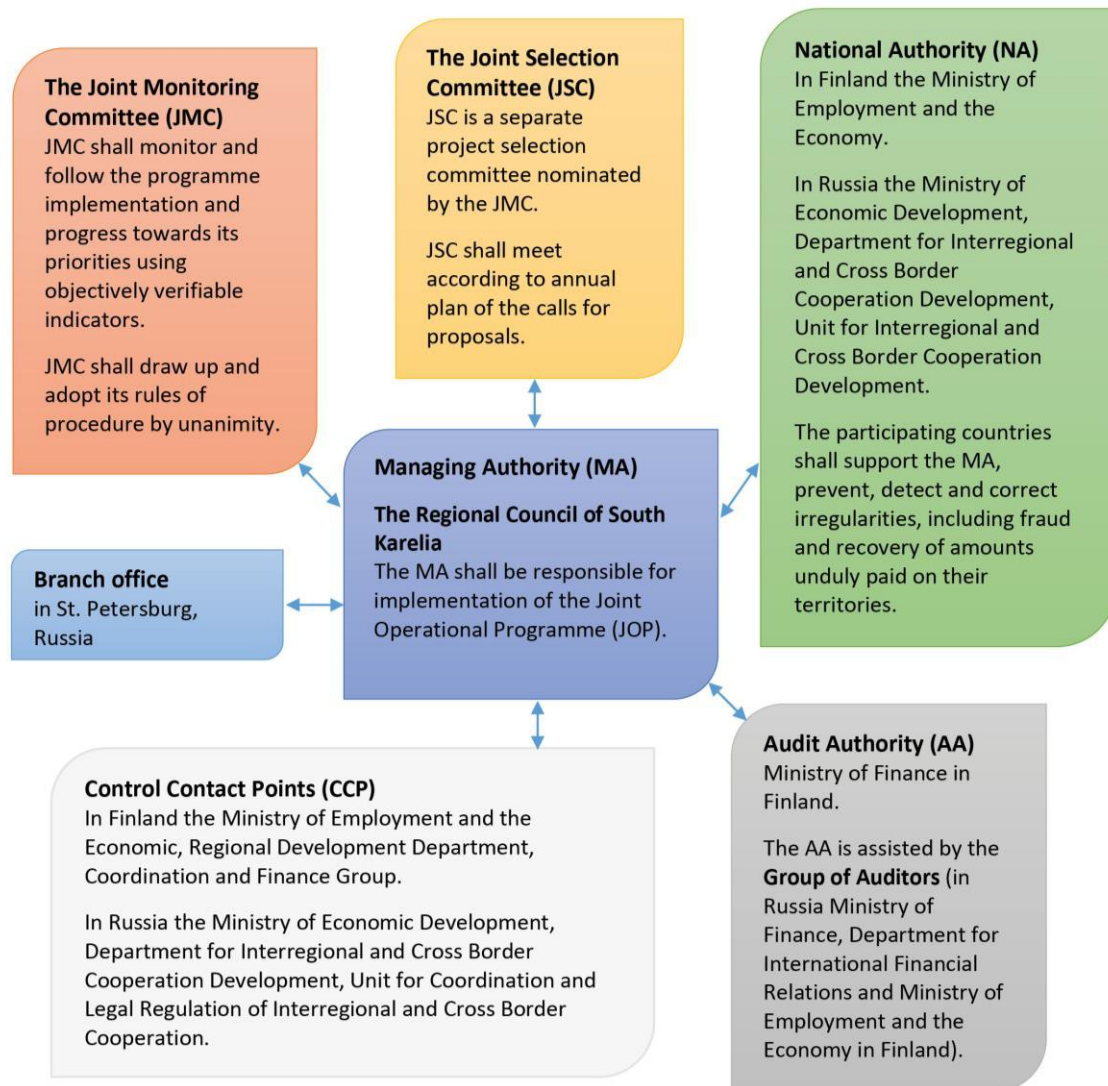
The MA will ensure that the management and control systems for the programme are set up in accordance with the provisions of the rules and that these systems function effectively, efficiently and economically. The AA will ensure that audits are carried out on the management and control systems, on an appropriate sample of projects and on the annual accounts of the programme.

Each participating country will appoint a NA, a CCP, a representative to the Group of Auditors and representatives to the JMC.

Bodies involved in the management and control of the programme

Structure	Institution	Department within this institution
JMC	TBC	
JSC	TBC	
MA	Regional Council of South Karelia	
Programme's BO in Saint Petersburg	TBC	
NA Finland	Ministry of Employment and the Economy	Regional Development Department, Group of structural change and international cooperation
NA Russia	Ministry of Economic Development of the Russian Federation	Department for Interregional and Cross Border Cooperation Development, Unit for Interregional and Cross Border Cooperation Development
AA	Ministry of Finance, Finland	Government Financial Control Function
Member of the Group of Auditors Finland	Ministry of Employment and the Economy, Finland	
Member of the Group of Auditors Russia	The Ministry of Finance of the Russian Federation	International Financial Relations Department
CCP Finland	Ministry of Employment and the Economy	Regional Development Department Coordination and Finance Group
CCP Russia	Ministry of Economic Development of the Russian Federation	Department for Interregional and Cross Border Cooperation Development, Unit for Coordination and Legal Support of Regional and Cross Border Cooperation

Management and Control system and project selection bodies



The functions of each body involved in the management and control of the Programme

A full description of the Management and Control systems will be prepared taken into account the requirements laid down in the Implementation Regulation after approval of the JOP document.

The South-East Finland – Russia CBC Programme will be managed and controlled by the following programme bodies: JMC, JSC, MA, NAs in Finland and Russia, BO, AA (assisted by the Group of Auditors) and CCP in each participating country.

The JMC will carry out the tasks defined in chapter 4.1. It will in general monitor and follow the Programme implementation. The JMC will be also responsible for the final evaluation and selection procedures of projects to be financed under the Programme. The JMC will set up a separate Selection Committee. The JMC will be set up after the approval of the JOP by the governments of Finland and Russia and within three months after the JOP has been adopted by the EC. Detailed responsibilities of the JMC members as well as the rules for the Committee's work will be defined in the Rules of Procedures which will be adopted at the first JMC meeting.

Both Finland and Russia have nominated NAs, which represent the country in the JMC. NAs support the MA in the management of the Programme in accordance with the principle of sound financial management. NAs also ensure the coordination of the institutions involved at national level in the Programme implementation.

The MA will carry out the majority of day-to-day tasks related to the overall Programme implementation. The MA works according to the annual work Programme, which is approved by the JMC. Segregation of duties is ensured by dividing the MA personnel between operational and financial units. Tasks of staff members will be stipulated in individual job descriptions. The tasks of the MA have been described in chapter 4.3.

The MA is closely assisted by and linked with the Programme's BO in Saint Petersburg. The Programme's BO will work under the supervision of the MA. The tasks of the BO have been described in chapter 4.5.

The AA will ensure that audits are carried out on the management and control systems, on an appropriate sample of projects and on the annual accounts of the Programme. The AA is assisted by the Group of Auditors. Responsible bodies and their functions are described in chapter 4.6.

CCPs will support the MA to fulfil its project level control and verification tasks. CCPs will provide information and clarifications on national rules. Description of CCPs is in chapter 4.7.

Procedures for ensuring the correctness and regularity of expenditure declared

Expenditure declared by the beneficiary in support of a payment request will be examined as a general rule by private auditors. In cases where the private auditor does not have a legal right to audit the accounts of the beneficiary, the examination may be conducted by a competent public officer being independent from the beneficiary. The auditors or the competent public officers will examine whether the costs declared by the beneficiary and the revenue of the project are real, accurately recorded and eligible in accordance with the grant contract.

Examination will be performed on the bases of an agreed-upon procedure which will be in accordance with the ISRS 4400 (International Standard on Related Services) and Code of ethics of IFAC (International Federation of Accountants). For public officers, those procedures and

standards will be laid down at national level taking into account the international standards. The auditor has to meet at least one of the following requirements:

- a. be a member of a national accounting or auditing body or institution which in turn is member of IFAC;
- b. be a member of a national accounting or auditing body or institution. Where this body is not a member of IFAC, the auditor will commit to undertake the work in accordance with IFAC standards and ethics;
- c. be registered as a statutory auditor in the public register of a public oversight body in a EU Member State in accordance with the principles of public oversight set out in Directive 2006/43/EC
- d. be registered as a statutory auditor in the public register of a public oversight body in a CBC partner country, provided this register is subject to principles of public oversight as set out in the legislation of the country concerned.

The auditors meeting the abovementioned criteria are proposed by the project stakeholders.

In addition to the verification performed by the auditors, the MA may perform its own verifications on the financial management and control of the programme and on-the-spot verifications on projects. The MA's verification tasks have been described in chapter 4.3. The Programme's BO may assist the MA to perform the on-the-spot verifications on the Russian side. NAs and CCPs will support the MA in its control tasks.

The AA will ensure that audits are carried out on an appropriate sample of projects to ensure the functionality and reliability of the control and verification system.

Arrangements for auditing the functioning of the management and control systems

The AA will carry out the audit on management and control systems. Management and control systems are checked and audited by the AA first time during the designation process of the MA.

In the annual report the MA will send a management declaration which confirms that the information in the annual report is properly presented, complete and accurate; the expenditure was used for its intended purpose and the control systems put in place give the necessary guarantees concerning the legality of the underlying transactions. The annual report also includes information about the controls carried out by the MA including an analysis of the nature and extent of errors and weaknesses identified in systems as well as corrective actions planned.

The AA's opinion on the Programme's annual accounts will be included into the Programme's annual report. The audit opinion on the annual accounts given by the AA will ensure that the accounts give a true and fair view, the related transactions are legal and regular and the control systems put in place function properly. The AA also provides on annual basis a summary about the

audits carried out including an analysis of the nature and extent of errors and weaknesses identified, both at system level and for projects.

Regional Council of South Karelia (MA) has an internal auditor. The internal auditor will ensure that the procedures agreed-upon are applied by the MA.

Systems and procedures to ensure an adequate audit trail

The procedures for contracting, reporting and payments are built to ensure adequate audit trails. The grant contract is based on the application with a clear activity plan and related budget. Reporting by the beneficiaries is based on the signed grant contract and activities implemented accordingly. The expenditure declared has to originate from the project plan with an earmarking in the project budget. The bookkeeping by the beneficiaries is organised according to sound financial management principles. All the costs reported and declared by the beneficiaries have to be marked to the beneficiaries accounting and the original invoices have to be available.

Both the MA and the beneficiaries will keep all documents related to the Programme or a project for five years from the date of payment of the balance for the Programme. In particular they will keep reports, supporting documents, as well as accounts, accounting documents and any other document relating to the financing of the programme and projects.

Procedures for prevention, detection and correction of irregularities including fraud and the recovery of amounts unduly paid together with any interest

The MA will in the first place be responsible for preventing and investigating irregularities and for making the financial corrections required and pursuing recoveries. In the case of a systemic irregularity, the MA will extend its investigation to cover all operations potentially affected. Key tools to prevent the irregularities are the regular reports by the projects – including also audit reports / expenditure verification reports, additional verifications and on-the-spot checks by the MA and the BO, regular monitoring of the progress of operations and also the sample checks organised by the AA.

The MA will make the financial corrections required in connection with individual or systemic irregularities detected in projects, technical assistance or in the Programme. Financial corrections will consist of cancelling all or part of the Programme contribution to a project or to technical assistance. The MA will take into account the nature and gravity of the irregularities and the financial loss and will apply a proportionate financial correction. Financial corrections will be recorded in the annual accounts by the MA for the accounting year in which the cancellation is decided.

