

Approved by the Joint Programming Committee

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# Joint Operational Programme 2014-2020

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The Programme is co-financed by the EU, Russian Federation and Finland

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## 1. INTRODUCTION

Cross-border cooperation (CBC) is an integral component of EU-Russia cooperation. CBC Programmes operate for the benefit of both sides of the border.

Karelia CBC Programme shall enhance the practical cooperation between the Finnish and Russian regions with the support of Russian Federation, Finland and the European Union. The Programme shall complement the regional development programmes with its specific cross-border nature. At the same time the Programme shall contribute the European level strategic and thematic objectives defined for cross-border cooperation under the European Neighbourhood Policy.

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

The current legal basis for EU-Russia cooperation is the 1994 Partnership and Cooperation Agreement. In 2005 Russia and EU launched the implementation of road-maps on four the Common Spaces (Economic; Freedom, Security and Justice; External Security, including crisis management and non-proliferation; Research and Education, including cultural aspects). The Partnership for Modernization, established in 2010, has become a focal point for practical cooperation in various relevant areas.

The following Documents set the EU legal framework for the implementation of the Programme:

- Commission Implementing Regulation (EC) No 897/2014 of 18 August 2014 laying down implementing rules for cross-border cooperation programmes (CBC IR)
- Regulation (EC) No 232/2014 of the European Parliament and of the Council of 11 March 2014 (ENI Regulation)
- Regulation (EC, Euratom) No 966/2012 of the European Parliament and of the Council on the Financial rules applicable to the general budget of the European Union and repealing Council Regulation No 1605/2002
- Programming Document for EU support to ENI Cross-border cooperation (2014-2020)

In Russia the legal context for the implementation of CBC Programme is built on

- the Concept for the Foreign Policy of the Russian Federation
- the Strategy of 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 (№ 44-FZ dated 5.04.2013)
- Applicable Codes of the Russian Federation
- Applicable decrees of the President of the Russian Federation and the Russian Government
- The Concept of Cross-Border Cooperation of the Russian Federation

- The Concept of the Long-term Social and Economic Development of the Russian Federation through to 2020

In Finland a separate law on the management of ENI CBC Programmes shall come into force during 2015.

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

The programme will be co-funded by the EU from ENI (external instrument of the EU policy, 10 750 527 €) and ERDF (internal instrument of the EU policy, 10 750 527 €) and by the Russian Federation (10 750 527 €) and Finland (10 750 527 €).

### *Background of cross-border cooperation in Karelia CBC Programme area*

Finland and Russia have carried out regional cross-border cooperation since 1996. First programmes were co-financed by the EU and Finland and in Karelia ENPI CBC Programme also Russian Federation involved its share to the financing to underline the equal partnership between all participants.

Finnish-Russian neighbouring area cooperation started already earlier, based on the intergovernmental agreement signed in 1992. But only the first CBC Programme, Interreg II A Karelia Programme 1996-1999, took along the regions fully to the implementation of the cooperation. This programme established preconditions for further CBC Programme work and also partly led to the establishment of Euregio Karelia (agreement signed in 2000). Euregio Karelia Board, which is a body pursuing strategic level cross-border dialogue, was founded to deepen programme and project based cross-border cooperation in order to bring strategic and long term guidance to the cooperation. The members of the Board are key regional decision-makers – both politicians and civil servants from both sides of the border and the regions are the same as in Karelia CBC Programme (see chapter 2. Description of the Programme area).

Interreg III A Karelia Programme 2000-2006 was built on the experiences gained from the previous programme and was in 2004 further transferred to Euregio Karelia Neighbourhood Programme. Euregio Karelia Neighbourhood Programme gave first time a possibility to finance activities on both sides of the border. Karelia ENPI CBC Programme 2007-2013 continued the CBC work in the region and was the first Programme where all the financing was pooled together (EU, Russia and Finland) to be directed to jointly selected projects operating on the both sides of the border.

### *Karelia CBC Programming process*

Preparation of Karelia CBC Joint Operational Programme has been a joint exercise between Finland and Russia and has committed both Regional and National levels from both countries to the process. A joint Programming Committee facilitated by the Regional Task Force played a key role in the process. Programming Committee included participants from key national level Ministries from both countries and Regional Councils from Finland as well as the Ministry of Economic

Development from Karelia. Karelia CBC programme enjoys strong support of Euregio Karelia board and the signals received from it were taken into account in the Programme preparation. Euregio Karelia strategy till year 2020 was published in 2014 and this offered vast package of analysed material and information about regions expectations on cross-border cooperation for the following years. Cooperation with other Programmes has also enhanced the programming significantly especially what comes to the implementation modalities of the Programme. The guidance provided by the InterAct ENPI (ENI CBC Programming guides) was taken into account in the programming process.

Programme partners from Finland and Russia have agreed i.a. about joint management structures, the thematic objectives and priorities. The prepared Joint Operational Programme is a joint outcome of the work conducted by the Programme partners. Programme shall be adopted by both countries and the European Commission.

Selected 4 thematic objectives and related priorities were built on the information collected from the analysis of regional strategies and stakeholder hearings finished with the problem analysis. Stakeholder hearings gathered about 200 participants. Meetings were organized by the Regional Task Force members / Regional Councils on the Finnish side and The Ministry of Economic Development in Karelia. Meetings were organized as follows:

- Petrozavodsk (Karelia) 6.2.2014
- Kajaani (Kainuu Region) 29.1.2014
- Oulu (Oulu Region) 4.2.2014
- Joensuu (total of five meetings organised between 21.1.-6.2.2014; different target group in each according to the thematic objectives )

In the meetings, the five Thematic Objectives that the Programming Committee had chosen in the previous stages of the programming process were discussed with stakeholders.

Strategic Environmental Assessment (SEA) was developed in dialogue between external environmental experts, the Joint Managing Authority, the Joint Programming Committee and the wider audience via public hearings. Draft Joint Operational Programme (JOP) and the SEA were published on the Programme websites during the public hearings, which facilitated fluent accessibility to the draft documents from the whole programme area. Public hearings were organized on both sides of the border in February / March 2015. Joint Programming Committee analysed the feedback received during the public hearing in its meeting on March the 26<sup>th</sup> and agreed about the changes that were made accordingly to the documents.

## 2. DESCRIPTION OF THE PROGRAMME AREA

### *Programme area*

Programme area is comprised of core regions and adjoining regions and major economic, social and cultural centres.



Picture 1. Karelia CBC Programme area

Karelia CBC core regions:

Finland: Kainuu, Oulu Region, North-Karelia  
 Russia: Republic of Karelia

Adjoining regions:

Finland: Lapland, North-Savo, South-Savo, South-Karelia  
 Russia: Murmansk, Arkhangelsk and Leningrad regions

Major economic, social and cultural sectors:

Finland: Helsinki  
 Russia: Moscow, St. Petersburg

### *Core regions*

Karelia CBC core region consists of three regions in Finland (Kainuu, North Karelia and Oulu Region) and the Republic of Karelia on the Russian side. These regions share approximately 700 km long joint border in the Programme area. The geographical coverage of the programme area is 263 667 km<sup>2</sup>, of which the Republic of Karelia makes up 180 500 km<sup>2</sup>.

The programme's objectives, strategy and priorities are based on the needs and problems of the programme area.

### *Adjoining regions*

Programme area is widened outside the core regions by defining the eligible adjoining regions, which are geographically neighbouring the core regions. In order to ensure the continuity of the cooperation the adjoining regions of Lapland and North Savo from the Finnish side and Murmansk, Arkhangelsk and Leningrad Regions will be included to the Programme area. In addition to these adjoining regions that were defined already in Karelia ENPI CBC Programme, the regions of South Savo and South Karelia are introduced as new adjoining regions. These two new regions widen the scope and group of potential CBC partners in Karelia CBC Programme and also enable the implementation of larger cooperation initiatives that cross the Programme core regions borders but have a clear cross-border dimension.

Karelia CBC adjoining regions:

Finland: Lapland, North Savo, South Savo and South Karelia  
 Russia: Murmansk region, Arkhangelsk region and Leningrad region

Partners from the abovementioned adjoining regions may participate to projects where it is required by the nature and by the objectives of the project and is necessary for its effective implementation. Partners participating to projects from adjoining region have to bring an expertise or know-how that is not available in the core area as such. All these projects have to benefit the programme core region on both sides of the border.

### ***Major Economic, Social or Cultural Centres***

The programme will involve cities of Helsinki, St. Petersburg and Moscow as major social, economic or cultural centres into all programme priorities. National level public entities based in Helsinki and Moscow can act as project partners only if they do not have their structural units in the programme core region.

Partners from St Petersburg may participate to projects where it is required by the nature and by the objectives of the project and is necessary for its effective implementation. Partners participating to projects from St Petersburg have to bring an expertise or know-how that is not available in the core area as such.

Participation of these entities should bring substantial added value for the core eligible border area and strongly contribute to the achievement of the CBC impact in the core eligible border area, and be essential to achieving the programme's objectives in a sustainable way. The activities have to be mainly implemented in the programme core region.

### ***Geographical eligibility requirements for the partnerships in projects***

All projects in Karelia CBC Programme have to include at least one partner from the core region in Finland and at least one partner from the core region in Russia.

When a partner is a national level public entity based in Helsinki or Moscow who doesn't have such structural units in the programme region that could act as a project partner or an international organisation with a base of operations in the Programme area a partner from the core region is not required.

Partners from the adjoining regions may participate into the Programme implementation where it is required by the nature and by the objectives of the project and is necessary for its effective implementation. Partners participating to projects from adjoining region have to bring an expertise or know-how that is not available in the core area as such.

Projects may be partially implemented outside the programme area, provided that the activities are necessary for achieving the programme's objectives and they benefit the programme area.

The total amount allocated under the programme to activities or partners located outside the Programme core regions may not exceed 20 % of the Programme contribution at programme level. This principle doesn't concern the Large infrastructure projects (LIPs). However the principle of activities implemented outside the programme core region applies as for the other projects.



### 3. PROGRAMME'S STRATEGY

#### 3.1. Thematic Objectives and Programme Priorities

##### *Programme overall objective*

Karelia CBC Programme shall contribute to regional development with activities that have clear cross-border dimension and cooperation nature. Activities benefit regions and stakeholders on both sides of the border. Programme complements other regional development programmes operating on the regions. At the same time Programme may also be an initiator for development activities / chains.

Karelia CBC Programme tries to influence to the Programme region's general development trends with specific cross-border activities underlining their cooperation nature. These particular specificities shall make the nature and type of activities different compared to other Programmes.

Based on the key challenges identified in the analysis stage, the overall objective of the Karelia CBC Programme has been defined as follows:

*To make the Programme area attractive for the people to live and work and businesses to locate and operate*

Programme area is characterized by aging and decreasing population. A fall in birth rate and extensive simultaneous retirement of the working-age population are the regions' typical features on both sides of the border. Also the out-migration of the working age population to growth centres in search of work is visible on both sides of the border. High unemployment rate is also a big regional challenge especially for the Finnish side of the Programme region and unemployment among the young on both sides of the border.

##### *Strategic and Thematic Objectives*

European level thematic and strategic objectives have been defined in the Programming Document for EU support to ENI cross-border cooperation 2014-2020.

Following 3 overarching strategic objectives have been defined for Cross-border Cooperation:

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

Karelia CBC shall contribute all three strategic objectives.

The CBC programmes with Russian participation are to be implemented within following guidelines for actions stipulated in the Concept of 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.”

In order to increase the impacts and efficiency of the Programme the Programme was required to focus to maximum of four thematic objectives created under the strategic objectives. Thematic objectives chosen for the Karelia CBC Programme are:

- Business and SME development (1)
- Promotion of local culture and preservation of historical heritage (3)
- Environmental protection, climate change adaptation (6)
- Promotion of border management, and border security (10)

Priorities have been created on the basis of the selected thematic objectives (one priority for each thematic objective).

The promotion of local cross-border “people-to-people” actions will be included to all the priorities special focus being on young people. Also innovations, research and education are considered as enabling cross-cutting themes that shall be promoted within all priorities.

The implementation of the Programme’s TO1 “Business and SME development” also contributes reaching goals of the “Strategy of social and economic development of the Northwestern Federal district till 2020” and the “Strategy of a long-term innovative development of the Russian Federation until 2020”.

Development of cross-border business contacts and services-products within the framework of TO1 will facilitate Russia to strengthen Russian position in integration processes of the Eurasian space by maintaining balanced relationships with the European economic partners as mentioned in the “Concept of a long-term social and economic development of the Russian Federation until 2020”.

Cooperation between science parks, educational institutions, industrial parks, SMEs and public sector institutions (triple-helix cooperation) to foster innovation and modernization will aid Russia at one the most important tasks stated in the “Strategy of a long-term innovative development of the Russian Federation until 2020” which is the development of innovative manufactures and an increase of a quantity of innovative businesses.”