Where the recovery relates to a breach of legal obligations on the part of the MA, the MA shall be responsible for reimbursing the amounts concerned to the EC or NAs. Where the recovery relates

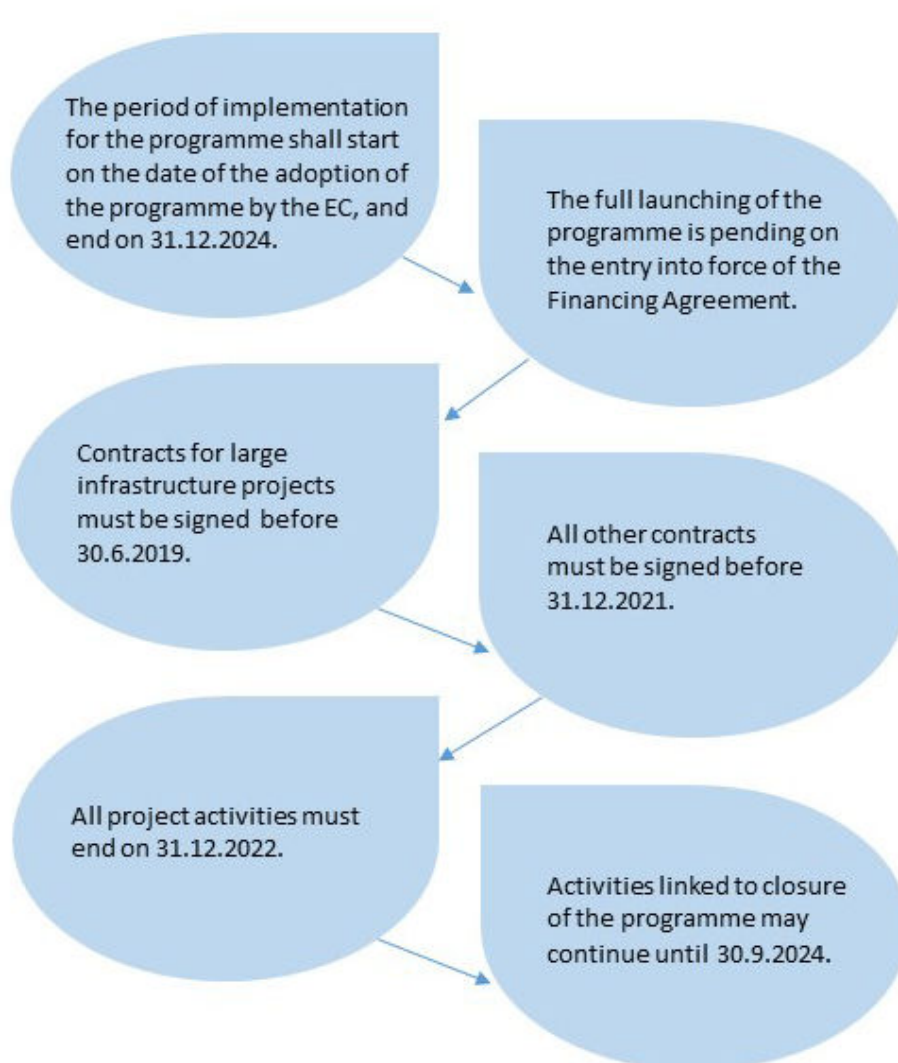
to systemic deficiencies in the Programme management and control systems, the Programme participating countries will jointly bear the financial liability, whereby each participating country shall be responsible in proportion to the Programme funds paid out to beneficiaries per participating country.

The MA will be responsible for pursuing the recovery of amounts unduly paid. The MA will recover the amounts unduly paid together with any interest on late payment from the lead beneficiary. The concerned beneficiaries will repay the lead beneficiary the amounts unduly paid in accordance with the partnership agreement signed between them. If the lead beneficiary does not succeed in securing repayment from the concerned beneficiary, the MA will formally notify the latter to repay to the lead beneficiary.

Where the recovery relates to a claim against a beneficiary established in Finland or in another EU member state and the MA is unable to recover the debt, the state of Finland or in case of another EU member state that state will pay the due amount to the MA and claim it back from the beneficiary.

Where the recovery relates to a claim against a beneficiary established in the Russian Federation and the MA is unable to recover the debt, the responsibility and procedures will be such as laid down in the financing agreement.

5.2. Timeframe of the Programme implementation



The period of implementation for the programme will start on the date of the adoption of the Programme by governments of Finland and Russia and on the date of the adoption by the European Commission and end on 31 December 2024 at the latest. The preparatory actions to set up the management and control systems will be started after the submission of the JOP to the Commission. The full launching of Programme activities is pending on the entry into force of the financing agreement.

Contracts for large infrastructure projects have to be signed before 30 June 2019. All other contracts have to be signed before 31 December 2021. All project activities will end on 31 December 2022 at the latest. Activities linked to the closure of the Programme may continue until 30 September 2024.

5.3. Description of project selections procedures

The projects of the South-East Finland – Russia CBC Programme are selected either through call for proposals or as direct awards without call for proposals. Proposals with direct award are described in chapter 5.4.

Calls for proposals may be organised as follows:

- open call; applicants submit a complete application with all required annexes; or
- two-step approach: applicants first submit a concept note. The concept notes are evaluated and those applicants with the best scores will be invited to submit a complete application.

The JMC is responsible for the evaluation and selection procedures applicable to projects to be financed by the programme and the MA for managing the selection procedures. Key principles, such as equal treatment and transparency, non-discrimination, objectivity and fair competition are respected in the project selection process and the same rules and conditions will be applied to all applicants.

The JMC approves the annual plan for the call for proposals as well as the guidelines for call for proposals. Projects are selected on the bases of pre-announced eligibility, selection and award criteria which are defined in the evaluation grid in the guidelines. Only the projects that pass the administrative and eligibility checks will continue to further evaluation on the bases of selection and award criteria.

The MA and the staff of the BO will conduct the eligibility evaluation (technical and administrative check). This check will assess whether the project satisfies all the administrative criteria mentioned in the checklist in the guidelines of the calls for proposals. Eligibility criteria determine the conditions for participating in calls for proposals. Eligibility criteria relates to the eligibility of the applicant and its partners as well as to the eligibility of proposed activities.

The selection criteria assess the applicant's financial and operational capacity to complete the proposed action and assure that the applicant has stable and sufficient sources of funding to maintain its activity throughout the whole period during which the project is being carried out and to participate in its funding. Applicants' and their partners' professional competencies and qualifications will be evaluated.

Award criteria assess the quality of proposals against the set objectives and priorities, so that grants are awarded to the actions that maximise the overall effectiveness of the call for proposals and the grants are awarded avoiding any conflict of interests.

Eligibility and evaluation criteria specified in the guidelines (= programme manual) for the calls for proposals will be applied for the whole programme period as they have been published and will not be changed in the course of the procedure. The programme manual is published on the date when the calls for proposals are opened.

Each project has a Lead Partner who has the responsibility for the submission of the application and for the implementation of the entire project. Project applications are submitted by the Lead Partner to the MA within the electronic information and management system PROMAS.

After the call for proposals has been closed an eligibility evaluation (technical and administrative check) is conducted to applications by the MA assisted by the Programme's BO. The applications that do not pass the eligibility evaluation will be rejected and will not proceed to further evaluation.

Projects that passed the eligibility evaluation will be evaluated against the selection and award criteria. The regional authorities (= regional assessors) in cooperation with the MA and the BO evaluate the quality of applications (quality of the project plan, quality of the logical framework, quality of partnerships and the cost-effectiveness). If needed the MA may use external experts as assistants upon decision of the JMC. The regional assessors evaluate the relevance. Relevance evaluation includes: relevance of the content in relation to regional / national / joint strategies, relevance of partnership, relevance of timing of the implementation, relevance of the implementation and reachability of the set goals, correspondence of project's planned results to the Programme's indicators.

The MA will send approved and eligibility checked applications with the quality evaluation scores to the JSC for evaluation and for preparation of recommendation of selection to the JMC. The JSC gives scores and ranks the project proposals according to the total scores received and draws up a recommendation to the JMC.

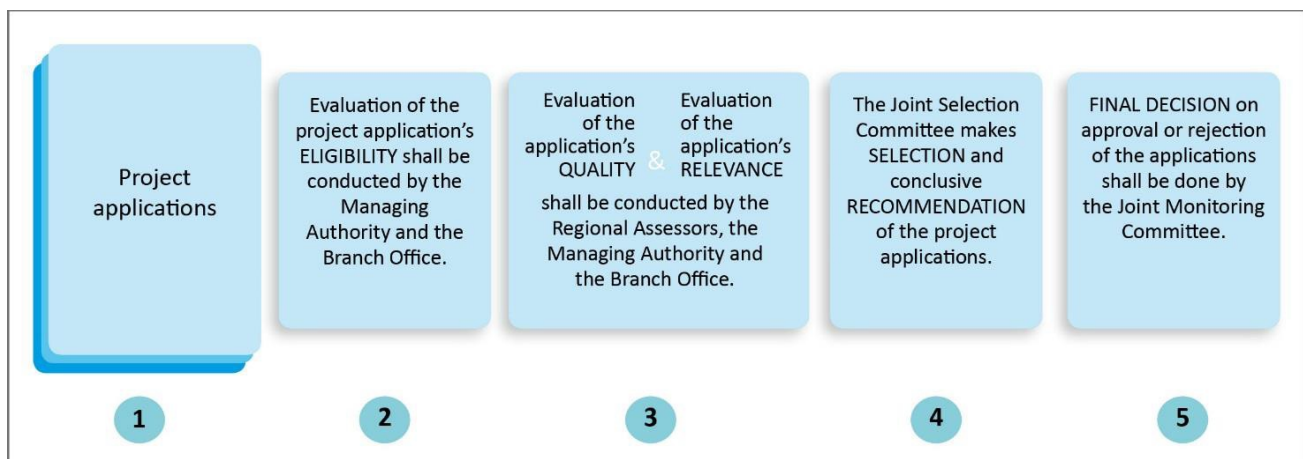
The JMC makes the final approval from the conducted evaluations described above. The JMC creates the final list of projects to be financed and may also create a reserve list consisting of projects fulfilling the selection criteria but rejected because of the lack of funds. The description of the selection procedure and the roles of different bodies in the process will be described in the DMCS and the rules of procedures of the JSC and JMC in detail.

All applicants will be informed about the results of the selection process. If the grant requested is not awarded, the MA will provide reasons for the rejection of the application with reference to the selection and award criteria that are not met by the application. A list of contracts awarded will be published by the MA on the Programme's websites.

The MA prepares the grant contracts for the selected proposals after the final technical and legal checks. The contract will be signed by the MA and the Lead Partner. All necessary information for the implementation of a project will be annexed to the contract.

The MA may consult the project proposals with the EC in order to avoid any double funding of projects and to identify possible synergies before the JSC meetings.

Application selection procedure in the South-East Finland - Russia CBC 2014-2020 Programme



5.4. Description of types of support

Direct award / Large infrastructure projects

Projects awarded without call for proposals, i.e. direct awards will be limited to large infrastructure projects with clear connection to cross border cooperation and to the thematic objectives of the programme. Projects may be awarded without a call for proposals only in the following cases and provided this is duly substantiated in the award decision:

- a. the body to which a project is awarded enjoys a de jure or de facto monopoly;
- b. the project relates to actions with specific characteristics that require a particular type of body based on its technical competence, high degree of specialisation or administrative power.

Programming Committee has identified the following large infrastructure projects which could be funded without call for proposals through direct award:

INDICATIVE LIST OF LIPS IN ALPHABETICAL ORDER

project	The Centre of dynamic tests of the transport industry
indicative maximum total budget	EUR 7 000 000
lead partner	The Committee for Industrial Policy and Innovations of Saint-Petersburg. Chairman of the Committee Meyksin Maksim Semenovich
indicative implementation period	2016-2019
target	<p><i>To improve traffic safety conditions by development of the infrastructure for cross border railways on the Finnish-Russian border: solving propositions of providing transboundary transport communications with constructions and nodes, which are able to provide a stable functioning in conditions of harsh operating loads and environmental conditions.</i></p> <p>The project aims at technology development and creation of infrastructure and conditions for organizing and conducting dynamic tests of standard constructions and nodes, and for promising ones, including constructions and nodes developed from a variety of structural polymer materials.</p>
description	<p>Development of the railway cross border infrastructure and improvement of traffic safety by conducting dynamic tests of standard constructions and nodes and implementation of a pilot project <i>«Dwarf light signal with light-emitting diode system in a case made of a constructional polymer material»</i>. <i>Setting an experimental batch into service at railway crossings on border of the states.</i></p>

project	Construction of a centralized water supply and sewerage system of the Petrovsky district in Vyborg, taking into account the construction of engineering networks of the state institution "Park Monrepos" and connection of the state institution "Vyborg inter-district hospital " to the centralized sewerage networks at the Sewage treatment facilities, Vyborg
indicative maximum total budget	EUR 5 700 000
lead partner	Administration of the MF "Vyborg district" of the Leningrad region JSC "Vyborg Vodokanal"
indicative implementation period	2016-2018
target	Reduction of harmful emissions into the waters of the Gulf of Finland by reconstruction of existing networks; construction of new networks, 2 sewage pumping stations (SPS)
description	Construction and installation works

project	Imatra border crossing point
indicative maximum total budget	EUR 10 070 000
lead partner	Finnish Transport Agency
indicative implementation period	2018-2019
target	improvement of traffic safety and fluency of the border crossing point, continuation of works started in 2007-2013 ENPI
description	extension of inspection area of light vehicles, new road for bicycles (about 2,7 km) to cross the border; includes improvement of traffic arrangements near border crossing point

project	Introduction of the ecological system of agriculture is the basis for sustainable development of border rural areas
indicative maximum total budget	EUR 3 500 000
lead partner	Administration of Priozersk district
indicative implementation period	2016-2018
target	Ensuring of environmental safety and improvement of environment of rural areas through the introduction of the system of project, technological and administrative solutions and development of infrastructure for recycling and use of livestock/poultry wastes.
description	<ul style="list-style-type: none"> • Monitoring of the environmental situation at the enterprises of agro-industrial complex of the Leningrad region; • Development of the plan of technological and technical re-equipment of the enterprises of agro-industrial complex. Development of infrastructure for recycling and use of livestock/poultry wastes; • Training of specialists and officials in best practices in provision of agriculture production, improvement of professional skills with regard to international legislation; • Development of interactive tool for the monitoring of livestock/poultry waste management and coordination of the use of organics.

project	Introduction of the ecological system of agriculture is the basis for sustainable development of border rural areas
indicative maximum total budget	EUR 3 500 000
lead partner	Administration of Vyborg district
indicative implementation period	2016-2018
target	Ensuring of environmental safety and improvement of environment of rural areas and development of infrastructure through the introduction of the system of project, technological and administrative solutions for recycling and use of livestock/poultry wastes.
description	<ul style="list-style-type: none"> • Monitoring of the environmental situation at the enterprises of agro-industrial complex of the Leningrad region; • Development of the plan of technological and technical re-equipment of the enterprises of agro-industrial complex• Implementation of pilot (demonstrative) energy efficient innovative technology of recycling of livestock and poultry wastes. • Training of specialists and officials; • Development of interactive tool for the monitoring of waste management and coordination of the use of organics.

project	Kotka harbour
indicative maximum total budget	EUR 4 200 000
lead partner	City of Kotka
indicative implementation period	2017-2018
target	Arrangements for handling passenger traffic via Kotka Kantasatama terminal.
description	Vehicle access control system, surveillance cameras for traffic monitoring, cctv system, premises and equipment to control and inspect passenger and vehicle traffic, facilities for border control; fences, bridges, stairs, traffic lights and electronic information screens for passenger safety.

project	Nuijamaa border crossing point
indicative maximum total budget	EUR 15 470 000
lead partner	Finnish Transport Agency
indicative implementation period	2019-2020
target	More fluent border crossing procedures, improvement of local traffic fluency, safety, and capacity increase plus more feasible land-use. Current junction is too close to the BCP hindering fluent traffic of local people to Nuijamaa village. Continuation of works started in 2007-2013 ENPI.
description	Extension of inspection area of light vehicles, removal of highway 13 junction, a new bridge over the highway, traffic will be guided to use the new junction.

project	Parikkala border crossing point
indicative maximum total budget	EUR 25 700 000
lead partner	Finnish Transport Agency
indicative implementation period	2018-2020
target	Improvement of local traffic safety and fluency, more feasible land-use. Continuation of works started in 1999-2006 INTERREG II A and III A (roads leading to the BCP in Finland) and 2007-2013 ENPI (roads in Russia).
description	Building a new BCP, improvement of a junction at highway 6 and bridge over railway, includes improvement of traffic arrangements near border crossing point.

project	Reconstruction of automobile border crossing point Brusnichnoye
indicative maximum total budget	EUR 15 600 000
lead partner	Federal Agency for the Development of the State Border Facilities of the Russian Federation (Rosgranitsa)
indicative implementation period	2016-2019
target	ABCP Brusnichnoye project capacity growth, creating conditions for effective border control implementation, border crossing time reduction for individuals and vehicles, ensuring comfort movement for inhabitants of border regions.
description	Construction of additional lanes for cars; construction of additional lanes for buses; construction of examination box; construction of office building; construction of terminal for cars and buses; construction of service building; technical equipment.

project	Reconstruction of automobile border crossing point Torfyanovka
indicative maximum total budget	EUR 9 000 000
lead partner	Federal Agency for the Development of the State Border Facilities of the Russian Federation (Rosgranitsa)
indicative implementation period	2016-2018
target	ABCP Torfyanovka design capacity growth, creating conditions for effective border control implementation, border crossing time reduction for individuals and vehicles, ensuring comfort movement for inhabitants of border regions.
description	Reconstruction of currently non-operating bus terminal with the order of car and bus flow reallocation; reconstruction of traffic lanes and increase of them; technical equipment.

project	Reconstruction of the marine permanent multilateral Russian Federation State border checkpoint at the seaport Passenger port of Saint Petersburg
indicative maximum total budget	EUR 3 200 000
lead partner	"Passenger Port of Saint Petersburg "Marine Façade" Public Limited Company ("PP SPb MF" PLC)
indicative implementation period	2016-2018
target	1. The project aims at further development of the infrastructure of the border crossing facilities at the seaport Passenger Port of Saint Petersburg. 2. Establishment of year-round regular ferry communication at the Seaport and provision of a full range of services to ferry vessels and passengers travelling on ferry vessels. 3. Improvement and further development of marine transport communication between Helsinki and St. Petersburg. 4. Development of mutually beneficial cultural and business ties between Russian Federation and Republic of Finland.
description	Development, negotiation and examination of project documentation on Checkpoint reconstruction – 6 months; Construction and installation works on Checkpoint reconstruction (technical re-equipment) – 18 months.

project	Russian-Finnish Life Science Park
indicative maximum total budget	EUR 3 500 000
lead partner	Committee on Industrial Policy and Innovations of St. Petersburg
indicative implementation period	2016-2019
target	Development of infrastructure for the establishment of a research and industrial Park in the pharmaceutical industry as a basis for the cross border cluster of pharmaceutical products manufacturing industry (Russia) and related life science cluster (in Finland). Creating conditions for the implementation of effective cross-border projects in the sphere of exploration and production of competitive pharmaceutical products.
description	<p>The project activities will be carried out according to the following packages: 1. Infrastructure element. Pilot modular range of high production for testing, debugging, and technologies scale, created on the basis of laboratory modules, conducting engineering for successful scaling technologies for industrial machinery and production API according to GCP for clinical tests of medicinal products. Estimated budget: 2,5 million Euro</p> <p>2. Information and consulting element, as well as project management Budget: 1 million. Euro</p> <p>The project is focused on the equipment and flow-through microfluidic and microreactor technology companies, with a unique technological competences in this industrial area Bayer Technology Services (its subsidiaries Ehrfeld Mikrotechnik BTS GmbH, Germany) Lonza AG (Switzerland).</p>

project location	Vaalimaa border crossing point
indicative maximum total budget	EUR 12 650 000
lead partner	Finnish Transport Agency
indicative implementation period	2018-2020
target	Improvement of connection of the highway E18 (part of TEN-T network) to the border crossing point in order to guarantee traffic safety, fluency and capacity increase of the border crossing point. Continuation of works started in 2007-2013 ENPI.
description	Extension of inspection area of light vehicles, improvement of traffic arrangements near border crossing point.

project location	Vainikkala railway station
indicative maximum total budget	EUR 6 970 000
lead partner	Finnish Transport Agency / VR (Finnish State Railways)
indicative implementation period	2017-2018
target	Improvement of passenger convenience, safety of the station and parking areas. Continuation of works started in 2007-2013 ENPI.
description	Modernization of the old station building, parking area arrangements, improvement of lighting and CCTV. Continuation of works started in 2007-2013 ENPI (road between Vainikkala and Simola was improved).

No new LIP proposals selected in direct award procedure can be included to the above list.

The projects to be financed will be approved on a two-step procedure by the JMC and the Commission. Firstly, a project summary is needed and approved and then follows a full application and its approval. After the second step the MA will make a Grant Contract with the project.

Full project applications about large infrastructure projects will be sent to the Commission on 31 December 2017 at the latest. These projects have to be contracted by 30 June 2019.

These projects are approved by the European Commission based on a two-step procedure, consisting of the submission of a project summary followed by a full application.

The share of the Union contribution allocated to large infrastructure projects may not exceed 30%.

5.5. Description of planned use of TA

A total of 10% of the European Union's total contribution to the Programme may be allocated to Technical Assistance (TA). In order to ensure sufficient resources, the TA is also co-financed by the participating countries. The amounts of TA co-financing are shown in the Indicative Financial Table on page 99 of this document.

The Technical Assistance level reflects the real needs of the programme, in particular taking into account factors such as total budget of the programme, size of the geographical area covered by a programme and number of participating countries.

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 preparation,

management, monitoring, evaluation, information, communication, networking, complaint resolution, control and audit activities related to the implementation of the Programme and activities to reinforce the administrative capacity for implementing the programme. Technical assistance should be used for the needs of both programme structures and beneficiaries.

For the Technical Assistance procurement the Finnish National procurement rules will be applied in cases where the MA is responsible for procurements. On the Russian side the Branch Office in Saint Petersburg may conduct procurements according to the procurement rules described in the financing agreement.

5.6. Description of the monitoring and evaluation systems

The monitoring of the programme will provide information on the implementation at any given time. It will cover financial issues and achieved results considering the targets fixed for the different milestones in the performance framework. Monitoring will encourage high quality, effective implementation by monitoring the progress of the projects against the goals and intended results of the programme.

The programme specifies a set of indicators for monitoring and evaluating its progress. The programme specific result and output indicators are presented in Chapter 3 of this document. They relate directly to the different specific objectives of the programme. In particular, result indicators are the cornerstone of the performance analysis of the programme. Those programme specific indicators have been designed in line with requirements. In addition to the set of result and output indicators, the programme may define complementary indicators that will enable the programme bodies to effectively monitor the progress and quality of programme and project implementation.

Projects will be obliged to report regularly on the effects and tangible results achieved by the cooperation actions. In these reports a strong evidence of the changes that derive from the actions is required. Monitoring will be mainly based on regular reports from the projects. The MA will collect and compile the data stemming from these reports in order to allow for conclusions on the programme level. The MA will use this documentation – together with additional information on the financial implementation – to draft the annual and final reports and submit them to the JMC. Through Monitoring and Evaluation the programme results at all levels (impact, outcome, output and input) can be measured to provide the basis for accountability and decision-making.

Cooperation and exchange of information is ensured with the AA and the members of the Group of Auditors in the implementation of monitoring and evaluation functions.

Monitoring and evaluation of the programme and projects will be on-going during the programme period in order to illustrate and enhance the performance of the programme. An evaluation plan

must be approved by the JMC at its first meeting and it must be submitted annually to the EC and Russian and Finish governments by 15 February.