Within the framework of thematic objective 3 the Russian Federation will be able to reach the following tasks of the “Concept of the cooperation development in the culture between cross-border areas of the Russian Federation and neighboring countries till 2020”: to reserve cultural heritage and expand the access to cultural values and to information about it in the cross-border areas; to develop art-creative activities; to develop art education for cross-border cooperation. A successful realization of these tasks can lead to creation and promotion of new cultural products in the world (or international) market, increase of integration of Russia in the world cultural process, strengthening of its image abroad, increase of the efficient use of the cultural resources and creation of the modern base for development of cultural tourism in the cross-border areas.

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.

Promotion of nature protection and conservation of the marine environment and land areas, and preserving biodiversity which is one of the activities within the scope of TO6 will contribute Russia to reach one of the main priorities of the “Strategy of social and economic development of the Northwestern Federal district till 2020” which is retaining a natural legacy of the district.

The implementation of thematic objective 10 will help Russia resolve some issues which are mentioned in the “Federal law on customs regulation of the Russian Federation” such as ensuring of economic security of the country within a foreign trade, an improvement of state administration in custom sphere.

## *Programme priorities*

### *Priority 1. Growing cross-border business cooperation*

Priority contributes the Thematic Objective *Business and SME development (1)*

Objective of Priority 1 “Growing cross-border business cooperation” is

*to improve the businesses cooperation across the border*

*and*

*to create new working possibilities with cross-border cooperation for those already living in the region and also for people willing to move to the region for challenging work opportunities special focus being on young people.*

Trade between Finland and Russia increased steadily for years before the downtrend started on 2013. Economic cooperation in general has been in focus in all previous CBC Programmes but still the potential for the cross-border economic cooperation hasn't been utilized in full. Cross-border activities may play initiators role on regional level when the attempts to turn the downtrend to positive are done. Potential exists both in traditional economic sectors like forest industry and tourism but also in newer sectors like IT and bioenergy. Economic cooperation and trade cross the border faces difficulties and unexpected obstacles and this hinders the use of the existing economic potential. Also the rapidly changing economic and business environment opens new possibilities for business cooperation which hasn't been touched in cross-border cooperation earlier.

Priority shall enhance business cooperation across the border with long perspective. Lot of business cooperation initiatives has been made cross the border only a few having a permanent nature. Under this priority special attention shall be paid to improving cooperation between Russian and Finnish SMEs as well as attracting investments on both sides of the border.

Among other things the key challenges and problems of cross-border business cooperation shall be identified and tackled and possibilities are created for the businesses to operate in a longer term based on the experiences gained during previous programming periods. Bottlenecks and barriers for the cross border trade and economic cooperation need to be thoroughly analysed and identified in this changing economic situation. Implementation of joint feasibility studies for new and possible cross-border economic clusters shall be encouraged.

Priority also opens possibilities to tackle the problems, bottlenecks and barriers that have been identified in different business sectors. In certain sectors and areas updated analysis and information might already exist and in these cases practical activities may be supported if the information provided clearly justifies and indicates the needs. Also justified joint efforts to attract investments to the region shall be searched.

Weak knowledge and lacking skills about cross-border trade and interaction are challenges that shall be tackled. Insufficient knowledge and skills also raise the threshold to start cross-border

business. Prejudices – partly due to the weak knowledge – also exclude potential businesses from cross-border context.

Networks are vital for successful cooperation cross the border. Networking between the businesses and research institutions could bring new initiatives to cross border context. Also the networks of businesses are still valid and needed. Several business networks have been created in different sectors in previous Programmes and Projects but only few have survived and continued after external financing has ended.

Challenging working opportunities built on international cross border environment tempt also the young people to stay and come to the region. At the same time attention has to be paid also to working conditions and the employees' wellbeing. These both open up possibilities for joint efforts in the development of cross-border business environment.

Border areas offer vast opportunities for businesses to operate on nature based activities. The exploitation of vulnerable nature of border regions requires application of sustainability principles i.e. in the use of natural resources as well as on recreational activities. Environmental sustainability is one key principle respected in the Priority and the whole Programme.

Potential business sectors for economic cross-border cooperation: forest industry, renewable local energy, IT, tourism, cleantech, wellbeing and social sector entrepreneurship, mining, metal industry, electronics industry and food industry.

Projects under the priority 1 are selected through call for proposals.

Table 1. Logical framework of priority 1.

Description	Indicators	Means of verification	Assumptions
<b>Overall objective:</b> To make the programme area attractive for businesses to locate and operate			
<b>Purpose / Programme Priority:</b> Increased cross-border economic interaction and trade	Increase of the number of enterprises operating cross the border	National / regional statistics	Enterprises actively put their plans concerning cross-border trade into practice
<b>Output 1</b> Bottlenecks, barriers and obstacles of cross border economic cooperation have been identified	Number of feasibility studies and sectoral analyses identifying the barriers and problems in different business sectors	Information collected from the relevant projects by the Programme authorities (at the end of project)	Key regional and national stakeholders are interested about the possibilities of cross-border economic cooperation
<b>Output 2</b> Identified barriers for cross-border economic cooperation have been removed	Number of implemented projects striving to remove the identified and analysed trade barriers / obstacles	Information collected from projects	Stakeholders recognize on the analysed barriers and focus on resolving right things
<b>Output 3</b> Enterprises have actively participated to projects increasing their capacity to start or open cross-border economic cooperation	Number of enterprises substantially and actively involved in projects; <i>common output indicator 2</i>	Information collected from the projects (at the end of project)	Enterprises see the cross-border trade as a concrete possibility for increasing their business
<b>Output 4</b> Areas attractiveness as a target for investments has increased	Number of projects implemented in order to increase the investments in the region	Information collected from the projects	Profitable investment objects are recognized

## ***Priority 2. Attractive cultural environment***

Priority contributes the Thematic Objective *Promotion of local culture and preservation of historical heritage (3)*

Active interaction cross the border between the cultural stakeholders is characterizing for the Karelia Programme area. Culture has played an important role in all CBC Programmes implemented since 1996 and the cultural stakeholders have been active with the cooperation also outside the Programmes' scope. Culture is clearly a sector which profiles the region.

Cultural cooperation may increase the knowledge and awareness about people on the other side of the border and this way act as a base builder for deeper interaction within other sectors. With cooperation it is possible to improve the skills of cultural stakeholders. Improved skills help to build the cultural services to operate on sustainable basis. Crossing the border may also open up new possibilities for cultural services.

Therefore the objective of the priority is to:

*facilitate the development of sustainable, diverse and versatile cultural services*

*With the efforts put to reach the set objective, the Programme tries to attract people to live or move to the region. At the same time also people are persuaded to visit the region.*

Following the work that has been done and experiences gained in the previous programmes Cultural activities in Karelia CBC Programme shall focus on the development of new and innovative forms of culture. Capacity building of cultural stakeholders is also seen as a key development area including inter alia the entrepreneurs skills as a whole, knowhow on marketing and the building of cooperation networks. Capacity building activities aim also to improve the cost-effectiveness of the enterprises working on the cultural sector.

Also cooperation and cross-sectoral initiatives between cultural sector and creative industries are encouraged. These would enable the wider use of the potential that exists in the region on these particular sectors and gives a possibility for the stakeholders in these fields to work internationally.

Cross-sectoral cooperation with tourism sector is also seen beneficial for the development of cultural sector and for the building of region's image.

Culture is seen as one tool for targeted inclusive activities especially for youth and special target groups such as disabled in danger to drop out of the active society. Cultural initiatives offer opportunities for both preventing youth from social exclusion and also encouraging them to stay or move to the region.

Projects under the priority 2 are selected trough call for proposals.

Table 2. Logical framework of priority 2

Description	Indicators	Means of verification	Assumptions
Overall objective: People are willing to stay in the region or move to the region			
Purpose / Programme priority: Programme region's cultural services are easily reached and their quality is good	Accessibility and quality of cultural services	Survey organized to target groups	Cultural stakeholders are open to develop their working methods
Output 1 Skills and capacities for cultural stakeholders have improved	Number of cultural organisations using programme support; <i>common output indicator 6</i>  Number of established new enterprises on cultural sector	Information collected from the relevant projects	Cultural stakeholders are willing to take part into capacity building activities
Output 2 Diversity of cultural services has increased with new and innovative forms of cross-border cultural activities		Information collected from the relevant projects	Possibilities for new forms of culture are recognized
Output 3 Cross sectoral initiatives have been created (culture, creative industries, tourism)	Number of cultural organization using programme support for cross sectoral cooperation; <i>common output indicator 4</i>	Information collected from the projects	Mutual benefit of the cooperation is seen on different sectors
Output 4 Inclusive cultural activities have been organized for young people (or special target groups) in danger to drop out of the active society	Number of young persons / members of special target groups reached with projects aiming at increased integration; <i>common output indicator 10</i>	Information collected from the projects	Young and special target groups react positively to CBC



### ***Priority 3. Clean and comfortable region to live***

Priority contributes the Thematic Objective *Environmental protection and climate change adaptation (6)*

Clean environment is a key attraction factor of the Programme region and notable natural resources a clear strength. With the efforts put to reach the set objective, the Programme tries to attract people to live or move to the region. At the same time also people are persuaded to visit the region. Promoted activities have multiple nature: on the other hand they improve the peoples living conditions by creating environmental friendly living areas and by improving their basic infrastructure. On the other hand Priority includes also activities which have direct environmental dimension such as environmental awareness, which also act as inducements for people to stay in the region.

Objective of the Priority is to

*Improve the people's physical living and working environment.*

Activities improving the physical living environment may focus i.e. on the planning of environmental friendly residential areas, development of service structures on the residential areas and on the development and use of recreational areas or natural reserves and parks nearby the residential areas.

Basic infrastructure of residential areas may be improved by utilizing the environmental technology and expertise, which offer possibilities with mutual benefit for explicitly improved living conditions. Expertise is available in the programme area though there are also large-scale development needs.

Cooperation initiatives for the development and improvement of the use of technologies for pure drinking water and waste water treatment systems are searched for. Also the improvements concerning the solid waste are promoted. Wide variety of opportunities also exists on the energy sector and especially with the questions concerning the energy efficiency which have straight positive environmental impacts. Also joint initiatives to develop environmentally sustainable ways to produce energy from renewable local energy resources are called for. Focus shall be – in water, solid waste and energy questions – on preparatory / feasibility study –type of activities but also investments may be supported in specific cases where clear cross-border perspective is justified. Initiatives that aim at creating a project pipeline from initiative to feasibility studies and further on to the realisation of practical larger investments (financed by other means than the programme) are especially searched for.

People are activated to pay attention to the living environment and nature. Therefore the priority shall focus also to the activities improving people's environmental awareness as a whole. Activities

focusing on the development of the living environment have “people to people” nature which is one of the cross-cutting principles under the strategic objectives of cross-border cooperation. Also sustainable environmental development is one of the key principles applied under the priority.

Clean and diverse nature surrounding the residential areas is also seen as one of the attraction factors of the region. Cross-border activities to secure the biodiversity of the nature are searched for under the priority.

At the same time nature is also seen as a potential tool to promote the health and wellbeing of people living in the region and therefore the stakeholders are encouraged to build up cross-border initiatives and proposals to utilize this potential.

Projects under the priority 3 are selected mainly through call for proposals. Some individual projects may be selected with direct award procedure.

Table 3. Logical framework of priority 3

Description	Indicators	Means of verification	Assumptions
<b>Overall objective:</b> People are willing to stay in the region or move to the region			
<b>Purpose / Programme Priority:</b> Peoples living and working environment has improved	Comfort of the living environment	Survey organized to target groups	
<b>Output 1</b> Environmental awareness has increased	Number of persons actively participating in environmental projects and awareness raising activities; Common output indicator 17	Information collected from the relevant projects	Importance of environmental questions in the living environment are recognised
<b>Output 2</b> Practical projects have been launched to improve the people’s physical living environment (on water-, waste water- or solid waste management or energy efficiency / energy production)	Number of investment initiatives got to the project financing pipeline	Information collected from the relevant projects	Key stakeholders are ready / able take the responsibility of larger development activities and investments
<b>Output 3</b> Biodiversity in border areas is supported	Number of concrete projects implemented to eliminate identified threats to biodiversity in cross-border areas.	Information collected from the relevant projects	Key problems are analysed and jointly recognized on both sides of the border
<b>Output 4</b> Use of nature in the promotion of health and wellbeing	Number of persons actively participating to projects using nature as a tool to improve the health and wellbeing	Information collected from the relevant projects	Connection between clean nature and health and wellbeing is recognised

#### **Priority 4. Well-functioning border crossing**

Priority contributes the Thematic Objective Promotion of border management, and border security (10)

Possibility to cross the border fluently and easily is one key precondition for active cross-border cooperation – for both people and businesses. Border infrastructure forms the cornerstone for physical connections. The objective of Priority 4 ,well-functioning border crossings, in Karelia CBC programme is to

*remove the bottlenecks and improve the safety of the Programme area's international border crossing points and this way to lower the threshold for people to travel cross the border and goods to transport*

Priority shall focus to develop the infrastructure, facilities and the working procedures especially on the international border crossing points and their immediate proximity on both sides of the border. These activities shall increase the functionality of the border crossing and the safety of border traffic. Easy border crossing also facilitates the cross-border business cooperation which has a straight impact on regional economy.

The increase of border crossings has been in general stable since 2000. Structures and infrastructure of the Programme area's international border crossing points are not originally planned for the expected increasing number of border crossings and therefore the fixing of the worst bottlenecks is utmost important. By removing the worst bottlenecks on border traffic the functionality of crossing the border and safety of cross-border traffic shall be improved.

Number of border crossings is expected to increase during the following years despite of the latest downtrend in 2014-2015. According to the estimates the number of border crossings (personnel traffic) may double by the year 2024 in Niirala-Värtsilä and Vartius-Lyttä border crossing points (in Niirala even earlier, by 2021).

Also the heavy traffic is still expected to increase by 2020 with 1,5 times compared to the situation in 2014. This rapid increase would also mean vast economic benefit for the region. In order to facilitate the positive development clear development activities are needed on the border crossing points. Also the roads leading to the international border crossing points require improvements. Programme may contribute to the improvements of the roads on the immediate proximity to the border. Larger road investments and improvements further from the border require other financial resources and commitments from regional and national levels.

Existing railway connections on both Vartius-Lyttä and Niirala-Värtsilä border crossing points also enable cargo transport but at the same time require improvements. Passenger trains do not operate on a regular basis on these border crossing points. Only a few pilot passenger train connections have been tested.

Projects under the priority 4 are selected with direct award procedure and may be also selected through call for proposals.

Table 4. Logical framework of priority 4

Description	Indicators	Means of verification	Assumptions
<b>Overall objective:</b> To make the programme area attractive for the people to live, work and visit and businesses to locate and operate			
<b>Purpose:</b> Border crossings are functioning smoothly on the Programme regions border crossing points	Number of mutually identified major infrastructure hindrances at border-crossing points	Studies, surveys, interviews	
<b>Output 1</b> Bottlenecks of personnel traffic are removed on the Programme region's border crossing points	Increased throughput capacity of persons on those border crossing points which have been involved to project activities; common output indicator 38	Information received from the border guards	Problems are analysed and recognized on both sides of the border
<b>Output 2</b> Bottlenecks of heavy traffic have been removed on the Programme regions border crossing points	Increased throughput capacity of trucks on the border crossing points which have been involved to project activities; common output indicator 37	Information received from the border guards and customs	Problems are analysed and recognized on both sides of the border
<b>Output 3</b> Roads in the immediate proximity to the border crossing point are in good condition	Total length of reconstructed or upgraded roads near the international border crossing points, common output indicator 27	Information collected from the projects	Functioning roads are seen as key factors to increase and enhance border crossings
<b>Output 4</b> Operating conditions of rail cargo transport and passenger trains have improved.	Number of concrete development actions improving the operating conditions of rail traffic	Information collected from the projects	Problems are analysed and recognized on both sides of the border

## 3.2. Justification for the chosen strategy

Karelia CBC –area has already a long history with the cooperation cross the border. Several CBC Programmes have been operating since 1996 and Euregio Karelia since 2000. Euregio Karelia has a joint cross border strategy on which its work is based and the regions which it covers are the same as in Karelia CBC Programme. Existing strategy is valid till 2020 and was approved in Spring 2014. In the strategy the region's socio-economic situation has been analysed and strengths and weaknesses identified. Euregio Karelia strategy clearly supports the programming process. In addition to the material and data got from Euregio Karelia strategy also supporting data and material has been produced by Petrozavodsk State University and the University of Eastern Finland.

Because of this long history with the cooperation and an existing joint Euregio Karelia strategy a separate and full socio-economic analysis about the area was not conducted as a starting point. Analysis was rather an overview to the regional and national strategies combined to the experiences accumulated from the implementation of previous and ongoing Programmes. It is nevertheless appropriate to analyse some basic data in order to be able to identify the existing trends on which it is possible to influence with cross-border cooperation. Programming bodies analysed the Programme region's socio-economic situation in thematic objectives' perspective (Thematic Objectives in the Programming Document for EU support to ENI Cross-border Cooperation 2014-2020).

### *Basic facts of the Programme region*

#### **Population**

From 2000 till 2012 the total population of the Programme region has decreased with amount of 80 000 (2012 total of 1 284 041 inhabitants). Decrease of the population has been the most significant in the Republic of Karelia (- 13 %). The population of the Oulu Region increased 9 % during the same period and it was the only region within the Programme area where the population increased. In Oulu Region the increase locates to the city of Oulu.

Positive population trend in Oulu Region is a result from high birth rate and net in-migration (2500 / year an average). The decrease of the population in Kainuu and North-Karelia is resulting from negative natural population development. Also the net out-migration has been significant in these regions. In North Karelia though, immigration from other countries has been positive since 2009.

In the Republic of Karelia the decrease of the population is resulting from both negative natural population development and the net out-migration. It is nevertheless good to notice that Karelia had net in-migration till year 2009 and the decrease of the population was mainly a result of the low birth and high mortality rates.

According to the forecasts by official statistics of Finland and Russia the population of the Programme region shall increase by 2020 with about 1 % (from 2012 total of 1 284 041 to 2020

total of 1 300 000). In forecasts the increase locates only to the Oulu Region and the population in other regions is decreasing.

- *decreasing population on the Programme region*
- *fall in birth rate*
- *out migration of the working age population*

### ***Economic structure***

Economic structure in the Programme area's regions is fairly similar: high share of services (highest in Kainuu region), about one quarter share of industry (lowest in Kainuu 18 % in 2011). Share of the jobs in primary production on the Finnish side is 5 – 8 % in all regions and in Republic of Karelia the share is a bit higher. Share of service sector jobs has increased in all regions between 2000 and 2011 and at the same time the share of industrial jobs has decreased. Share of jobs in forest sector has increased in the Finnish regions between 2000 and 2011.

Unemployment rate on the Finnish side of the Programme region is remarkably high (North Karelia 14,4 %, Kainuu 13,4 % and Oulu Region 11,6 % at the end of 2011. In the Republic of Karelia the rate was 2,3 % (Kareliastat). Unemployment among the young is remarkably high especially on the Finnish side. Households' available income / person was about 16 000 € a year in the Finnish side and 6600 € in the Republic of Karelia in 2011.

On both Russian and Finnish side the SME development is in key role what comes to the regional and national level strategies. The three Finnish regions and the Republic of Karelia of the Russian Federation also have common denominators to build on in cross-border co-operation. Forest industries, tourism, mining, metals, bioenergy, electronics industry, food industry and the ICT sectors are fields of the economy that are of importance on both sides of the border.

Education, research and innovations, which are seen as strengths of the region and special added value is expected on business cooperation especially what comes to cross-sectoral initiatives and joint actions on new and innovative business sectors such as cleantech.

- *similarities in the economic structures between the regions*
- *high unemployment especially amongst the young*
- *clear cross-border potential in certain sectors*

### ***Education and research***

There are three universities in the region: University of Eastern Finland, University of Oulu and Petrozavodsk State University. Each University has their own strengths such as information technology in Oulu, forest and environment in Eastern Finland and computer programming and information technology in Petrozavodsk – being just individual examples of each university.

There are also several other important research institutions operating in the region such as European Forest Institute and Karelia Research Center of Russian Science Academy.

Cooperation in education and research can be seen as a success story of both EU-Russian cooperation, and Finnish-Russian cooperation on the regional level. ICT, innovations and R&D development are beneficial also in cross-border context.

- *High profile universities and research institutions form good basis for cooperation in cross-border context. This offers competent persons to work in different sectors on international level.*

### ***Border crossings and cross-border traffic***

The border between Finland and Russia is about 700 km long in Karelia CBC Programme region. On this joint border there are three international border crossing points: Niirala-Värtsilä, Vartius-Lytta and Kuusamo-Suoperä. In 2013 the number of border crossing on these three border crossing points was more than 2,1 million (1,6 million in Niirala-Värtsilä, 0,5 million in Vartius-Lytta and 44 000 in Kuusamo- Suoperä). The number of border crossings has been steadily increasing since 2000 (from about 1,4 million in 2000 to 2,1 million in 2013).

It is estimated that the number of border crossings shall increase also in the future despite of the short downtrend during 2014-2015 and this puts some pressure for the improvements on border infrastructure including the road network in the immediate proximity to the border. In case the visa-freedom between Russia and Schengen countries proceeds, pressure on the development of border infrastructure shall be notable.

- *The capacities / facilities in the international border crossing points partly insufficient and roads in the immediate proximity to the border crossing points require improvements*

### ***Environment***

Diversity of physical environment is characterizing for Karelia CBC Programme area. There are remarkable forest resources in both sides of the border and several notable national parks /

conservations areas. Part of the Fennoscandian Green belt also crosses the Programme region. Green belt is a unique chain of untouched forests from Baltic Sea to Arctic Ocean.

The area is abundant in groundwater, which is used as household water on the Finnish side. The water resources in Republic of Karelia of the Russian Federation are vast and the soil favours the formation of groundwater in almost all parts of the area but the use of groundwater is nevertheless minor. Wastewater emissions have a minor impact in the Finnish part of the programme area, whereas in Karelia they impose a major load on lakes and rivers. Most of the problems in the Republic of Karelia are due to inadequate wastewater purification and technology. Emissions are released from pulp and paper mills to lakes and rivers. However, there are signs of positive development in wastewater questions, and a new wastewater purification plant has been adopted in Sortavala, for instance.

- *Clean and diverse nature is a clear strength for the region*
- *Active measures are needed for the preservation of clean nature and living environment.*

## **Culture**

Joint cultural heritage has been identified as one of the key strengths of the region.

Culture was one of the liveliest fields of cooperation in Karelia ENPI CBC Programme 2007-2013. Regional culture and heritage has been, generally, conceptualised in a forward-looking way: emphasizing the commonality of this heritage across the border as a foundation for regional development in the future.

Cultural life also helps keep and attract residents and can support tourism industry, too. Culture is therefore seen as one of the key elements to tackle the regions problems on outmigration and aging population.

- *joint cultural heritage*
- *long tradition for cooperation in this field*

## **Basic facts, general trends and CBC interventions**

Characterizing trends of the Programme region can be identified specifically in population. Total population is decreasing according to the official forecasts if individual regional peaks are not considered (city of Oulu). Population is also aging because of low birth rate and out-migration. Also the high unemployment is characterizing the region especially on the Finnish side. Special attention



should be paid to the high unemployment rate among the young on both sides of the border. This may lead to out-migration of young working age population.

High potential is seen in cross-border economic cooperation and trade but still a lot of existing potential is not either recognized or otherwise utilized. Cross-border economic cooperation might offer possibilities to create new jobs for the young and this way also the overall trend of out-migration and decreasing population could be tackled. Culture has been seen as one of the potential cross-border growth sectors. Culture and clean nature are also seen as strengths for the region and this might be also beneficial activity area within CBC. Working with culture and environmental question in CBC could offer possibilities to improve the comfortable living in clean environment.

Several attempts to foster the cross-border trade have been made in previous Programmes. The problems have been tackled and networks built, but the problem seems to be the weak sustainability. Created networks mostly seem to collapse after the external financing ends. At the same time potential is still seen in cross-border trade in several sectors.

In order to be able to use the potential of cross-border cooperation in full also the traffic connections have to be adequate. There are huge needs on the development of traffic connections – mostly roads – on both sides of the border, but these development needs go far beyond the resources that Programme shall have.

The importance of transport and accessibility is also strongly emphasized in all regional strategies. Possibility to cross the border fluently and easily is one key precondition for active cross-border cooperation – for both people and businesses. Border infrastructure forms the cornerstone for physical connections cross the border.

Euregio Karelia strategy states that inadequate infrastructure is a clear weakness in the region and the existing capacity of the border crossing points is not sufficient for increasing border crossings.

### ***Strengths / weaknesses***

Euregio Karelia strategy identifies inter alia the following cross-border strengths for the region:

- diverse and clean nature
- joint cultural heritage
- education and research on high level
- joint border
- long and good cross-border relations
- large natural resources

Following joint weaknesses have been listed:

- long distances and sparse population
- inadequate traffic connections
- low capacity of border crossing points
- weak language skills

### *Justification for the Programme Priorities and Thematic Objectives*

Based on the strengths and weaknesses as well as on the general development trends the overall objective was built to focus on Programme area's attractiveness. Attractiveness is touched on both business and living environment perspective. In order to contribute to the general development trend four priorities were built:

Priority 1 "Growing cross-border business cooperation" creates the attractiveness of the programme region on business life perspective. It creates preconditions for businesses to have trade cross the border on sustainable basis. At the same time working opportunities are built within cross-border context. Young age groups are kept as special target groups when creating innovative and challenging working opportunities in cross-border environment. Priority contributes the Thematic Objective 1 *Business and SME development*.