Monitoring of the projects will include elements of anti-fraud risk assessment. The programme risk assessment will be updated annually (or upon need) and will, among other things, consider the risk of fraud. If any programme body identifies the (risk of) fraud or an irregularity, the MA will be informed and will be responsible for further actions.

Annual and final implementation reports and closure of the programme

The MA will, in accordance with the Implementing Regulation submit to the Commission and the Government of the Russian Federation annual reports. They will be approved by the JMC before they are sent out to the Commission, to Finland and to the Russian Federation. A final report on implementation will be submitted to the Commission and the Russian Federation by 30 September 2024.

The closure of the programme will be carried out in compliance with the Regulation by the competent programme authorities of the 2014-2020 programme.

The Monitoring system is built to provide relevant information about the projects' progress for the programme bodies to help them make decisions. The Monitoring system provides information for the JMC and its national and regional members as well as for both project stakeholders and the MA about the day-to-day management of projects. Monitoring function organised by the Programme is referred to later as internal monitoring. In addition to the internal monitoring organised by the Programme the European Commission may build Result Oriented Monitoring (ROM) system, which is later referred to as external monitoring.

Scope of evaluation is broader than in monitoring. Evaluation provides information about the strategic choices and their relevance like selection of thematic objectives and programme priorities. It evaluates whether the right choices were made and is conducted by external/independent persons. Evaluations will be carried out at completion phase or ex-post. JMC decides about the realisation of evaluations.

Objective of the monitoring function

The objective of monitoring is to ensure and improve transparency, promote accountability and support informed decision-making. In order to fulfil this objective, the Programme obtains information about project implementation, especially in terms of means/funding, activities and outputs. Internal monitoring determines whether appropriate project and risk management systems are in place at project-level and make assessments about the progress of implementation and envisaged effectiveness. The internal monitoring process also provides an opportunity to offer enhanced technical support to the beneficiaries and will enable the MA to make

recommendations for remedial action if any liabilities with regard to implementation are identified. Monitoring will produce data on project progress, which will enhance dissemination of good practices.

Information gathered through monitoring will be made available to all parties involved in the implementation of the Programme. Programme bodies can benefit from internal monitoring by taking into account the lessons learned, which will support well-informed decision-making. The MA will gain information about the general level of management in the Programme and will be able to use this information to develop reporting procedures and provide appropriate guidance to projects. Through assessment of project management and project-internal decision-making and follow-up procedures, internal monitoring will also directly benefit project management. The monitoring system will also serve the final beneficiaries of the Programme and the general public since it ensures that public funds are used responsibly and that the Programme is producing benefits for the Programme area.

Internal monitoring will concentrate on implementation of activities and output production. It will ensure that the activities implemented are in agreement with those defined in the project application. The progress of implementation and the timely production of outputs will be inspected. The general quality of outputs will be also assessed to ensure their adequacy with respect to the specific objectives of the project.

Monitoring procedure

Internal monitoring will be conducted through on-site visits, which comprise interviews and on-the-spot checks. Project partners and stakeholders will be interviewed with a view to assessing the soundness of project management, decision-making process and involvement and ownership of the parties concerned. Continued relevance will be reviewed through stakeholder interviews or meetings, which are crucial for determining the level of ownership and sustainability of benefits. Monitoring visits will commence within a due time after the first projects have begun (after 12 months at the latest) and will follow an annual cycle. Follow-up visits will be conducted after the initial visit in cases where observations establish a need for remedial action or foresee the emergence of potential risks related to implementation. The number of initial visits will be priority specific but will be based on a pre-determined ratio.

Implementation of monitoring functions

The MA will be responsible for organising the internal monitoring of the projects operating under the Programme. Internal monitoring will be done by a designated team. The MA will keep records of monitoring activities and make sure that all monitoring data will be made available to all interest groups. Data will also be gathered on programme-level indicators and regular reports will be delivered to the JMC and JSC about the progress made towards the set indicator target values.

ROM as external monitoring, may be conducted by the European Commission. ROM is a part of the overall quality assurance cycle of the European Commission to ensure that all projects implemented with the use of EU resources are relevant to the needs of the beneficiaries and are well performing. ROM as internal monitoring will be conducted by the MA and it will have more strategic focus than the day-to-day monitoring and focuses on the indicators of outcomes compared to the baseline. This requires a wider view at target groups and at the change in conditions. Thus ROM is an important instrument for utilising lessons learned during mid-term programme evaluation.

In cases where projects undergo both internal and external monitoring, external monitoring missions provide a second view into the project and will support both the project management and the internal monitoring processes of the MA.

Evaluations

The MA will draw up a monitoring and evaluation plan for the programme. The plan will be included in the programme for its whole duration.

The JMC decides the number of evaluations that will be carried out to assess effectiveness, efficiency and impact of the programme on the basis of the evaluation plan. All evaluations will be examined by the JMC and sent to the Commission to Finland and to the Russian Government.

The Programme will perform ex-post evaluations on both the Programme priorities as well as on thematic objectives and the Programme as a whole. These evaluations will be carried out by external experts and will focus on relevance, effectiveness, impact and sustainability of benefits. Evaluations will produce organised and analysed data, which will allow the Programme to incorporate the lessons learned into decision-making processes, along with the invaluable knowledge about the underlying reasons as to how the selected priorities performed and why. The evaluation of the entire Programme will produce information that can be used for preparation of future programme or improving the existing one.

A separate mid-term evaluation may be carried out if seen necessary for the adjustments on the programme scope for example in case where the additional funding for the Programme will be directed.

By the JMC's decision The Russian Ministry of Finance or Finnish authorities will add indicators of assessment of the programme when ever needed to ameliorate the monitoring and the results of the programme.

	Monitoring	Evaluation
Year 1 / 2016	No monitoring of projects, first projects selected.	
Year 2 / 2017	First monitoring visits are conducted within the due time after the first projects have begun	EC mid-term evaluation
Year 3 / 2018	Both new projects will be monitored and follow-up visits conducted for the projects already ones monitored	Programme-based mid-term evaluation if necessary
Year 4 / 2019	Both new projects will be monitored and follow-up visits conducted for the projects already ones monitored	
Year 5 / 2020	Both new projects will be monitored and follow-up visits conducted for the projects already ones monitored	
Year 6 / 2021	Follow up monitoring and additional monitoring on selected projects	
Year 7 / 2022	Follow up monitoring and additional monitoring on selected projects	
Year 8 / 2023		Programme-based ex- post evaluation

Indicative Monitoring and evaluation plan

This indicative plan gives an overview to the planned monitoring activities and evaluations. The JMC will decide about the detailed plan on annual basis before February.

5.7. The communication strategy

The communication strategy of the South-East Finland – Russia CBC 2014-2020 is designed to formulate the whole concept of the visibility activities for all relevant target groups and to ensure following objectives:

- Programme is recognised as a relevant and reliable contributor in the scope of Cross-Border Cooperation actions.
- Programme funding opportunities attract a wide number of prospective beneficiaries.
- Dissemination of the results increases the public awareness of the Programme.

Introduction

The MA of the South-East Finland – Russia CBC 2014-2020 Programme is responsible for the implementation of the information and visibility measures presented in this communication strategy and specified in the annual communication plans approved by the JMC. The MA will take all necessary steps to ensure the visibility of the European Union co-financing and of the co-financing of the participating countries Russia and Finland in cooperation with other CBC and ETC programmes, European Commission initiatives and other relevant institutions and authorities. Concerning its own activities and the activities of the projects financed under the Programme, all measures will comply with the principles of efficiency and transparency of the activities in Russia and Finland. These principles are supported by using English, Finnish and Russian as the communication languages. This communication strategy outlines the main measures to be carried out by the MA assisted by its branch office to facilitate an effective implementation of the Programme. Visibility and communication instructions for funded projects are provided as a separate toolbox published at the same time as calls.

Objectives

The communication strategy is designed to focus on visibility activities equally targeting the wide public, beneficiaries, stakeholders, media and relevant authorities. The overall objectives of the communication are:

- Programme is recognised as a relevant and reliable contributor in the scope of Cross-Border Cooperation actions.
- Programme funding opportunities attract a wide number of prospective beneficiaries.
- Dissemination of the results increases the public awareness of the Programme.

Target groups

Information about the programme will be publicised to the various target groups, which are:

External communication

- Wide public and media in the participating countries and their regions
- Prospective and final beneficiaries and stakeholders
- Relevant state, regional and local authorities
- Other (ENI) CBC and ETC programmes
- The European Commission, the authorities of the Russian Federation and other relevant institutions

Internal communication

- Programme Committees (JMC and JSC)
- Other programme bodies

Resources

Sufficient human resources of the MA to execute the communication strategy and the annual communication plans are presented in the description of the programme management and control systems. Human resources and technical assistance are set taking into account the need for training and support of the beneficiaries who plan and implement projects.

Evaluation

Evaluation of the efficiency and coverage of the communication actions is done yearly by Programme annual reports via following key indicators set for the whole operational period of CBC 2014-2020:

- Programme website visits
- Social Media activities and publications
- Published videos and their views
- Events and their participants
- Distributed material
- Project applications
- Media coverage

The qualitative evaluation of the Programme communication activities is done with the procedures used for the monitoring of the Programme implementation as a whole.

Elements and means

In all information and publicity measures carried out by the Programme and its funded projects, identical visual elements are used in order to create recognised visibility. The corporate design will be based on the principle of equal visibility of all the co-financing parties. The Programme logo accompanied with the flags of the European Union, Russia and Finland will be presented in all publications. The Logo should be accompanied by the words “Funded by the EU, the Russian Federation and Finland”. The MA will also set flags of the European Union and of participating countries outside its premises.

Means

- Internet sites supported with social media tools
- News releases to provide information on news-worthy topics
- Announcements to launch calls for funding opportunities
- Annual events to provide platform on best practices and capacity building on CBC actions
- Promotion material to disseminate information of the Programme actions

A Toolbox, including a selection of visibility material and a user manual for funded projects and media will be created.

Key activities during the first year

- Creation of the functional communication channel network
- Development and publication of communication tools (including a manual)
- Announcements and events to launch calls for funding opportunities

Indicative information and communication plan for the first year

Description	Activity	Timeline Year 1
Overall objective:		
The programme is recognised as a relevant and reliable contributor in the scope of Cross-Border Cooperation actions.	The Programme is actively presented in the relevant contexts (forums and events related to cross-border cooperation and regional development).	Months 1-12
	The Programme web site and social media tools are created and published.	Months 1-3
	The Promotional material and communication toolbox are planned and produced.	Months 1-6
Programme funding opportunities attract a wide range of prospective beneficiaries	The availability of the application pack for applying for funding is ensured.	Months 1-3
	Information events for the launching of the Programme and of the first Call for Proposals are organised.	Months 1-3
Public and population living in the Programme regions is aware of the Programme and its outcomes.	Cooperation agreements with media are finalised.	Months 1-12
The programme is implemented and managed efficiently and respecting the principle of transparency.	Planning of internal communication between the programme bodies and the management structures is finalised and suitable tools and measures are selected.	Months 1-6

5.8. Information on fulfilment of regulatory requirements laid down in Directive 2001/42/EC of the European Parliament and of the Council

According to the Directive 2001/42/EC adopted by the European Parliament and European Council, a Strategic Environmental Assessment (SEA) is required for programmes which influence other plans and programmes. The purpose of the strategic environmental assessment (SEA) is to ensure that environmental impacts are assessed and duly considered during the preparation and before the approval of authorities' plans and programmes. It focuses on the improvement of information availability, and provides more opportunities for public participation in planning to promote more sustainable development. The aim of the environmental impact assessment is to encourage dialogue and support the preparation, implementation, and monitoring of the programme. The objective of the SEA is to guarantee that the environmental consequences of

certain plans and programmes are identified and assessed during their preparation and before their adoption.

The Strategic Environmental Assessments (SEA) of the South-East Finland – Russia CBC 2014-2020 Programme were made separately on both sides of the border. Two separate studies were made, and two separate assessment processes were used. As a result two documents were prepared. Both Environmental Reports are based on the draft Programme and has been drafted alongside the development of the Programme.