Priority 2 "Attractive cultural environment" contributes the overall objective by offering possibilities to create interesting and diverse cultural services and this way tempt people to live in the region. Special focus is in young people. These activities indirectly contribute to the general development trends described earlier. Priority contributes the Thematic Objective 3 *Promotion of local culture and preservation of historical heritage*.

Priority 3 "Clean and comfortable region to live in" contributes the overall objective by offering possibilities to develop the physical living environment and this way tempt people to live in the region. These activities indirectly contribute to the general development trends described earlier. Priority contributes the Thematic Objective 6 *Environmental protection, climate change adaptation*.

Priority 4 Well-functioning border crossing develops the basic requirement of the cross border cooperation: crossing the border. Development needs on border infrastructure are visible and also the connections to the border crossing points require improvements especially on the Russian side. Programme as such can cover only limited amount of activities on the border crossing points but at the same time it can also work as an initiator for larger development activities. To some extent programme may also fasten the investments on border crossing points. Priority contributes the Thematic Objective 10 *Promotion of border management, and border security*.

### *Lessons learned*

Karelia CBC Programme is based on the experiences and best practices in the previous CBC Programmes that have been implemented since 1996. Programmes have been characterized clearly with a go-ahead nature. First Programmes formed the basics and created the contacts and networks for the key regional stakeholders. Foundation of Euregio Karelia in 2000 was one clear cornerstone in the development of cross-border cooperation. Euregio Karelia brought the key regional decision makers to cross-border dialogue which raised the profile of the cooperation in the region. Since that the board of Euregio Karelia has given its input to the Programme level work and has been in an important role in guiding the implementation of the CBC programmes in the area. Euregio Karelia board has given recommendations and signals to the programme bodies as regards the direction of the cooperation, actual needs and important thematic issues. Programme bodies have been taking these recommendatio into consideration in implementing the programme even though the Euregio Karelia board is structurally separated from the programme bodies. Euregio

Karelia board has been enhancing the strategic and long-term planning in the area's cross-border cooperation.

Euregio Karelia Neighbourhood Programme was a short practice for joint operations on both sides of the border and gave clear signals for the development needs for both content and implementation. Karelia ENPI CBC Programme touched these development needs and the end result was a clearly new innovative approach to the implementation of cross-border cooperation Programmes. Experiences of the implementation Karelia ENPI CBC Programme 2007-2013 indicate clear success stories but at the same time also development needs.

Karelia ENPI CBC Programme had a focused approach what comes to the sectors touched in the cooperation. Limited resources were directed to the sectors which were seen the most beneficial in cross-border cooperation. Definition of the thematic scope was a joint exercise by the participating regions and also the board of the Euregio Karelia gave its support to the approach and the proposed thematic scope. Regions had a separate content drafting team in addition to the Task Force that had members from both national and regional levels. Thematic focus changed the concept of Programme implementation: the calls for proposals were organised on thematic basis and within these calls the projects were competing with other projects operating in the same area and the competition between different sectors was avoided. Total of 6 thematic calls for proposals were organised and about 10 projects finally selected and contracted from each one. One key idea was also to improve the dialogue between the projects and thematic approach gave a possibility for this because the projects were more or less operating at the same time. Thematic scope also structured the programme more clearly even though the Programme priorities were on general level.

Focused approach is a clear success story of the Programme but at the same time also some development aspects still do exist. One area which still requires improvements is the Programming logic. The gap between the Programme priorities and the themes is visible and Programme results are easier to report on thematic basis than on priority basis. Also the objective setting on both priority and thematic level was insufficient. This makes it difficult to evaluate how the Programme has succeeded. At the same time it's nevertheless clear that the themes contribute the regional development.

Two steps approach was launched for the thematic call for proposals. This approved to be practical – in the first phase the submission of concept notes (project ideas) and only the best ones were selected to submit a full proposal. This was user friendly approach which brought new stakeholders to participate in CBC Programme. At the same time the process with two steps in the selection was however timetaking which will be challenge to tackle in the future.

While Programming logic calls for development also the capacities on project cycle management need to be improved. A lot of relevant projects were implemented in the programme, but by improving the knowledge and quality of project cycle management also the expected results and impact may increase.

Delay with the launching of the programme had an impact on the Programme implementation. The activities which were originally planned for seven years were implemented within 4 years cycle. In practice the delay caused a situation where almost all the projects were operating at the same time

and the Programme management capacities were put to work under a high pressure. Day to day management partly override the follow-up and monitoring aspects. Future challenge is to get the Programme bodies more involved to monitoring of Programme and project activities which then facilitates the reaching of set objectives.

The legal framework in which Karelia ENPI CBC was implemented was challenging on practical level. Strict and inflexible rules caused difficulties and also misunderstanding at many levels. New legal framework gives a possibility to take the best practices from the previous programme and develop and revise the inoperative rules and procedures.

Experiences got from project implementation bring a lot of useful information for the definition of future Programme's eligibility principles and implementation modalities.

### *Coherence with other Programmes, strategies and policies*

In order to improve the impacts of the Karelia CBC Programme as well as other Programmes operating in the same geographical area or with similar thematic scope, the coherence and complementarity of the most relevant policies, strategies and Programmes with Karelia CBC is investigated.

Programme's strategy is examined against the objectives of the mentioned policies, strategies and programmes. With this coherence check also possible areas where overlapping might exist can be recognized. Need to find synergies between different Programmes as well as to avoid overlapping and prevent a risk of double financing were underlined in the mid-term evaluation of ENPI CBC Programmes (published 2013).

Programme itself was built to contribute the three EU level strategic objectives and four out of ten thematic objectives described in the Programming Document as well as the priorities of applicable strategies of Finland and Russia. Thematic objectives were chosen according to the practical needs of the regions. Each region has the development strategy which the CBC Programme clearly complements and contributes. Karelia CBC will be practically the only Programme focusing on cross-border cooperation aspects in the Programme region and even though the thematic scope is similar with regional strategies, question is more about synergy and added value rather than overlapping.

The built monitoring, evaluation and reporting systems provide information how the Programme has managed to contribute the chosen European level thematic objectives as well as the national strategies and objectives in both Russian Federation and Finland. At the same time information is provided to both national and regional stakeholders about the progress of the Programme so that the Programme's impacts on regional development can be assessed and compared to each region's strategies. On the Finnish side coherence assessment with regional strategies covers also Structural and investment funds (ERDF and ESF) because these Programmes have been mainly built to tackle the most crucial regional challenges and are based on regional strategies.

### ***Russian national and regional strategies***

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

The “Strategy of 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 the innovations and the financing framework for fundamental and applied science and the support of commercialization of products.

The “Strategy of tourism development in the Russian Federation till 2020” aims at developing Russian tourism, attracting foreign tourists, reorientation of Russian consumers demand to the domestic tourism, realization of strategic role of tourism in spiritual development, upbringing patriotism and enlightenment.

The “Concept of the cooperation development in culture between cross-border areas of the Russian Federation and neighboring countries till 2020” is the basis for constructive cooperation between public authorities of the Russian Federation and its regions, organizations and business community, public associations and creative circles. It aims at providing a complex problem-solving in the sphere of cultural development of cross-border areas of the Russian Federation. The main aims, tasks, expected results, principles, key directions, stages and development priorities of the cross-border cooperation of Russia in culture are stipulated in the Concept. It also determines necessary conditions, the system of risk-management and control mechanisms for the Concept implementation.

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

#### Strategies and policies with synergy aspects:

- Regional development strategies (+ related structural fund programmes in Finland)
- National CBC policies
- Russian regional strategies and policies
- Euregio Karelia
- Northern Dimension
- Barents Cooperation

#### Cooperation Programmes with synergy aspects:

- Other CBC Programmes
- Interreg / territorial cooperation programmes

### ***Euregio Karelia***

Euregio Karelia is cooperation area and cooperation forum of the three Finnish regions of Kainuu, North Karelia and Oulu Region and the Republic of Karelia of the Russian Federation. The basis of the foundation was common aim of the partner areas to improve living conditions of inhabitants through cross-border cooperation.

The objective of the Euregio Karelia is to operate as a cooperation forum of the participants, promote the development of border regions and remove the barriers that hinder cross-border cooperation, deepen member areas programme and project based cross-border cooperation, as well as to bring strategic guidance into the cooperation. The board, which is the highest decision-making body in the Euregio Karelia cooperation, informs the Joint Monitoring Committee about its regional cross-border objectives and actual needs. The regional lobbying is an important task of the Euregio Karelia.

Euregio Karelia is a significant framework in the preparation and implementation of the Karelia CBC programme. Euregio Karelia has a joint cross border strategy on which its work is based and the regions which it covers are the same as in Karelia CBC Programme. Existing strategy is valid till 2020 and was approved in Spring 2014. Priority areas in Euregio Karelia strategy are development of infrastructure and connections, cooperation of economic life and social wellbeing including culture. Cross-cutting themes are education and research, environment and youth. Priority areas in Euregio Karelia strategy and Karelia CBC Programme are on most parts consistent with each other. There is a clear synergy between Euregio Karelia cooperation and Karelia CBC programme on all themes of the programme. Regional authorities regularly inform the Euregio Karelia board about the progress of the programme as defined in chapter 4.8. Dialogue between the Programme and Euregio Karelia is also ensured by having partly the same organisations presented in both Euregio Karelia board and Programme's Committees.

### ***Northern Dimension (ND)***

The objective of the Northern Dimension is to promote dialogue and concrete cooperation between the EU, Russia, Norway and Iceland. The ND's policy aims to contribute to the development and cooperation of northern Europe through sectoral partnerships in environment, transport and logistics, health and social well-being, culture, academic cooperation. The principle of co-financing is a general rule. The ND sectoral Partnerships and the strong commitment of stakeholders form a valuable link with the EU-Russia common spaces. A clear synergy between the Karelia CBC and ND is foreseen especially in environmental and cultural sectors as well as on transport and logistics questions.

### ***Barents cooperation***

Cooperation in the Barents Euro-Arctic Region operates on two levels: intergovernmental (Barents Euro-Arctic Council), and interregional (Barents Regional Council). The overall objective of the Barents cooperation is to promote stability and sustainable development in the Barents region, i.e. in the Northern parts of Finland, Sweden, Norway and Russia. Other members of the Barents Euro-Arctic Council are Denmark, Iceland and the EU.

The Barents cooperation has working groups on both national and regional level on different policy sectors. The working groups at the national level are operating in the following sectors: economic cooperation, environment, transport and rescue cooperation. Regional level working groups operate on environmental question as well as with transport and logistics and investment policy.

In addition to these, joint working groups have been formed to following sectors: health and social issues, education and research, energy, culture, tourism and youth.

Barents cooperation has clearly a multilateral focus whereas Karelia CBC operates on the bilateral basis. It is nevertheless good to recognize the clear connections both thematically and geographically. Geographically Karelia CBC Programme area is within the Barents cooperation area – although North Karelia Region from Finland participating to Barents cooperation with observer status. All the priorities defined for Karelia CBC Programme are also topics of Barents sectoral working groups. This gives a good basis for building mutual benefit but it requires regular dialogue.

### ***Other CBC Programmes***

Cooperation with other CBC Programmes gives a possibility to create an overview to the progress of the cooperation on the whole joint border between Finland and Russia. National level members are at least partly the same in the Monitoring Committees of different Programmes, which gives a possibility for this wider analysis. Each Programme should be able to provide information which facilitates to conduct this analysis. For the regions and individual programmes cooperation and coordination give a possibility to exchange information, avoid possible duplication with activities as well as with financing and also to get stakeholders operating on the same sectors to meet with each other.

Karelia CBC Programme area is geographically partly overlapping with Kolarctic Programme, where the Republic of Karelia and Oulu Region have been defined as adjoining regions. In Kolarctic programme activities related to Barents cooperation have a special status and this may give possibilities also for the stakeholders in Karelia CBC Programme region. On thematic basis there are also similarities because three out of four chosen thematic objectives are the same (culture from Karelia thematic objectives missing from Kolarctic and accessibility chosen instead).

Republic of Karelia and the region of North Karelia have been defined to an adjoining region also to South-East Finland –Russia Programme. This gives stakeholders a possibility to extend the scope of their activities also to SEFR Programme region and vice versa.

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

### ***Other cooperation programmes***

Cooperation Programmes where the geographical area is at least partly overlapping with Karelia CBC Programme are: Interreg V A North –Programme, Baltic Sea Region Programme, The Northern Periphery and the Arctic Programme. In addition to these, there are also European wide cooperation Programmes like Interreg Europe. Cooperation with these Programmes is vital at least at the level of exchange of information when overlapping checking at project level is done. Project stakeholders should be also encouraged to contact and cooperate with stakeholders operating in these particular Programmes with similar themes. These contacts may create synergy for the stakeholders and bring clear added value.

### ***Risks***

Objective of the risk analysis is to recognize the potential risks which can prevent the achievement of desired objectives. Both external and internal factors may have negative impact of the success of Programme implementation. The following aspects are considered:

- interest and involvement of the stakeholders
- capacity and effectiveness of for implementation of the proposed strategy

The table below lists the risk factors, estimates each risk factor's likelihood to actualize, the level of impact as well as optional mitigating measures. Defined risk factors and related mitigating measures are followed on a regular basis and reported annually to the Joint Monitoring Committee.



Risk factor	Likelihood to occur	Potential impact	Mitigation measures
Key principles such as equal treatment are not respected in the selection procedures	Medium	Projects with low quality causing lot of difficulties are selected. Programme does not reach the set objectives.	Project selection procedure is kept transparent and the agreed procedures are applied. Bodies participating to the selection procedures are trained.
Managing Authority and branch office do not have sufficient resources	Medium	Programme is not managed properly	Knowhow of MA and BO are increased by training / capacity building activities. Proper resources are provided for the Programme management (according to practical needs and roles)
Information about progress of the programme and projects does not reach key Programme stakeholders	High	The synergy between the programme/project activities and other regional development work is lost	Monitoring, evaluation and reporting systems and information flows are strengthened to provide regular and tailor made information about the progress of programme to the key stakeholders.  Access to the Electronic data system shall be provided to key national and regional stakeholder represented in the Programme Committees
Stakeholders are not interested in the Programme	Medium	Difficulties to get stakeholders to commit to project development	Information campaigns about the possibilities of the Programme are organised
Key stakeholder have information about the Programme but do not want to participate because think its too difficult	High	Difficulties to get stakeholders to commit to project development	Information about the working principles is delivered during the info campaigns and case studies of implemented projects used as examples (best practices)
Stakeholders do not have working capacities to implement the projects efficiently	High	Difficulties occur during the project implementation and defined objectives are not reached	Capacity building shall be organized for the project stakeholders
Project owners loose the interest on the implementation of the project	Medium	Projects do not reach the set objectives. Possible financial consequences	Project selection procedures are built to prevent such situations by rejecting artificial proposals.  Regular monitoring ensures that the projects are staying on the right track.
Working principles and defined roles of different Programme bodies are not respected	High	Implementation of Programme is fragmented and loses its focus.	Capacity building activities are organized for all Programme bodies.  Procedures may be reviewed and improved as necessary.

### 3.3. Description of objectively verifiable indicators

Objectively verifiable indicators have been defined to help to monitor the Programme development and impacts. Output indicators, including a quantified target values, have been defined for each Priority (and at the same time for each chosen thematic objective). Output indicators shall measure the immediate outputs of the projects. There are two types of output indicators:

- Common output indicators

A list of common output indicators has been introduced to all CBC Programmes. Common output indicators shall help to collect the achievements of different programmes in uniform form. Use of common output indicators is therefore recommended by the EC.

- Programme specific output indicators

In case the common output indicators do not reflect to the Programme's reality as such, Programme specific output indicators may be set up.

Both common output indicators (COI) as well as Programme specific output indicators are introduced in Karelia CBC Programme.

Result indicators have been defined for each priority to correspond to the expected results of each priority. Result indicators measure the broader societal impact of each priority. They span beyond the direct beneficiaries and cover a wider group of society. Result indicators are affected by the output indicators, but at the same time they are also affected by external factors that lay beyond the Programme activities.

Result indicators other than mentioned in the JOP may be included provided they reflect the results of projects in the best way.

Baseline and target values for the result indicators shall be defined for the priorities at the latest before the call for proposals are launched under each priority.

Priority 1 Growing cross-border business cooperation / Thematic objective *Business and SME development (1)*

Indicator	Type of indicator	Baseline	Target value
Increase of the number of enterprises operating cross the border	Result indicator	To be defined later	To be defined later
Number of feasibility studies and sectoral analyses identifying the barriers and problems in different business sectors	Programme specific output indicator	0	5
Number of implemented projects striving to remove the identified and analysed trade barriers / obstacles	Programme specific output indicator	0	10
Number of enterprises substantially and actively involved in projects	Common output indicator 2	0	30
Number of actions implemented in order to increase the investments in the region	Programme specific output indicator	0	5

Priority 2. Attractive cultural environment / Thematic Objective *Promotion of local culture and preservation of historical heritage (3)*

Indicator	Type of indicator	Baseline	Target value
Accessibility and quality of cultural services	Result indicator	To be defined by targeted survey later	to be defined by targeted survey later
Number of cultural organisations using programme support;	Common output indicator 6	0	40
Number of cultural organization using programme support for cross sectoral cooperation;	Common output indicator 4	0	15
Number of established new enterprises on cultural sector	Programme specific indicator	0	5
Number of young persons / members of special target groups reached with activities aiming at increased integration;	Common output indicator 10	0	50

**Priority 3. Clean and comfortable region to live / Thematic objective *Environmental protection and climate change adaptation (6)***

Indicator	Type of indicator	Baseline	Target value
Comfort of the living environment	Result indicator	To be defined by targeted survey later	To be defined by targeted survey later
Number of persons actively participating in environmental actions and awareness raising activities;	Common output indicator 17	0	100
Number of investment initiatives got to the project financing pipeline	Programme specific output indicator	0	5
Number of concrete actions taken to eliminate identified threats to biodiversity in cross-border areas.	Programme specific output indicator	0	10
Number of persons actively participating to projects using nature as a tool to improve the health and wellbeing	Programme specific output indicator	0	50

**Priority 4. Well-functioning border crossing / Thematic Objective *Promotion of border management, and border security (10)***

Indicator	Type of indicator	Baseline	Target value
Number of mutually identified major infrastructure hindrances at border-crossing points	Result indicator	Defined later by studies, surveys or interviews	Defined later by studies, surveys or interviews
Increased throughput capacity of persons on those border crossing points which have been involved to project activities	Common output indicator 38	0	Defined later
Increased throughput capacity of trucks on the border crossing points which have been involved to project activities	Common output indicator 37	0	Defined later
Total length of reconstructed or upgraded roads near the international border crossing points,	Common output indicator 27	0	20 km
Number of concrete development activities improving the operating conditions of rail traffic	Programme specific output indicator	0	Defined later

### 3.4. Mainstreaming of cross-cutting issues

The programme strategy including the selection of thematic objectives and definition of Programme priorities is based on needs in the programme area. The building of a Programme strategy has been a joint effort of programme partners who have been working together cross the border in order to define the cross-border cooperation areas which have been the most relevant for the region. Number of thematic objectives and the programme priorities is limited to four but also some cross-cutting themes are introduced in the programme.

People to people actions are seen as one of the main areas in the cooperation. In cooperation the people meet in practice and CBC programmes offer vast opportunities for this. In Karelia CBC people to people is not defined as a separate priority but is seen as a cross-cutting issue which is merged to all programme priorities. This aspect shall be reflected in each call's guidelines. Priorities focusing on culture and environment are particularly seen as potential areas for people to people type of activities.

Education, research and innovations are also seen as potential elements for the cross-border cooperation. In Karelia CBC these topics are not seen as separate cooperation areas, but rather as cross-cutting issues emerging in all programme priorities. In programme implementation it means that education, research and innovations are utilized to support the development and cooperation within each cooperation area / priority.

Environmental sustainability is an important cross-cutting issue in the Programme implementation. Programme level Strategic Environmental Assessment (SEA) was made simultaneously with the preparation of the Joint Operational Programme. Purpose was to ensure that environmental impacts are assessed and duly considered during the preparation and approval of the Karelia CBC Programme 2014-2020.

SEA indicated the potential impacts that the Programme activities may have. Analyse was made on priority level and optional mitigating measures were listed. Mostly the foreseen negative impacts are indirect and the optional mitigating measures have reflected mainly on these. In the project selection procedures the environmental sustainability shall be one element to be evaluated. In case investment projects are selected for the implementation, the necessary environmental assessments need to be conducted.

The monitoring function built for the Programme shall produce regular information also about the environmental effectiveness of the programme.

Equality, including the gender equality, shall be one of the basic principles respected in the Programme implementation. Equality means equal opportunities for all bodies to apply for project funding (within the geographical and institutional eligibility limits), equal treatment for all applicants in the project selection procedures and equal rules for the implementation of projects (with an exception of national specificities that concern i.e. the procurements).

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

### **4.1. Joint Monitoring Committee**

The Joint Monitoring Committee will monitor and follow the programme implementation and progress and may issue recommendations to the Managing Authority regarding the programme implementation and evaluation.

Joint Monitoring Committee will be set up after the approval of the Joint Operational Programme by the governments of Finland and the Russian Federation and within three months period after the Joint Operational Programme has been adopted by the European Commission.

The Committee will consist of two (2) central government representatives and maximum of three (3) regional level representatives from both participating countries. European Commission will be involved in the work of the Joint Monitoring Committee as an observer. JMC may appoint other observers if necessary.

The Joint Monitoring Committee will draw up and adopt its rules of procedures by unanimity. Joint Monitoring Committee will respect the Programme rules and the basic principles such as equal treatment and impartiality in their work. The first meeting of the Joint Monitoring Committee will be convened by the Joint Managing Authority. The Joint Monitoring Committee will meet at least once a year. It may also take decisions through a written procedure.

The Joint Monitoring Committee will in particular:

- (a) approve the Managing Authority's work programme and financial plan, including planned use of technical assistance;
- (b) monitor the implementation by the Managing Authority 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 of projects to be financed by the programme;
- (e) make the final decision on the project selection on the basis of the evaluations conducted by the Joint Selection Committee
- (f) approve any proposal to revise the programme;
- (g) examine all reports submitted by the Managing Authority and, if necessary, take appropriate measures;
- (h) examine any contentious cases brought to its attention by the Managing Authority.
- (i) examine and approve the annual report;
- (j) examine and approve the annual monitoring and evaluation plan;
- (k) examine and approve the annual information and communication plans.

Joint Monitoring Committee may set up a project selection committee acting under its responsibility as the Programming Committee has recommended (chapter 4.2. Joint Selection Committee).

The travel and accommodation expenses of the members of the Joint Monitoring Committee will be covered from the Programme's Technical assistance. Travel and accommodation costs of invited experts may be covered from the Programme's Technical Assistance budget. The procedures will be defined in the Committee's Rules of Procedures.

## 4.2. Joint Selection Committee

A separate project selection committee (Joint Selection Committee) will be set up by the Joint Monitoring Committee. JMC will nominate the representatives to the Committee. The Committee will consist of adequate number of regional and national level representatives from both participating countries. The JMC may appoint observers to the Joint Selection Committee when necessary. The project selection and the final decision of projects to be funded will be done by the Joint Monitoring Committee based on the evaluations conducted by the Joint Selection Committee. Joint Monitoring Committee will also approve the selection criteria as well as the evaluation and selection procedures as indicated in chapter 4.1. (c) and (d).

The travel and accommodation expenses of the members of the Joint Selection Committee will be covered from the Programme's Technical assistance. Travel and accommodation costs of invited experts may be covered from the Programme's Technical Assistance budget. The procedures will be defined in the Committee's Rules of Procedures.

## 4.3. Managing Authority

The participating countries have appointed Council of Oulu Region to act as a Managing Authority for the Programme. The JMA will have mandate to act as a programme body after building of JMC.

Managing Authority will be officially designated by the Finnish Ministry of Employment and the Economy. The designation decision (ministerial order) will be based on a report and an opinion of an independent audit body that assesses the compliance of the management and control systems with the designation criteria laid down in ENI CBC Implementing rules. The Audit Authority (Ministry of Finance, control function) will give the report and an opinion as an independent audit body. It will carry out its work in accordance with internationally accepted audit standards.

### Managing Authority designation process

- Appointment of the MA by the Participating countries in the first Programming Committee in 2013
- Report and opinion of the independent audit body (Programme' Audit Authority) about the compliance of the management and control systems after Russia and Finnish sides and EC have adopted the JOP (estimate: in Autumn 2015)
- Designation decision by the Finnish Ministry of Employment and the Economy (estimate: by the end of 2015)

The Managing Authority shall be responsible for managing the programme in accordance with the principle of sound financial management and for ensuring that decisions of the Joint Monitoring Committee comply with the regulations and provisions in force and are carried out.