Programme area in Finland:

Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment regulates assessment of the environmental effects of plans and programmes. In Finland, the Directive is implemented with the Act on Environmental Impact Assessment of Plans and Programmes of Public Authorities (200/2005) that took effect on 1 June 2005. The act allows for considering environmental aspects better already in the early preparatory stages of plans and programmes. It advances the publicity of the plans of various authorities, and provides opportunities for public participation in their preparation.

Summary of the Finnish SEA states that the programme does not propose measures that would have significant negative impacts on people or on the environment. Ecological impact is set as a condition and common cross-cutting issue. The negative environmental impacts of the programme are mainly indirect and minor in significance. The programme will primarily support investments in human capital, i.e. expertise of people. The combined impacts of the programme on the environment are, for the most part, neutral or slightly positive in both the short and the long-term. Investigated separately, each priority also meets the essential requirements of sustainable development. The Programme complies with international, EU, national, and regional environmental goals. Environmental aspects have been observed at an early stage during the preparation of the programme.

Programme area in Russia:

The goal of the environmental expert evaluation according to Directive 2001/42 (EU) on environmental impact assessment of plans and programmes, is to provide analysis of the Programme draft for its coherence with declared goals and its compliance with the stated objectives providing a higher level of environmental protection and integration of environmental aspects into development plans and programmes to achieve sustainability.

Summary of the SEA made on the Russian side states that the environmental impact should be taken into account when developing project guidelines, application guidelines and evaluation criteria. In Large Investment Projects Environmental Impact Assessments are needed and their compliance with the Russian national legislation and a mandatory state audit of project documentation is required. The evaluation also showed that the Programme's implementation will

create large opportunities for lowering environmental impact in the transboundary areas of Russia and Finland. Non-adoption of the Programme will cause lost opportunities for continuation of fruitful partnership between Russia and Finland in such areas as environmental protection, promotion of modern technologies and services, supporting environmental entrepreneurship and environmental projects in the Russian Programme area. The Programme meets the requirements of the socio-economic development strategy of North-West Federal District of Russia and the environmental goals mentioned above under the Finnish summary.

The South-East Finland – Russia CBC programme continues the work of the previous INTERREG II and III A Programmes, the Neighbourhood Programme as well as the ENPI CBC Programme. The actions which will be implemented under the programme priorities depend on what kind of projects will be selected by the Programme bodies. At this stage of the programme development, the exact locations, nature and impacts of actions cannot be identified, as this depends on specific projects that will be implemented.

The Programme's monitoring function will produce regular information about the performance of the Programme and environment will be one key element, the focus being on mitigating measures.

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 carried out by contracted external experts and conducted simultaneously with the drafting of the Programme. A Participation and Assessment plan was prepared by one of the evaluators and sent out for comments and consultation to the Finnish environmental authorities. Another expert has carried out an assessment of the environmental impacts of the Programme in Saint Petersburg and in the Leningrad Region. Consultations with environmental authorities and with the public were organised. Information was provided to the authorities and the public, and a public discussion on the Programme Draft took place, followed by an analysis of the expressed opinions and suggestions. Reports on this process are attached to the JOP.

5.9. Indicative financial plan

ENI CBC programmes receive funding from the European Regional Development Fund (ERDF) as well as from the European Neighbourhood Instrument (ENI). The main objective behind the financial allocation to the Programme's thematic objectives (priorities) is to achieve the targeted results with the available resources.

The main arguments behind the financial commitment for each priority include expected results to be achieved, planned types of actions under each priority, as well as types of investments to be made.

Additional ERDF allocations 2018-2020 may be available subject to the EU mid-term review of the ENI CBC instrument and availability of matching ENI funds. The JMC will decide on the priority allocation of possible additional funds.

Subject to the adoption of the modifying decision by the EC, preparatory activities are covered with technical assistance of the current South-East Finland – Russia ENPI CBC 2007-2013 Programme until the date when the first pre-financing under the new South-East Finland – Russia CBC Programme has been received but no later than 31 December 2016.

2014 – 2020 indicative					
Priority / Thematic Objective (TO)	EC Co-financing (a)	Finland Co-financing (b)	Russia Co-financing (c)	Co- financing rate (in %) (d)	Total funding 2014-2020 (e) = (a)+(b)+(c)
Priority 1 (TO 1)	9 325 870	4 662 935	4 662 935	50	18 651 740
Priority 2 (TO 2)	4 554 494	2 277 247	2 277 247	50	9 108 988
Priority 3 (TO 6)	7 807 706	3 903 853	3 903 853	50	15 615 412
Priority 4 (TO 10)	10 844 034	5 422 017	5 422 017	50	21 688 068
TOTAL PRIORITIES	32 532 104	16 266 052	16 266 052	50	65 064 208
Technical assistance	3 614 678	1 807 339	1 807 339	50	7 229 356
	36 146 782	18 073 391	18 073 391	50	72 293 564

Programme's financial table
South-East Finland - Russia CBC 2014-2020

	A	B	C					D
	INDICATIVE PROVISIONAL COMMITMENTS BY THE PROGRAMME	PROGRAMMES INDICATIVE PROVISIONAL COMMITMENTS - RU funding -	PROGRAMMES INDICATIVE PROVISIONAL COMMITMENTS - FI funding -	PROGRAMMES INDICATIVE PROVISIONAL COMMITMENTS - EC funding -	INDICATIVE PROVISIONAL PAYMENTS BY THE PROGRAMME	PROGRAMMES INDICATIVE PROVISIONAL PAYMENTS - RU funding-	PROGRAMMES INDICATIVE PROVISIONAL PAYMENTS - FI funding-	PROGRAMMES INDICATIVE PROVISIONAL PAYMENTS - EC funding-
2014								
Projects	0	0	0	0	0	0	0	0
TA	0	0	0	0	0	0	0	0
TOTAL 2014	0	0	0	0	0	0	0	0
2015								
Projects	0	0	0	0	0	0	0	0
TA	0	0	0	0	0	0	0	0
TOTAL 2015	0	0	0	0	0	0	0	0
2016								
Projects	20 068 322	5 017 081	5 017 081	10 034 161	16 603 664	4 150 916	4 150 916	8 301 832
TA	1 114 712	264 303	321 803	528 606	1 148 262	315 816	315 816	516 631
TOTAL 2016	21 183 034	5 281 384	5 338 884	10 562 767	17 751 926	4 466 732	4 466 732	8 818 463
2017								
Projects	18 145 580	4 536 395	4 536 395	9 072 790	24 260 980	6 065 245	6 065 245	12 130 490
TA	880 000	220 000	220 000	440 000	885 328	221 332	221 332	442 664
TOTAL 2017	19 025 580	4 756 395	4 756 395	9 512 790	25 146 308	6 286 577	6 286 577	12 573 154
2018								
Projects	9 116 644	2 279 161	2 279 161	4 558 322	5 293 315	1 323 329	1 323 329	2 646 658
TA	904 000	226 000	226 000	452 000	901 600	225 400	225 400	450 800
TOTAL 2018	10 020 644	2 505 161	2 505 161	5 010 322	6 194 915	1 548 729	1 548 729	3 097 458
2019								
Projects	10 054 620	2 513 655	2 513 655	5 027 310	6 043 696	1 510 924	1 510 924	3 021 848
TA	920 000	230 000	230 000	460 000	924 624	231 156	231 156	462 312
TOTAL 2019	10 974 620	2 743 655	2 743 655	5 487 310	6 968 320	1 742 080	1 742 080	3 484 160
2020								
Projects	7 679 044	1 919 761	1 919 761	3 839 522	4 143 235	1 035 809	1 035 809	2 071 618
TA	900 000	225 000	225 000	450 000	912 000	228 000	228 000	456 000
TOTAL 2020	8 579 044	2 144 761	2 144 761	4 289 522	5 055 235	1 263 809	1 263 809	2 527 618
2021								
Projects	0	0	0	0	3 013 662	753 416	753 416	1 506 831
TA	891 212	222 803	222 803	445 606	884 000	221 000	221 000	442 000
TOTAL 2021	891 212	222 803	222 803	445 606	3 897 662	974 416	974 416	1 948 831
2022								
Projects	0	0	0	0	4 452 444	1 113 111	1 113 111	2 226 222
TA	880 000	220 000	220 000	440 000	885 280	221 320	221 320	442 640
TOTAL 2022	880 000	220 000	220 000	440 000	5 337 723	1 334 431	1 334 431	2 889 962
2023								
Projects	0	0	0	0	1 253 212	313 303	313 303	626 606
TA	796 930	199 233	199 233	398 465	803 260	200 815	200 815	401 630
TOTAL 2023	796 930	199 233	199 233	398 465	2 056 472	514 118	514 118	1 028 236
Projects total	65 064 210	16 626 052	16 266 053	32 532 105	65 064 210	16 266 052	16 266 052	32 532 105
TA total	7 286 854	1 807 339	1 864 839	3 614 677	7 344 354	1 864 839	1 864 839	3 614 677
TOTAL 2014-2023	72 351 064	18 073 391	18 130 891	36 146 782	72 293 564	18 073 391	18 073 391	36 146 782
TOTAL CO-FINANCING RATE		25	25	50		25	25	50

Commission annual commitments to the South-East Finland – Russia CBC 2014-2020			
	ENI	ERDF	TOTAL
2015	2 834 472	1 986 482	4 820 954
2016	2 904 990	2 836 823	5 741 813
2017	2 997 821	6 514 968	9 512 789
2018	2 809 591	2 200 731	5 010 322
2019	3 242 565	2 244 746	5 487 311
2020	3 283 953	2 289 641	5 573 594
2014–2020 without additional ERDF	18 073 391	18 073 391	36 146 782
<i>Additional ERDF 2018–2020</i>		<i>9 355 180</i>	

5.10. Use of the euro

Expenditure incurred in a currency other than the euro will be converted into euro by the MA and by the beneficiary using the monthly accounting exchange rate of the Commission of the month during which the expenditure was incurred.

5.11. Rules on eligibility of expenditure

Eligibility of costs

The programme participating countries define the intended beneficiaries of the actions under the programme, within the definition of eligible local and regional key actors. Priority should be given to eligible actors based within the geographical eligibility of the programme and important for the achievement of the objectives of the programme.

Grants will not exceed an overall ceiling expressed as a percentage and an absolute value which is to be established on the basis of estimated eligible costs. Grants will not exceed the eligible costs.

Eligible costs are costs actually incurred by the beneficiary which meet all of the following criteria:

- (a) they are incurred during the implementation period of the project. In particular:
 - costs relating to services and works will relate to activities performed during the implementation period. Costs relating to supplies will relate to delivery and installation

of items during the implementation period. Signature of a contract, placing of an order, or entering into any commitment for expenditure within the implementation period for future delivery of services, works or supplies after expiry of the implementation period do not meet this requirement; cash transfers between the lead beneficiary and the other beneficiaries may not be considered as costs incurred;

- costs incurred should be paid before the submission of the final reports. They may be paid afterwards, provided they are listed in the final report together with the estimated date of payment;
- an exception is made for costs relating to final reports, including expenditure verification, audit and final evaluation of the project, which may be incurred after the implementation period of the project;
- procedures to award contracts, as referred to in Article 52 and following, may have been initiated and contracts may be concluded by the beneficiary (ies) before the start of the implementation period of the project, provided the provisions of Article 52 and following have been respected; 19.8.2014 L 244/36 Official Journal of the European Union EN

(b) they are indicated in the project's estimated overall budget;

(c) they are necessary for the project implementation;

(d) they are identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the accounting standards and the usual cost accounting practices applicable to the beneficiary;

(e) they comply with the requirements of applicable tax and social legislation;

(f) they are reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy and efficiency;

(g) they are supported by invoices or documents of equivalent probative value;

The following direct costs of the beneficiary will be eligible:

- (a) the costs of staff assigned to the project under the following cumulative conditions: — they relate to the costs of activities which the beneficiary would not carry out if the project was not undertaken, — they must not exceed those normally borne by the beneficiary unless it is demonstrated that this is essential to carry out the project, — they relate to actual gross salaries including social security charges and other remuneration-related costs;
- (b) travel and subsistence costs of staff and other persons taking part in the project, provided they exceed neither the costs normally paid by the beneficiary according to

its rules and regulations nor the rates published by the Commission at the time of the mission if reimbursed on the basis of lump sums, unit costs or flat rate financing;

- (c) purchase or rental costs for equipment (new or used) and supplies specifically for the purpose of the project, provided they correspond to market prices;
- (d) the cost of consumables specifically purchased for the project; 19.8.2014 L 244/37 Official Journal of the European Union
- (e) costs entailed by contracts awarded by the beneficiaries for the purposes of the project;
- (f) costs deriving directly from requirements imposed by this Regulation and the project (such as information and visibility operations, evaluations, external audits, translations) including financial service costs (such as costs of bank transfers and financial guarantees).