***As regards the programme management, the Managing Authority will:***

- (a) support the work of the Joint Monitoring Committee and provide it (and national and regional authorities represented in it) with the information it requires to carry out its tasks, in particular data relating to the progress of the programme in achieving its expected results and targets;
- (b) contact with national authorities and give all needed information about projects and programme on request
- (c) draw up and, after approval by the Joint Monitoring Committee, submit the annual report and the final report to the Commission and governments of the participating countries;
- (d) share information with the Audit Authority and the auditors supporting it in both participating countries as well as with beneficiaries that is relevant to the execution of their tasks or project implementation;
- (e) 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, where applicable. In particular, it will record and store technical and financial reports for each project. The system will provide all data required for drawing up payment requests and annual accounts, including records of amounts recoverable, amounts recovered and amounts reduced following cancellation of all or part of the contribution for a project or programme;
- (f) carry out where relevant environmental impact assessment studies at programme level;
- (g) implement the information and communication plans;
- (h) implement the monitoring and evaluation plans.
- (i) by request of the Russian project Lead partners or Partners, to provide the Russian National Authority with the project partner's document package for customs duties and tax exemption

***As regards the selection and management of projects, the Managing Authority will:***

- (a) draw up and launch the approved selection procedures;
- (b) manage the project selection procedures;
- (c) provide the lead beneficiary with a document setting out the conditions for support for each project including the financing plan and execution deadline;
- (d) sign contracts with lead beneficiaries;
- (e) manage contracts / projects.

Managing Authority together with the Branch office will prepare a programme manual to support the implementation of projects. Manual includes the necessary information and guidance for the implementation of projects as well as practical recommendations for project stakeholders i.a. for the setting up of steering groups.



***As regards the technical assistance, the Managing Authority will:***

- (a) manage the contract award procedures;
- (b) sign contracts with contractors;
- (c) manage contracts / projects.

In problem cases MA should contact with all project partners (not only with lead partner) and promote to resolve the problems

***As regards the financial management and control of the programme, the Managing Authority will:***

- (a) 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;
- (b) 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;
- (c) put in place effective and proportionate anti-fraud measures taking into account the risks identified;
- (d) set up procedures to ensure that all documents regarding expenditure and audits required to ensure a suitable audit trail are held in accordance with the requirements;
- (e) draw up the management declaration and annual summary;
- (f) draw up and submit payment requests to the Commission;
- (g) draw up the annual accounts;
- (h) take account of the results of all audits carried out by or under the responsibility of the Audit Authority when drawing up and submitting payment requests;
- (i) maintain computerised accounting records for expenditure declared to the Commission and for payments made to beneficiaries;
- (j) 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:***

- (a) administrative verifications for each payment request by beneficiaries;
- (b) 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 Audit Authority for the management and control systems as a whole.

On-the-spot project verifications are carried out on a sample basis.

#### 4.4. National Authorities

Both countries have appointed the National Authorities to support the Managing Authority in the management of the Programme in accordance of sound financial management.

National Authorities will be responsible for the set up and effective functioning of management and control systems at national level.

National Authorities will ensure the overall coordination of the institutions involved at national level in the programme implementation, including, *inter alia*, the institutions acting as control contact points and as member of the group of auditors. National Authorities also assist the Managing Authority in the recovery process concerning the beneficiaries located in their territory. National Authorities will also prevent, detect and correct irregularities on their territories. They will notify these irregularities without delay to the Managing Authority and to the Commission.

National Authority will also represent the country in the Joint Monitoring Committee.

Participating Countries have nominated the following organisations to act as National Authorities in Karelia CBC Programme:

Russia: Ministry of Economic Development of the Russian Federation  
Department for regional and cross-border cooperation development  
Regional and CBC cooperation unit

Finland: Ministry for Employment and the Economy  
Regional Department  
Group of structural change and international cooperation

#### 4.5. Branch office

Participating countries have jointly decided to set up a branch office to Petrozavodsk. Members of the Joint Monitoring Committee will provide recommendations concerning the organization of branch office and the selection of the head of the branch office. Managing Authority shall make the legal contract concerning the branch office and take care of recruitment of personnel with strong and requisite consideration of the recommendations provided by the Russian members of the Joint Monitoring Committee. All agreements with hosting organization and requirements specification should be align with the Russian legislation and agreed by the Russian National Authority. The level of salaries shall take into account the level of qualification and expertise required by the position/s.

The branch office will work in cooperation and under the guidance of the Managing Authority.

**Branch office will:**

- (a) assist the Programme managing authority in fulfilling its Programme management tasks on the Russian side;
- (b) assist the Managing authority in the project Selection procedures and in the follow-up and monitoring of ongoing projects;
- (c) work with communication and information in line with the Programme's communication strategy and annual communication plans
- (d) provide information to project partners and give guidance to potential applicants
- (e) assist the members of the JMC in their work with the Programme
- (f) assist MA in its contacts with Russian beneficiaries and regional and local authorities
- (g) send reports on programme implementation to the Russian authorities on quarterly basis and at their request
- (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) provide the information to the national and regional authorities that they need to carry out their tasks in the Joint Monitoring Committee

Procurement rules applied by the branch office shall be described in the financing agreement.

#### **4.6. Audit Authority and the members of the group of auditors**

The participating countries have appointed *Government financial control function of the Ministry of Finance (Finland)* to act as the Audit Authority in Karelia CBC Programme.

The Audit Authority 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. Within 9 months of the signature of the financing agreement, the Audit Authority will submit an audit strategy for performance of audits to the Commission and to the Government of the Russian Federation. The audit strategy will be updated annually from 2017 till 2024.

Audit Authority will also draw up an audit opinion on the annual accounts of the Programme for the preceding accounting year and an annual audit report.

The Audit Authority 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 Managing Authority. It will draw up its own rules of procedures and will be chaired by the Audit Authority appointed for the Programme.

Finnish Member to the group of auditors will be appointed by the Ministry of Employment and the Economy and the Russian Member will represent the Federal service on financial and budgetary control (TBC).

Audit Authority will ensure that the audit work complies with internationally accepted auditing standards.

Relevant audit bodies of participating countries may conduct documentary and on-the-spot check on the use made of the Programme funding and may carry out a full audit, 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

Participating countries have nominated the following organisations to act as control contact points:

Finland:	Ministry for Employment and the Economy Regional Department Group of coordination and finance
Russia:	Ministry of economic development of the Russian Federation Department for regional and cross-border cooperation development Unit of coordination and legislative regulation of regional and CBC cooperation

Control contact points will support the Joint Managing Authority to fulfill its project level control and verification tasks.

Control contact points will:

- provide information and clarifications on the national rules that have consequences for conducting the audits or additional checks on projects
- help Managing Authority to organize trainings for projects' auditors if necessary and
- receive information about the quality of expenditure verifications from the Managing Authority.

#### 4.8. Regional Authorities

Regional Authorities from both sides of the border bring the deep knowledge about the Programme region to the Programme implementation. Regional Authorities have participated to the preparation of the Joint Operational Programme in both Regional Task Force and the Joint Programming Committee. During the Programme implementation the regional authorities will:

- Represent their region in Joint Monitoring Committee
- Participate to the project selection procedures in the Joint Selection Committee
- Maintain the dialogue between Euregio Karelia board and the Joint Monitoring Committee
- Inform the key regional decision makers about the Programme
- Keep contacts on other regional / national authorities located in each region
- support the Managing Authority to organize Programme's information events on the Regional level

- ensure the coordination of CBC programme and other regional development instruments in their region

Key regional authorities in Programme implementation are:

Finland	Regional Council of Kainuu Regional Council of North Karelia Council of Oulu Region
Russia	Ministry of Economic Development of the Republic of Karelia

## 5. PROGRAMME IMPLEMENTATION

### 5.1. Summary description of the management and control systems

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

Karelia CBC Programme will be managed and controlled by the following programme bodies: Joint Monitoring Committee, Managing Authority, National Authorities in Finland and Russia, Branch office in the Russian side, Audit Authority (assisted by the group of auditors), Control Contact Points in both participating countries and the key regional Authorities in both countries. Respective organisations and their tasks have been described in chapters 4.1.-4.8.

Joint Monitoring Committee will carry out the tasks defined in chapter 4.1. and in general will monitor and follow the Programme implementation. Joint Monitoring Committee will be also responsible for the evaluation and selection procedures of projects to be financed under the Programme. Joint Monitoring Committee will set up a separate Project Selection Committee. Joint Monitoring Committee will be set up after the Joint Operational Programme has been approved by the governments of Finland and the Russian Federation and within three months period after the Joint Operational Programme has been adopted by the European Commission. Responsibilities of the Monitoring Committee members as well as the rules for the Committee work will be defined in the Rules of Procedures which will be adopted at the first Monitoring Committee meeting. Joint Monitoring Committee will respect the Programme rules and the basic principles such as equal treatment and impartiality in their work.

Both countries have nominated National Authorities, which represent the country in the Joint Monitoring Committee. National authorities support the Managing Authority in the management of the Programme in accordance of sound financial management. National authorities also ensure the coordination of the institutions involved at national level in the Programme implementation. Tasks of National Authorities are described in chapter 4.4.

Managing Authority will carry out the majority of day-to-day tasks related to the overall Programme implementation. It works according to the annual work programme, which is approved by the Joint Monitoring Committee. Segregation of tasks is ensured by dividing the Managing Authority personnel to operational and financial units. Tasks of staff members shall be stipulated in individual job descriptions. The tasks of Managing Authority have been described in chapter 4.2.

Managing Authority is closely assisted by the Programme branch office in Petrozavodsk. Programme's branch office will work under the supervision of the Managing Authority. Tasks of the branch office have been described in chapter 4.5.

Audit Authority 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. Audit authority is assisted by the group of auditors. Responsible bodies and their functions are described in chapter 4.6.

Control contact points will support the Joint Managing Authority to fulfill its project level control and verification tasks. Control contact points will provide information and clarifications on the national rules. Control contact point also helps Managing Authority to organize trainings for projects' auditors if necessary and also receives information about the quality of expenditure verifications from the Managing Authority. Responsible bodies and their functions are described in chapter 4.7.

Regional authorities participate to the work of both Programme Committees and ensure a dialogue with Euregio Karelia board. Regional Authorities also inform key regional decision makers and other regional / national authorities located to each region about the progress of the Programme. Responsible organisations and their tasks have been described in chapter 4.8.

### *Procedures for ensuring the correctness and regularity of expenditure declared*

Expenditure declared by the beneficiary in support of a payment request will be examined in both countries 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 basis 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 account of 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 shall 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 selected by the project stakeholders.

In addition to the verification performed by the auditors, the Managing Authority may perform its own verifications on the financial management and control of the programme and on the spot verifications on projects. Managing Authority's verification tasks have been described in chapter 4.3.

Programme's Branch office will assist the Managing Authority to perform the on the spot verifications on the Russian side. National authorities and control contact points will support the Managing Authority in its control tasks.

Audit Authority 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.

### *Electronic data systems for accounting, storage, monitoring and reporting*

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

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

PROMAS is used both for applying for funding and project reporting. Data on each proposal and project, including technical and financial reports, is recorded and stored in PROMAS. The system shall provide all data required for drawing up payment requests, including records of amounts recoverable, amounts recovered and amounts reduced following cancellation of all or part of the contribution for a project. Managing Authority uses PROMAS to collect and summarize the information about the projects to the annual reports and other possible reports and evaluations.

Electronic system provides also a platform for the internal monitoring of projects conducted by the Managing Authority. 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.

By providing and access to the system for key national and regional authorities the flow of information concerning the projects is ensured.



### *Arrangements for auditing the functioning of the management and control systems*

Audit Authority will carry out the audit on management and control systems. Management and control systems are checked and audited by the Audit Authority for the first time during the designation process of Managing Authority.

In the annual report the Managing Authority 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 Managing Authority including an analysis of the nature and extent of errors and weaknesses identified in systems as well as corrective actions planned.

Audit Authority'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 Audit Authority 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. Audit Authority 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.

Organisation hosting the Managing Authority has an internal auditor. Internal auditor will ensure that the procedures agreed-upon are applied by the Managing Authority.

### *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 a related budget.

Implementation of the project is based on the signed grant contract and the implemented activities as well as the accordingly occurred expenses are reported by the beneficiaries to the Managing Authority. The expenditure declared has to clearly originate from the project plan and to be foreseen in the project budget.

The bookkeeping by the beneficiaries is organized according to sound financial management principles. All the costs reported and declared have to be in the accounting records of the beneficiaries and the original invoices have to be available.

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 organized 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.

Data on each proposal and project, including technical and financial reports, is recorded and stored in electronic monitoring system PROMAS. The system shall provide all data required for drawing up payment requests, including records of amounts recoverable, amounts recovered and amounts reduced following cancellation of all or part of the contribution for a project. Managing Authority uses PROMAS to collect and summarize the information about the projects to the annual reports and other possible reports and evaluations. Both Managing Authority 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 Managing Authority will in the first instance 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 Managing Authority will extend its investigation to cover all operations potentially affected. Irregularities are prevented with regular checks of projects including progress reports, audit reports / expenditure verification reports, additional verifications and on the spot checks by the Managing Authority and the Branch Office, regular monitoring of the progress of operations and also the sample checks organized by the Audit Authority.