Non-eligible costs

The following costs relating to the implementation of the project will not be considered eligible:

- (a) debts and debt service charges (interest);
- (b) provisions for losses or liabilities;
- (c) costs declared by the beneficiary and already financed by the Union budget;
- (d) purchases of land or buildings for an amount exceeding 10 % of the eligible expenditure of the project concerned;
- (e) exchange-rate losses;
- (f) duties, taxes and charges, including VAT, except where non-recoverable under the relevant national tax legislation, unless otherwise provided in appropriate provisions negotiated with CBC partner countries;
- (g) loans to third parties;
- (h) fines, financial penalties and expenses of litigation;
- (i) contributions in kind as defined in Article 14(1).

The JMC may declare other categories of costs as ineligible.

Indirect costs

Indirect costs may be calculated on a flat-rate of up to 7 % of the eligible direct costs, excluding costs incurred in relation to the provision of infrastructure, provided that the rate is calculated on the basis of a fair, equitable and verifiable calculation method.

Those eligible costs which may not be identified as specific costs directly linked to the implementation of the project and may not be booked to it directly will be considered as indirect costs for a project. They may not include ineligible costs or costs already declared under another cost item or heading of the budget of the project.

Costs related to LIPs

Costs for activities incurred prior to the contract signature can be considered as eligible on the condition that they are incurred after the LIP Project Summary Form is submitted to the MA, but are conditional to the Grant Contract signature.

Only Beneficiaries and project partners of the approved LIPs (upon approval to full Application Form) will be able to claim the reimbursement of the costs for activities that would have taken place prior to the contract signature.

The applicant must clearly indicate the costs for activities undertaken prior to the contract signature in the LIP Project Summary Form and in the LIP Application Form.

The eligible costs for activities carried out prior to the contract signature can be incurred under the following headings:

- “Human Resources” – project management costs necessary for the coordination of project activities;
- “Travel” – project management costs necessary for the coordination of project activities;
- “Outsourcing costs, services” – elaboration of full set of documents (e.g. technical documentation, Feasibility Study, Environmental Impact Assessment etc.) as required by the European Commission and/or the national legislation.

5.12. The apportionment of liabilities among the participating countries

The MA will in the first instance be responsible for preventing and investigating irregularities and for making the financial corrections required and pursuing recoveries. MA will be responsible for pursuing the recovery of amounts unduly paid.

Where the recovery relates to a breach of legal obligations on the part of the MA the MA will be responsible for reimbursing the amounts concerned to the Commission and the participating countries.

Where the recovery relates to systemic deficiencies in the programme management and control systems, the MA will be responsible for reimbursing the EU amounts concerned to the Commission in accordance with the apportionment of liabilities among the participating countries. Participating countries will jointly bear the financial liability, whereby each participating country shall be responsible in proportion to the Programme funds paid out to beneficiaries per participating country.

Where the recovery relates to a claim against a beneficiary established in Finland and the MA is unable to recover the debt, state of Finland will pay the due amount to the MA and claim it back from the beneficiary.

Where the recovery relates to a claim against a beneficiary established in Russian Federation and the MA is unable to recover the debt, the level of responsibility of the Russian Federation will be such as it is laid down in the relevant financing agreements.

The MA will recover the amount unduly paid together with any interest on late payment from the lead beneficiary. The concerned beneficiaries will repay the lead beneficiary the amounts unduly paid in accordance with the partnership agreement signed between them. If the lead beneficiary does not succeed in securing repayment from the concerned beneficiary, the MA will formally notify the latter to repay to the lead beneficiary. If the concerned beneficiary does not repay, the MA will request the participating country in which the concerned beneficiary is established to reimburse the amounts unduly paid.

The apportionment of liabilities in case of recoveries has been described under chapter 5.1. in more detail.

5.13. Rules of transfer, use and monitoring of co-financing

The indicative allocation of Community funding in the ENI CBC Strategy Paper 2014–2020 to the South-East Finland - Russia CBC Programme is € 36,146,782 for the years 2014–2020.

The Programme is co-financed by the Russian Federation and the State of Finland and these contributions together match with the EU share directed to the Programme. The indicative amounts are defined in chapter 5.9. Indicative financial plan. As a basic principle the EU share will be matched in each project with national co-financing shares.

The permission to commit the national contributions will be granted to the Programme according to the annual work programmes approved by the JMC. Annual work programme includes both resources directed to projects and to the Technical Assistance.

Programme's national and EU contributions are pooled, transferred to and managed by the MA. The South-East Finland – Russia CBC Programme has a separate bank account within the Regional Council of South Karelia. The programme's account is independent and separate and it only includes transactions relating to the programme. This account has been divided into three sub-accounts:

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

Provisions concerning the transfer, use and monitoring of the national contribution by the Russian Federation will be defined in the Programme's financing agreement.

The same eligibility rules apply to all contributions (national and EU). The monitoring of national co-financing is conducted according to the annual monitoring and evaluation plan approved by the JMC. Key monitoring and evaluation principles have been described in chapter 5.6.

5.14. Description of IT systems for the reporting and exchange of computerised data between the MA, the Commission, Finland and the Russian Federation

The South-East Finland – Russia CBC Programme has an electronic monitoring system (PROMAS) which is used for the management of the programme and individual proposals and projects. At project level the MA uses the system for operational as well as for financial follow up. Payments to the applicants are made with a separate electronic system (Basware) and they are recorded in the accounts by Intime application. The information within these systems will be reconciled regularly.

An electronic system used for the management of the programme and individual projects is developed as tailored web-based service for the CBC programmes implemented on the Finnish-Russian border. All Finnish-Russian programmes use the same system but have a separate database. The administrative users acting as the first level support for the other user groups are designated among the staff of the MAs of each programme. The system and database are secured and the use of functions requires registration.

The main functions provided by the system include publication and management of calls for proposals, management of project selection and data collection for programme reporting.

The experience gained with the electronic system of the current programme is taken into account in the development work for the next system. The system and database are secured and only a restricted number of people have an access to the system. The Database will respect the security and confidentiality standards and follow the relevant legislation.

Projects are using PROMAS for reporting purpose and all the material is stored in the database. The MA uses PROMAS to collect and summarise information provided by projects for the annual reports and other possible use and evaluations. All reports are sent to the Russian Government on request.

The electronic system also provides a platform for the internal monitoring of projects conducted by the MA. Reports, findings and recommendations of the internal monitoring missions are stored in the database and are available under the files of each project in question.

The computerised systems for the management and monitoring of programme and project data will be set up no later than 31 December 2015. The system will allow all exchanges of information between beneficiaries and the MA as well as the AA to be carried out by means of electronic data exchange systems. The system will facilitate interoperability and allow for the beneficiaries to submit all information on-line.

The MA uses the KEEP database to report and exchange data to the Commission. The MA feeds information on projects regularly to the KEEP and reconciles it to the MA's own systems.

5.15. Languages

The official language used by the Programme is English. 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 MA no later than 14 days before the meeting in question.

The project Lead Partners will submit all documents concerning their project in English. Translations of key documents (such as JOP, Guidelines for the Call for Proposals, Programme Manuals) will be provided in Russian and Finnish. In all cases, the English version will be the official version.

6. ABBREVIATIONS

List of used abbreviations (in alphabetical order)

AA	Audit Authority
BO	Branch Office
CBC	Cross Border Cooperation
CCP	Control Contact Point
DMCS	Description of the Management and Control systems
EC	European Council
ENI	European Neighbourhood Instrument
ENPI	European Neighbourhood and Partnership Instrument
ERDF	European Regional Development Fund
ETC	European Territorial Cooperation
EU	European Union
GDP	Gross Domestic Product
HELCOM	Baltic Marine Environment Protection Commission – Helsinki Commission
HIV	Human Immunodeficiency Virus
ICT	Information and Communication Technology
IFAC	International Federation of Accountants ISRS International Standard on Related Services
IT	Information Technology
JMC	Joint Monitoring Committee
JOP	Joint Operational Programme
JPC	Joint Programming Committee
JSC	Joint Selection Committee
LIP	Large Infrastructure Project
LUT	Lappeenranta University of Technology
MA	Managing Authority
MUC	Mikkeli University Consortium
NA	National Authority
ND	Northern Dimension
NDBC	Northern Dimension Business Council
NDEP	Northern Dimension Environmental Partnership
NDI	Northern Dimension Institute
NDPHS	Northern Dimension Partnership in Public Health and Social well-being
NDPTL	Northern Dimension Partnership in Transport and Logistics
NDPC	Northern Dimension Partnership in Culture
NGO	Non-Governmental Organisation
NORDI	Northern Dimension Research Centre
PCA	Partnership and Cooperation Agreement
PROMAS	Programme Management System
R&D	Research and Development
ROM	Result Oriented Monitoring
RTF	Joint Regional Task Force
SDS	Sustainable Development Strategy
SEA	Strategic Environmental Assessment
SME	Small and Medium-sized Enterprise
STI	Sexually Transmitted Infections
SWOT	Strengths, Weaknesses, Opportunities, Threats
TA	Technical Assistance
TO	Thematic Objective

TNS	Taylor Nelson Sofres
UEF	University of Eastern Finland
UK	United Kingdom
UNESCO	United Nations Educational Scientific and Cultural Organization
U.S.S.R	Union of Soviet Socialist Republics
VAT	Value Added Tax
VR	Valtion Rautatiet (Finnish Railways)

ANNEX 1

Population, education & research and economic statistics							
	Year	Unit	St. Petersburg	Leningrad region	South Karelia	Kymenlaakso	South-Savo
Population in the programme area			5 131 900	1 757 500	132 252	180 771	152 518
Population statistics							
Births							
	2006		40 358	13 021	1 208	1 551	1 316
	2007		43 362	13 713	1 205	1 659	1 297
	2008		47 510	14 272	1 177	1 584	1 278
	2009		52 196	15 004	1 108	1 624	1 257
	2010		55 849	15 127	1 253	1 704	1 229
	2011		57 455	14 912	1 220	1 555	1 306
	2012		63 353	15 759	1 123	1 612	1 140
	2013		63 636	15 413	1 107	1 577	1 214
Deaths							
	2006		70 270	31 622	1 481	2 140	1 968
	2007		67 663	29 797	1 577	2 208	1 940
	2008		67 189	29 393	1 497	2 113	2 027
	2009		65 246	27 792	1 609	2 210	2 050
	2010		65 647	27 160	1 557	2 196	2 042
	2011		61 913	25 490	1 593	2 130	2 001
	2012		62 347	25 740	1 526	2 259	2 060
	2013		60 043	25 308	1 613	2 205	2 068
Age Structure							
		%					
	2013	0-14 years	12,1	13,1	14	14	13
		15-64 years	72,6	72,7	62	62	61
		Over 65 years	15,3	14,2	24	24	26
Migration							
	2006		20 400	12 200	-70	-358	-373
	2007		21 100	11 700	-163	-126	-957
	2008		33 061	13 575	105	-266	-500
	2009		31 244	10 410	54	288	-233
	2010		4 663	3 542	0	260	-99
	2011		58 632	25 807	4	27	-246
	2012		74 092	27 163	229	231	-175
	2013		100 017	22 602	398	62	-65
Economic structure							
Average GDP per capita							
		€					
	2006		3 560,22	3 206,90	30 176,5	28 267,6	22 381,0
	2007		4 804,78	3 728,09	30 484,0	31 169,0	25 000,6
	2008		6 111,56	4 612,94	29 726,9	31 192,6	24 817,2
	2009		6 254,82	5 161,57	27 138,5	28 582,8	23 433,9
	2010		7 128,35	5 846,22	27 876,1	30 409,0	24 469,7
	2011		8 583,57	6 663,39	30 162,0	35 382,0	25 814,9
Average monthly income per capita							
		€					
	2012		567,30	365,85	3 036,00	3 032,00	2 815,00
Unemployment rate							
		%					
	2006		2,4	5,8	11,4	12,3	11,7
	2007		2,1	3,9	10,2	11,0	10,4
	2008		2,0	6,0	10,0	10,4	9,7
	2009		4,1	6,9	12,4	12,9	11,6
	2010		2,6	5,2	12,4	12,4	11,5
	2011		2,0	4,3	12,1	11,8	10,7
	2012		1,1	3,2	12,8	12,0	11,4
	2013		0,7	4,3	13,9	12,8	12,4
Education and research							
% of population with secondary or higher education							
		% of population					
	2010		90	78	64	65	63
Educational and cultural institutions							
		per 1000 inhabitant					
Universities and institutions	2014		0,02	0,001	0,05	0,02	0,1
Research and development organizations	2014		0,06	0,007	0,08	0,02	0,07

Diagram 1: The structure of industry in Saint Petersburg year 2012 (by number workers)

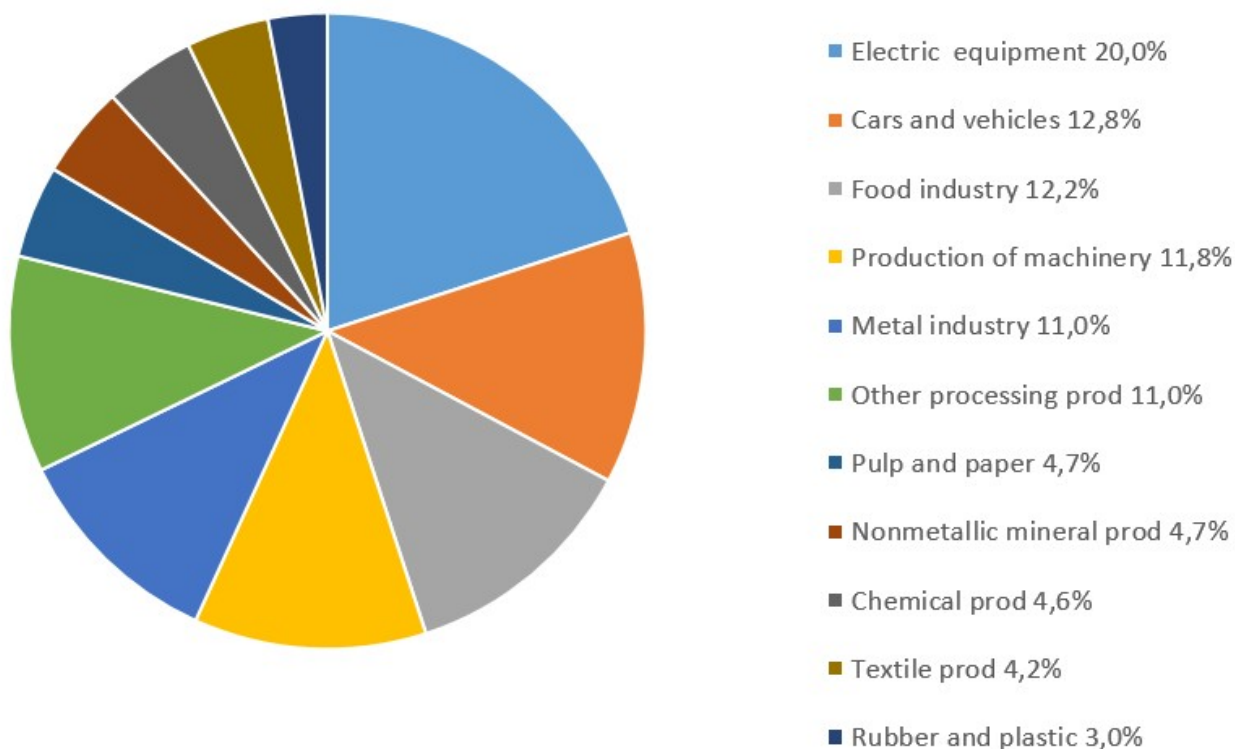


Diagram 2: The structure of industry in the Leningrad Region year 2012 by number of workers

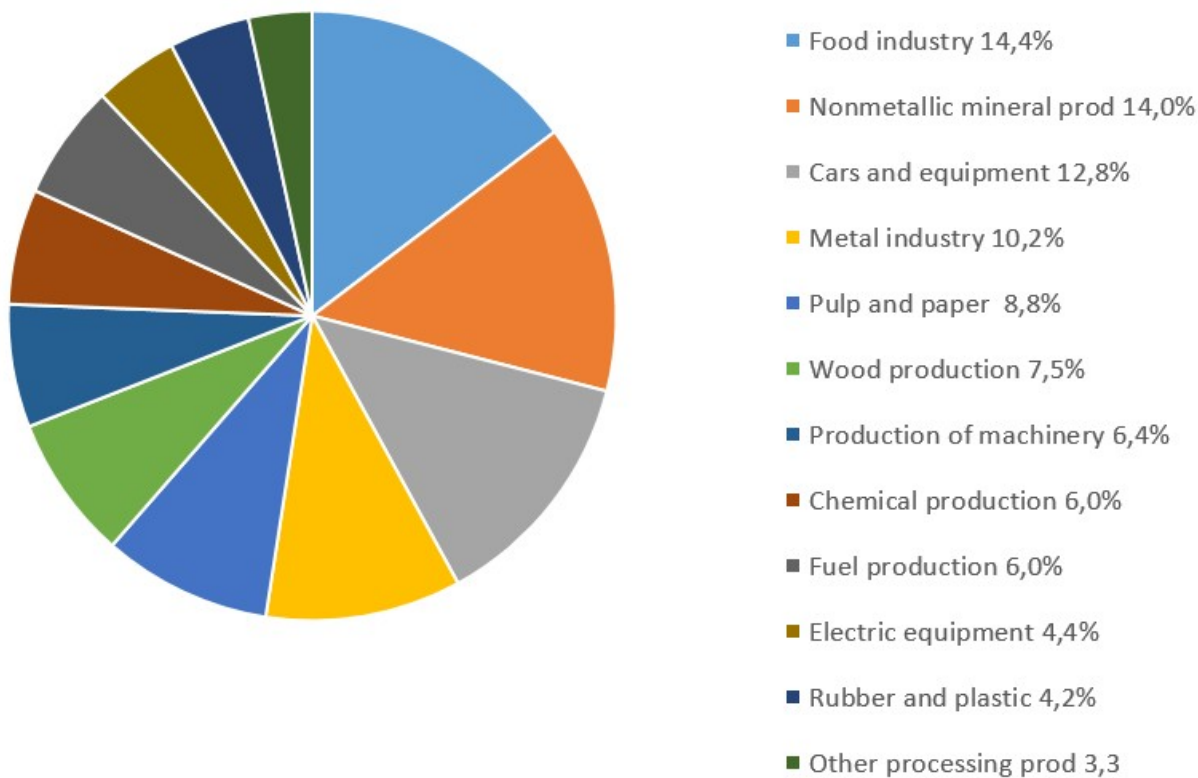


Diagram 3: The structure of industry in Kymenlaakso, year 2013 by number of workers

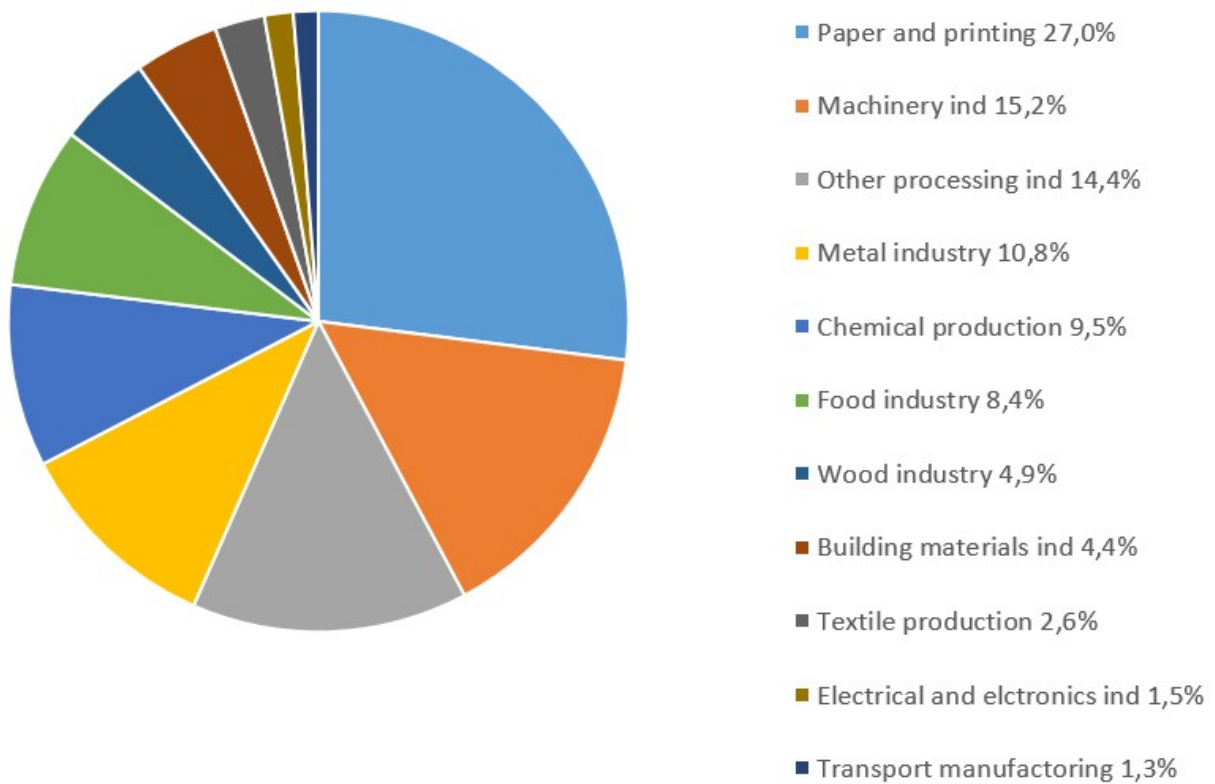


Diagram 4: The structure of industry in South Karelia, year 2013 by number of workers