The Managing Authority 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 Managing Authority 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 Managing Authority for the accounting year in which the cancellation is decided.

The managing authority will be responsible for pursuing the recovery of amounts unduly paid. Managing authority 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 Managing Authority will formally notify the latter to repay to the lead beneficiary.

If the concerned beneficiary, located to Finland, does not repay, the Managing Authority will request the EU Member state (Finland) to reimburse the amounts unduly paid. Finland pays the due amount to the managing authority and claims it back from the beneficiary.

Procedures for the cases where recovery order concerns a Russian beneficiary and the Managing Authority is not able to recover the amount, the procedures concerning the reimbursement are defined in the Programme's financing agreement.

## *Contract award procedures for technical assistance and project selection procedures*

### ***Technical assistance***

For the technical assistance the Finnish National procurement rules will be applied in cases where Managing Authority is responsible for procurements. On the Russian side Petrozavodsk Branch Office may conduct procurements which are connected to the activities supporting the Programme implementation and are included into the annual technical budget and are agreed with the Managing Authority.

### ***Project selection procedures***

The projects for Karelia CBC Programme are selected either through call for proposals or as direct awards without call for proposals. Selection procedures for regular projects are described in chapter 5.3. and direct award procedures in chapter 5.4.

Regular calls for proposals may be organised as follows:

- applicants submit a complete application with all required annexes;
- applicants first submit a short concept note. The concept notes are evaluated and those applicants with the best scores will be invited to submit a complete application.

Joint Monitoring Committee is responsible for the evaluation and selection procedures applicable to projects to be financed by the Programme and Managing Authority 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 processes and the same rules and conditions will be applied to all applicants.

Joint Monitoring Committee will set up a separate Selection Committee for the evaluation of the project proposals. Joint Monitoring Committee also approves the annual plan for the call for proposals as well as the guidelines for each call for proposals. Projects are selected on the basis 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 basis of selection and award criteria.

Each project has one 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 Managing Authority within the electronic management system PROMAS as well as in hard copy.

Joint Monitoring Committee makes the final decision on the project selection on the basis of the evaluations conducted by the Joint Selection Committee.

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

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

### *The role of national authorities and the responsibilities of the participating countries*

National authorities are responsible for the set up and effective functioning of management and control systems at national level. National Authorities also ensure the overall coordination of the institutions involved at the national level in the programme implementation, including the institutions acting as control contact points and as member of the group of auditors. National Authorities also represent its country in the Monitoring Committee. National authority on the Russian Federation is the ultimate responsible body for implementing the provisions set out in the Karelia CBC financing agreement signed between Russian Federation, European Union and Finland.

Participating countries will support the Managing Authority to ensure that management and control systems set up for the Programme function effectively as described earlier.

Participating countries will prevent, detect and correct irregularities, including fraud and the recovery of amounts unduly paid, together with any interest in their territories. They will notify these irregularities without delay to the Managing Authority and the Commission and keep them informed of the progress of related administrative and legal proceedings.

## 5.2. Timeframe for Programme implementation

The period of implementation for the programme starts on the date of the adoption of the Programme by the European Commission and ends 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 Joint Operational Programme to the Commission and government of the Russian Federation.

The full launching of Programme activities is pending on the entry into force of the respective financing agreement.

A final list of large infrastructure projects selected through direct award have to be submitted to EC by the end of 2017 and contracts for LIPS selected through direct award have to be signed by 30 June 2019. All other project contracts need to be signed by the end of 2021 at the latest.

All project activities end by 31 December 2022 at the latest. Closure of the Programme will be carried out between 1 January 2023 and 30 September 2024 at the latest.

Joint Monitoring Committee will approve on the work programme on annual basis. Work Programme includes both call for proposals and the activities planned to be organized with technical assistance. JMC also approves the monitoring and evaluation plan annually as well as the information and communication plans.

## 5.3. Description of project selection procedures

The projects for Karelia 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.

Regular calls for proposals may be organised as follows:

- applicants submit a complete application with all required annexes (one-step call) or
- applicants first submit a short concept note. The concept notes are evaluated and those applicants with the best scores will be invited to submit a complete application (two-steps call).

Joint Monitoring Committee is responsible for the evaluation and selection procedures applicable to projects to be financed by the Programme and Managing Authority 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 processes and the same rules and conditions will be applied to all applicants.

Joint Monitoring Committee will set up a separate Selection Committee for the evaluation of the project proposals. Joint Monitoring Committee also approves the annual plan for the call for proposals as well as the guidelines for each call for proposals. Projects are selected on the basis 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 basis of selection and award criteria.

Administrative check will assess whether the projects satisfy all the administrative criteria mentioned in the checklist in the guidelines of the call for proposals. Eligibility criteria determine the conditions for participating in a call 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 assesses the applicant's financial and operational capacity to complete the proposed action and assures that the applicant has stable and sufficient sources of funding to maintain its activity throughout the period during which the project is being carried out and to participate in its funding. Also applicants' and their partners' professional competencies and qualifications to complete the proposed project will be evaluated.

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

Eligibility and evaluation criteria specified in the Guidelines for the Call for Proposals will be applied as they have been published and they are not changed in the course of the procedure. Guidelines are published on the date when the call for proposal is opened.

Each project has one lead partner who has the responsibility for the submission of the application form and for the implementation of the entire project. Project applications are submitted by the Lead Partner to the Managing Authority within the electronic management system PROMAS as well as in hard copy.

After the call for proposals has been closed an administrative and eligibility check is conducted to applications by the Managing Authority assisted by the Programme's Branch Office. The applications that do not pass the administrative and eligibility check will be rejected and will not proceed to further evaluation.

Projects that passed the administrative and eligibility checks will be evaluated against the selection and award criteria. Regional assessors as well as independent and qualified external experts will be responsible for the evaluation of projects against the selection and award criteria.

Joint Selection Committee starts its deliberations from the evaluations conducted by the regional assessors and independent and qualified external experts. Joint Selection Committee creates the 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. List of projects created by the Joint Selection Committee will be presented to the Joint Monitoring Committee for the final approval. Joint Monitoring Committee makes the final decision on the project selection on the basis of the evaluations conducted by the Joint Selection Committee.

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

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

#### 5.4. Direct award / Large infrastructure projects

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 without call for proposals as direct awards (an indicative list):

##### 1. Niirala border crossing point development (Finland)

Lead Partner :	Finnish Transport Agency
Estimated indicative total costs:	4,475 MEUR
Description:	The project includes traffic arrangements and improvements of facilities and border technology
Objective:	Improve the traffic fluency and safety and the fluency of border crossings
Programme Priority:	Well-functioning border crossing (4)

##### 2. Major repair of the highway to the access to the international automobile checkpoint "Vyartsilya", km 49 – km 54 (Russia)

Lead Partner :	Public Institution of the Republic of Karelia "Roads Administration of the Republic of Karelia"
Estimated indicative total costs:	4,2 MEUR

Description:	Project includes construction and renovation works on the road tranche on the immediate proximity to the international border crossing point Niirala-Värtsilä
Objective:	Improves the quality of the road and increases the traffic safety of international shipments.
Programme Priority:	Well-functioning border crossing (4)

### **3. Repair of the highway Kochkoma-Tiksha-Ledmozero-Kostomuksha-state border, km 235 – km 246 (Russia)**

Lead partner:	Public Institution of the Republic of Karelia “Roads Administration of the Republic of Karelia”
Estimated indicative total costs:	3,67 MEUR
Description:	Project includes construction and renovation works on the road tranche on the immediate proximity to the international border crossing point Vartius-Lytta
Objective:	Improves the quality of the road and increases the traffic safety of international shipments.
Programme Priority:	Well-functioning border crossing (4)

### **4. Development of Vartius railyard (Finland)**

Lead partner:	Finnish Transport Agency
Estimated indicative total costs:	4,5 MEUR
Description:	Increasing cross-border rail cargo traffic requires improvements on the rails. Long trains require improvements of the places where the departing and returning trains are meeting.
Objective:	Project improves the fluency and fastens the transportations essentially.
Programme Priority:	Well-functioning border crossing (4)



## 5. Vartius Border crossing point development (Finland)

Lead partner:	Finnish Transport Agency
Estimated indicative total costs:	4,82 MEUR
Description:	Includes traffic arrangements and improvements of facilities and border technology on Vartius border crossing point
Objective:	Ensures more fluent border crossings on Vartius border crossing point
Programme Priority:	Well-functioning border crossing (4)

## 6. Reconstruction of the highway Loukhi-Suoperya, km 160 – km 165 (Russia)

Lead partner:	Public Institution of the Republic of Karelia “Roads Administration of the Republic of Karelia”
Estimated indicative total costs:	4,0 MEUR
Description:	Project includes construction and renovation works on the road tranche on the immediate proximity to the international border crossing point Kuusamo-Suoperä
Objective:	Improves the traffic safety and is expected to increase the use of the road and the related border crossing point.
Programme Priority:	Well-functioning border crossing (4)

## 7. Reconstruction of border crossing point Värtsilä (Russia)

Lead partner:	Federal agency for the development of the State Border Facilities of the Russian Federation (Rosgranitsa)
Estimated indicative total costs:	12,0 MEUR
Description:	construction of terminals, constructions of additional lanes for heavy traffic, parking area

	extension, construction of security systems and traffic guidance systems (traffic light etc.)
Objective:	Creates conditions for effective border control and reduces the time for the border crossing for individuals. Decreases the pressure on the neighbouring border crossing points.
Programme Priority:	Well-functioning border crossing (4)

## **8. Water supply and water treatment facilities' improvement in Sortavala (Russia)**

Lead partner:	
Estimated total costs:	3,6 MEUR
Description:	construction of the water treatment station for the water supply system in Sortavala and construction of 2 wastewater pumping stations and installation of sawage pipes
Objective:	Improves the quality of the drinking water in Sortavala and decreases the environmental impact on Lake Ladoga, which will reflect positively on the environmental situation in the Baltic Sea.
Programme Priority:	Clean and comfortable region to live (3)

Projects on the list are not in any prioritized order. Joint Monitoring Committee will launch the prioritization and selection process of the projects after the adoption of the Joint Operational Programme.

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

These projects are confirmed 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. Planned use of technical assistance and contract award procedures

Technical assistance activities include 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.

Total of 6,0 million euros of the Programme funding is allocated to technical assistance (see. chapter 5.9. Financial table). 10 % threshold is exceeded to ensure the proper organizing of required management and control functions for the whole programme life cycle (2015-2024). Estimation of the total costs required for the Programme management and control is based on the experience and incurred expenses in Karelia ENPI CBC Programme 2007-2013. Exact costs of the new bodies involved in the management and control of the programme are not available at the moment, which causes uncertainty for the budgeting.

The proposed total budget means 740 000 € annual budgets for TA during years 2017-2022 as presented in the financial table 2. in chapter 5.9. In the launching phase (during 2015 and 2016) the costs are lower as well as in the closure phase. This level (740 000 €) is already more than 10 % smaller than realized technical assistance costs in Karelia ENPI CBC during e.g. 2014.

Based on the experience about the implementation of the Karelia ENPI CBC Programme the annual fixed costs (salaries, offices and office running costs) cover the majority of annual budgets (variation during years 2011-2014 is between 66-73 % of the total costs). Number of people working for the programme management in Karelia ENPI CBC has fulfilled the minimum requirements for the implementation and separation of tasks and the required tasks are not decreasing in the future. This causes a situation where the resources for variable costs (travel, meeting costs, procurements, information costs) will be limited with the existing budget proposal especially when the annual budget frame is smaller than earlier – even in situation where the number of programme personnel would not increase at all.

Joint monitoring Committee decides about the technical assistance budget on annual basis.

For the technical assistance the Finnish National procurement rules will be applied in cases where Managing Authority is responsible for procurements. On the Russian side Petrozavodsk Branch Office may conduct procurements which are connected to the activities supporting the Programme implementation and are included into the annual technical budget and are agreed with the managing Authority. Branch office applies the applicable procurement rules, which depend on the legal status of the organisation hosting the branch office functions. Relevant procurement rules applied by the branch office are also described in the financing agreement.

## 5.6. Monitoring and evaluation systems

Monitoring system is built to provide relevant information about the projects' progress for the programme bodies to help them make informed decisions. Monitoring system provides information for the Joint Monitoring Committee and its national and regional members as well as for both project stakeholders and the Managing Authority about the day to day management of projects. Monitoring function organized by the Programme is referred to later as internal monitoring. In addition to the internal monitoring organized by the Programme the European Commission builds result oriented monitoring 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 shall be carried out at completion phase or ex-post. Joint Monitoring Committee decides about the realization of evaluations.

Cooperation and exchange of information is ensured also with the Audit Authority and the Members of the group of auditors in the implementation of monitoring and evaluation functions.