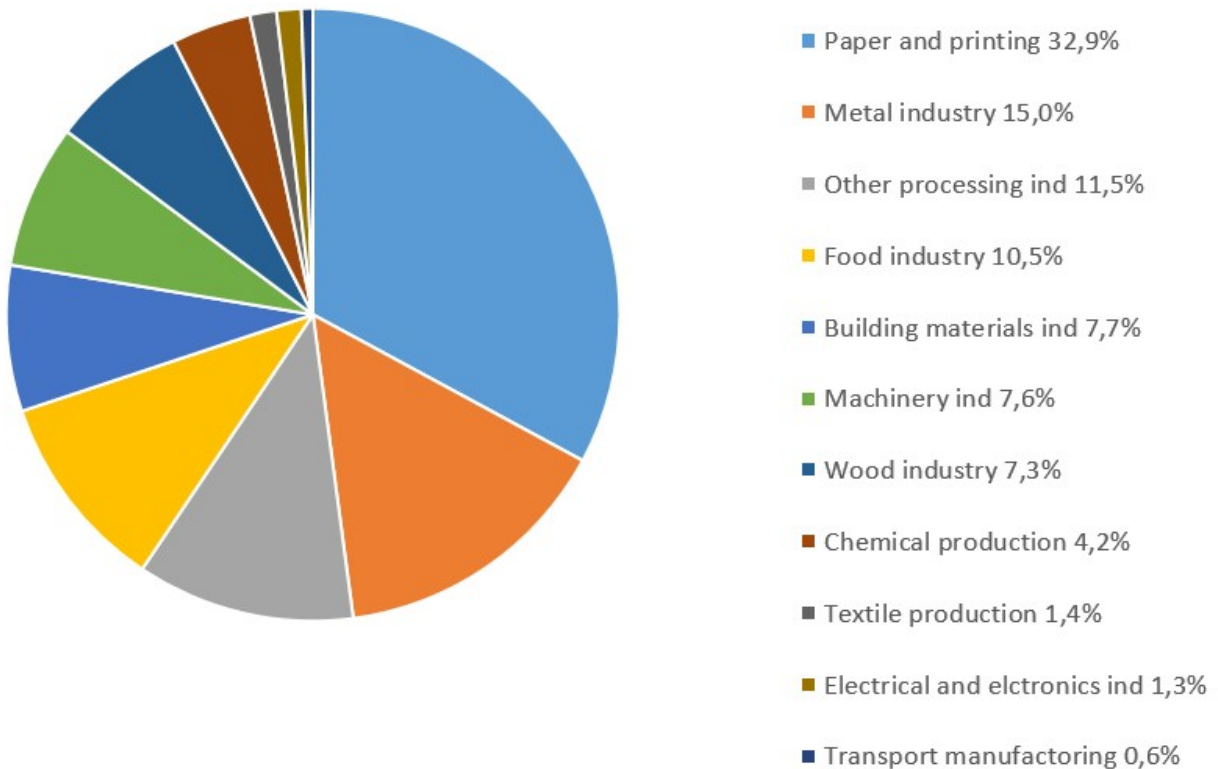
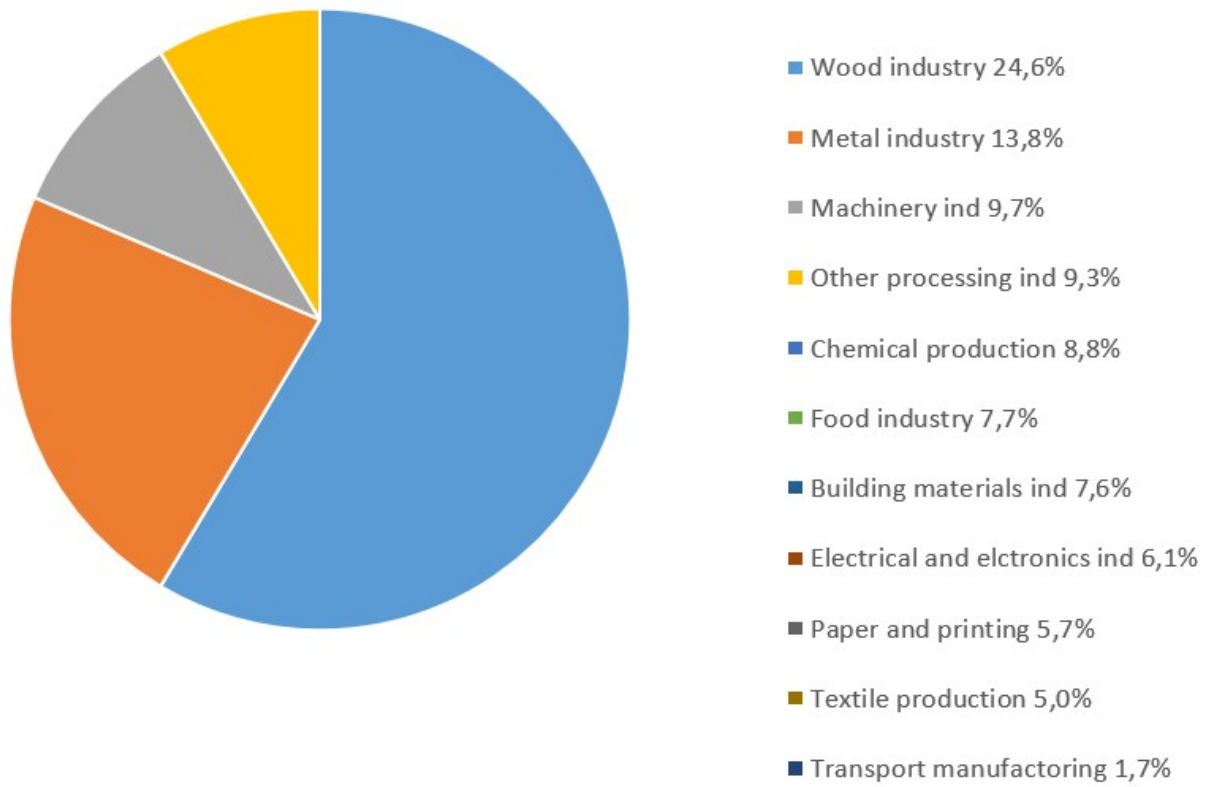
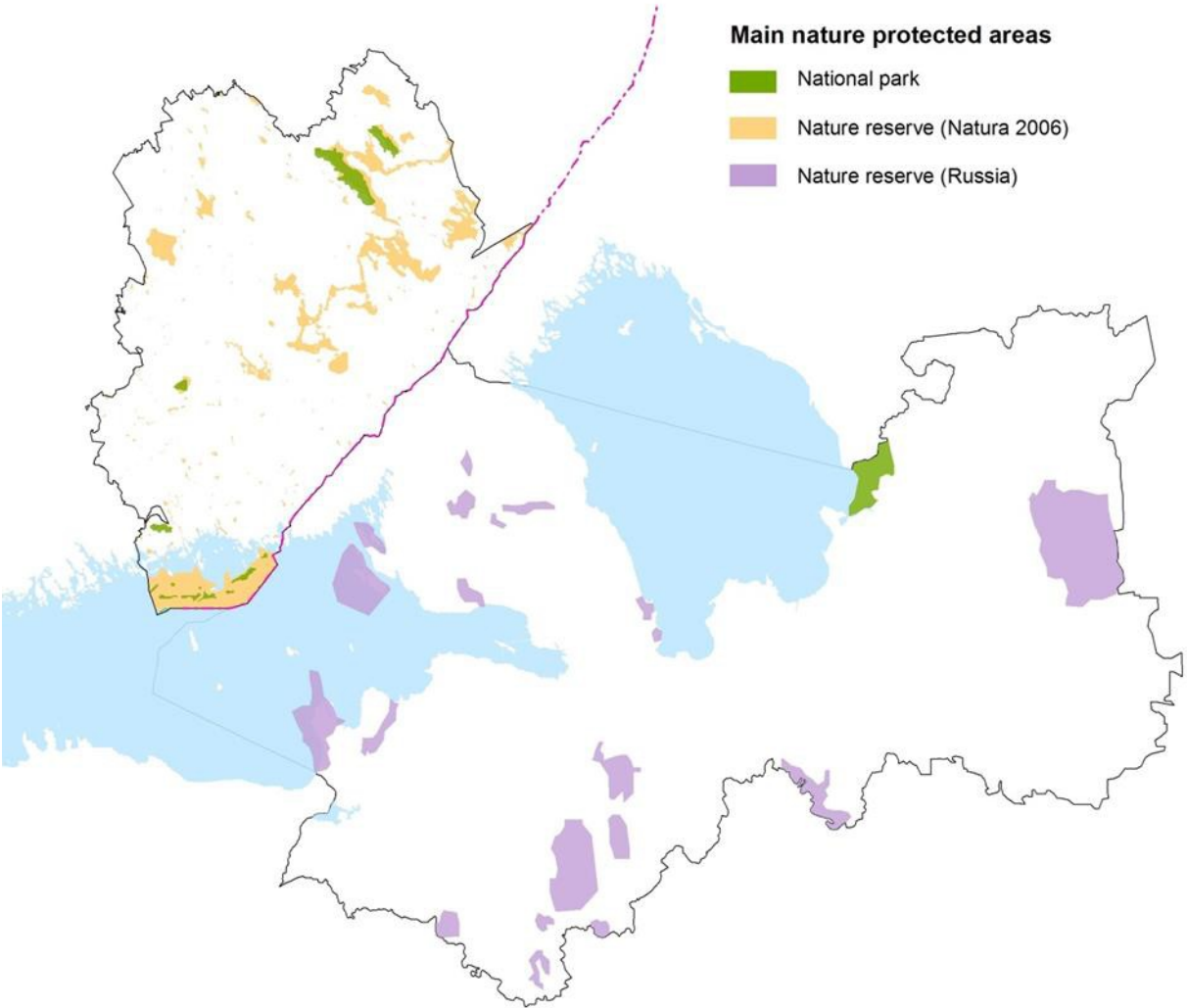


Diagram 5: The structure of industry in South Savo, year 2013 by number of workers



Map 1: The main nature conservation areas in the Programme area

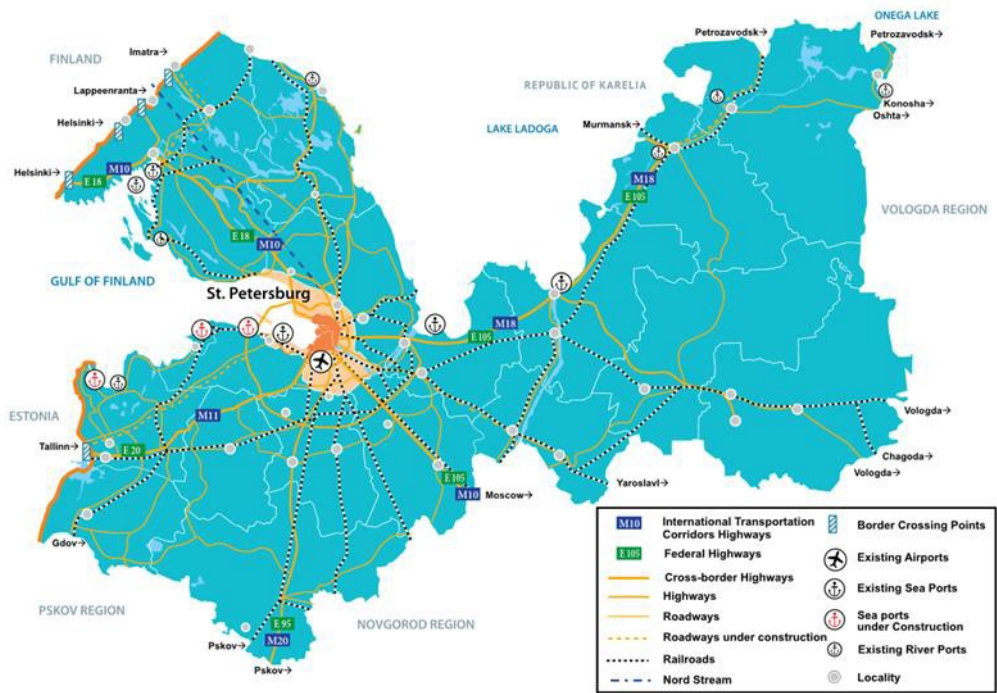
South-East Finland – Russia CBC 2014–2020



Map 2: Transportation network in the Programme area



Map 3: Transportation in the St. Petersburg and Leningrad Regions



Sources: Federal State Institution "The Administration of Ports of the Baltic Sea", Federal State Statistics Service, Information Agency Novosti, Leningrad Region Committee on Natural Resources and Environmental Protection, Regional Committee of the Federal State Statistics Service in St. Petersburg and Leningrad Region, Russian Info Petrostat, Statistics Finland, SYKE.