### Internal monitoring:

Monitoring organized by the Programme. Provides relevant information about the project's progress for the Programme bodies.

### External Monitoring:

Result oriented monitoring (ROM) organized 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. All external monitoring reports must be sent also to the Government of the Russian federation.

### Evaluation:

Provides wider information about the strategic choices made in the programme. Evaluates whether the choices made were right. Evaluations are conducted by external/independent persons mainly on completion phase or ex post.

### ***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 Managing Authority 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 Managing Authority 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 shall concentrate on implementation of activities and output production. It shall 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 shall 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 shall be conducted through on-site visits, which comprise interviews and on-the-spot checks. Project partners and stakeholders shall be interviewed with a view to assessing the soundness of project management, decision-making processes and involvement and ownership of the parties concerned. Continued relevance shall 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 Managing Authority shall be responsible for organizing the internal monitoring of the projects operating under the Programme. The Managing Authority shall keep records of monitoring activities and make sure that all monitoring data will be made available to all interest groups. Data

shall also be gathered on Programme-level indicators and regular reports will be delivered to the Committees about the progress made towards the set indicator target values.

External monitoring shall be conducted by the European Commission. External monitoring will yield a two-fold benefit: in cases where the projects selected for external monitoring have not undergone internal monitoring, it will increase the total number of monitored projects and will thus provide further assurance about the standard of project management and efficiency. 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 Managing Authority. Russian and Finnish national audit bodies may conduct their checks of the projects implementation.

### *Evaluations*

The Programme shall perform ex-post evaluations on both the Programme priorities as well as on thematic objectives and the Programme as a whole. These evaluations shall be carried out by external experts and will focus on relevance, effectiveness, impact and sustainability of benefits. Evaluations of thematic calls will produce organised and analysed data, which 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 shall be directed.

### *Indicative Monitoring and evaluation plan*

This indicative plan gives an overview to the planned monitoring activities and evaluations. Joint Monitoring Committee shall decide about the detailed plan on annual basis.

	Monitoring	Evaluation
Year 1 / 2016	No monitorings 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 shall be monitored and follow-up visits conducted for projects for the projects already ones monitored	Programme-based mid-term evaluation if necessary
Year 4 / 2019	Both new projects shall be monitored and follow-up visits conducted for projects for the projects already ones monitored	
Year 5 / 2020	Both new projects shall be monitored and follow-up visits conducted for projects for the	

	projects already ones monitored	
Year 6 / 2021	Follow up monitorings and additional monitoring on selected projects	
Year 7 / 2022	Follow up monitorings and additional monitoring on selected projects	
Year 8 / 2023		Programme-based ex-post evaluation

## 5.7. Communication strategy

The Managing Authority of the Karelia CBC 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 Joint Monitoring Committee. The branch office participates to the implementation of the measures.

The Managing Authority takes all the necessary steps to ensure the equal visibility of the co-financing by European Union and the participating countries. Measures will be implemented efficiently and transparently in both participating countries. These principles are supported by using English, Finnish and Russian as the communication languages.

Communication activities will be performed both on international and national and regional and local levels. To reach international and national visibility the MA will cooperate with the other CBC programmes implemented in Finland and Russia. Regional and local visibility will be reached through the programme and project activities. For ensuring visibility through the projects, special attention needs to be paid to the guidance and training of the projects.

### Objectives

The key communication objectives related to the programme are:

- The programme is a well-known and trusted actor in cross-border cooperation.
- The programme is implemented efficiently and transparently.
- The results of the programme are widely disseminated.

In addition there's a CBC-related objective:

- The CBC instrument is an important contributor towards an area of shared prosperity and good neighbourliness.

The activities related to this objective will be performed in cooperation with other CBC programmes.

## Target groups

The communication is targeted both to those who *should* know about the programme and to those who *want* to know about the programme. Both internal and external communication is taken into account and also the general public is included to the target groups.

External communication:

- Public in the participating regions and countries
- Prospective and final beneficiaries and stakeholders
- Relevant state, regional and local authorities
- The European Commission and other relevant institutions

Internal communication:

- Programme Committees
- Programme management bodies

## Message

The main idea is to tell how one benefits or can benefit from the programme. The specific message changes according to the target group. The idea of the communication is on the other hand to give needed information to the target groups and on the other hand to provide information about the results and success of the programme and this way to influence on the image of the programme and cross-border cooperation.

## Means

Various methods will be used in communication and dissemination. The used methods can be divided in categories:

- Electronic and web-based tools
- Visual identity and PR-material
- Events
- Presentations, face to face meetings
- Visibility through the projects: a toolbox, including a selection of visibility material and a communication manual, will be created for the projects to use.

## Resources

Sufficient human and financial resources for communication activities need to be taken into account when preparing the implementation of the programme. Resources are also needed for training of both the programme bodies and the lead partners and partners.

Sufficient human and financial resources for communication activities need to be required from the projects.



## *Monitoring*

The success of communication is monitored yearly

At least the following indicators can be used:

- Number of visitors on the website
- Numbers of followers, tweets and re-tweets on Twitter
- Number of video views
- Number of distributed information material
- Number of events and participants in the events
- Number of enquiries and applications
- Media coverage

Table on the following pages includes the indicative communication and visibility work plan for the first year of implementation.

OBJECTIVE	SPECIFIC OBJECTIVE	ACTIVITY	TIMELINE	INDICATOR	RESBONSIBLE BODY
Programme is a well-known and trusted actor in cross-border cooperation.	The programme is known among the target groups.	Information events are organized.	Months 1-3	#Number of events and participants	MA + BO
		Media coverage is sought after.	Ongoing	#Coverage	MA + BO
	The difference between CBC and other funding instrument is recognized.	Programme website and social media tools are created.	Months 1-3	#Number of existing tools /visitors and users	Communication officer + BO
		PR-material is produced	Months 1-3	#Distributed material	Communication officer
		Programme is presented in various events.	Ongoing	#Number of presentations and listeners	MA + BO
	Information about applying for funding is easily available.	Functionality of the website is ensured.	Months 1-3	#Uploads of applicant's package #Feedback	Communication officer
		Website is kept up to date.	Ongoing		
	The programme is implemented efficiently and transparently.	The internal communication works well.	Committee meetings are organized.	Timetable to be confirmed later.	# Number of committee meetings # Number of information emails #Number of team meetings # Feedback
Committee members are informed of the current issues by email.			Ongoing		
Team meetings are organized regularly			Ongoing		
The best practices of the projects are shared to all projects.		Not applicable during the first year of implementation.			
Information about the programme's current issues is available.		Programme website and the social media sites are actively updated.	Ongoing	#Visits on the website #Followers on social media #Shared information	Communication officer + BO
Attention is paid to the capacity building of the		Toolbox for communication is	Months 1-3	# Uploads # Quality of the	Communication officer

	applicants.	created.		communication plans (percentage of plans that are of good quality)	
		Capacity building events for applicants are organised	Months 3-6	#Number of events and participants # Quality of the communication plans	Communication officer + Programme coordinators
The results of the programme are widely disseminated.	Results can be easily found.	Not applicable during the first year of implementation.			
	Beneficiaries are aware of the programme funding.	Not applicable during the first year of implementation.			
	Lead partners and partners understand the importance of communication.	Not applicable during the first year of implementation.			
CBC instrument is an important contributor towards an area of shared prosperity and good neighbourliness.	International and national authorities and politicians are aware of CBC and its importance.	To be defined jointly with other programmes.			
	The purpose and benefits of CBC are understood.				

## 5.8. Strategic environmental assessment

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

Strategic environmental assessment was prepared in accordance with directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment as well as with the corresponding Finnish legislation (SEA Act 200/2005).

From the wide list of Environmental Policies, Strategies and Programmes the most crucial international and local ones are concerned. Also the state of environmental legislation and administration both in Finland and in Russia is shortly described.

Karelia CBC programme continues the work of the previous Interreg II and III A Karelia Programmes and Euregio Karelia Neighbourhood Programme as well as the Karelia ENPI CBC Programme 2007-2013. The programme area comprises of three regions in Finland, Kainuu, Northern Karelia and Oulu region and of the Republic of Karelia in Russia. The nature in the programme area is diversified and vulnerable.

Considering the state and the future of the environment on the programme area there are challenges especially on the waste management and on the water maintenance. The loss of the biodiversity is a serious concern to be taken into account. Possibility to touch these topics is limited but possible in the Programme. At least activities with indirect impacts may be implemented.

The actions implemented on the 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. On the programme document some sectors are introduced within the priorities.

On the grounds of the assessment it can't be stated that certain activities would be evidently better than the others. However it can be noticed that activities under priority 3 has clear potential for positive environmental impacts.

Sustainable development is a significant horizontal principle of the programme. The programme isn't based on the Sustainable Development Strategy but the principles of the sustainable development have and will be taken into account on the programme and its implementation. The risk is, though, that economic development is considered to conflict with the environmental protection and that the economic development and competitiveness wins the battle. Accordingly, the programme must convey a clear message that positive environmental impact is a key element of the programme's strategy.

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

## 5.9. Indicative financial plan

Two different financial tables are provided:

- First table specifies the provisional amounts of the financial appropriations of the support from the European Union, Russian Federation and Finland for each Programme priority and thematic objective as well as for the technical assistance.
- Second table specifies the yearly provisional appropriations for commitments and payments envisaged for the support from the European Union and national contributions from Russian Federation and Finland for projects and technical assistance.

Financial table 1. Financial appropriations for each Programme priority (+ thematic objective) and technical assistance

Priority / Thematic Objective (TO)	2014 – 2020 confirmed					
	EC financing (a)	Finland	Russia	Co-financing total (b)	Co-financing rate (c)	Total funding (d)=(a)+(b)
Priority 1 (TO 1)	5 049 684	2 524 842	1 149 736	3 674 578	42 %	8 724 262
Priority 2 (TO 3)	2 601 054	1 300 527	1 300 527	2 601 054	50 %	5 202 108
Priority 3 (TO 6)	4 400 000	2 200 000	1 425 000	3 625 000	45 %	8 025 000
Priority 4 (TO 10)	6 450 316	3 225 158	5 375 264	8 600 422	57 %	15 050 738
<b>TOTAL PRIORITIES</b>	<b>18 501 054</b>	<b>9 250 527</b>	<b>9 250 527</b>	<b>18 501 054</b>	<b>50 %</b>	<b>37 002 108</b>
Technical assistance	3 000 000	1 500 000	1 500 000	3 000 000	50 %	6 000 000
<b>Priorities + technical assistance total</b>	<b>21 501 054</b>	<b>10 750 527</b>	<b>10 750 527</b>	<b>21 501 054</b>	<b>50 %</b>	<b>43 002 108</b>

The share of additional financing to the programme priorities is subject to the mid-term review by the EC and the availability and amount of funds.

Financial table 2. (next page) Yearly financial appropriations for the commitments and payments (both EU and national contributions)

Karelia CBC Programme's financial table						
	A			B	C	D
	INDICATIVE PROVISIONAL COMMITMENTS BY THE EC	RUSSIAN FUNDING	CO-FINANCING FINLAND	CO-FINANCING TOTAL	PROGRAMME'S INDICATIVE PROVISIONAL COMMITMENTS - EC funding -	PROGRAMME'S INDICATIVE PROVISIONAL PAYMENTS - EC funding -
<b>2015</b>						
Projects					0	0
TA					40 000	40 000
<b>TOTAL 2015</b>	<b>40 000</b>	<b>20 000</b>	<b>20 000</b>	<b>40 000</b>	<b>40 000</b>	<b>40 000</b>
<b>2016</b>						
Projects					5 922 000	1 800 000
TA					300 000	300 000
<b>TOTAL 2016</b>	<b>6 690 005</b>	<b>3 345 002</b>	<b>3 345 003</b>	<b>6 690 005</b>	<b>6 222 000</b>	<b>2 100 000</b>
<b>2017</b>						
Projects					5 550 000	3 200 000
TA					370 000	370 000
<b>TOTAL 2017</b>	<b>6 262 224</b>	<b>3 131 112</b>	<b>3 131 112</b>	<b>6 262 224</b>	<b>5 920 000</b>	<b>3 570 000</b>
<b>2018</b>						
Projects					3 002 000	3 800 000
TA					370 000	370 000
<b>TOTAL 2018</b>	<b>2 636 929</b>	<b>1 318 465</b>	<b>1 318 464</b>	<b>2 636 929</b>	<b>3 372 000</b>	<b>4 170 000</b>
<b>2019</b>						
Projects					2 518 000	4 000 000
TA					370 000	370 000
<b>TOTAL 2019</b>	<b>2 913 788</b>	<b>1 456 894</b>	<b>1 456 894</b>	<b>2 913 788</b>	<b>2 888 000</b>	<b>4 370 000</b>
<b>2020</b>						
Projects					1 509 054	3 000 000
TA					370 000	370 000
<b>TOTAL 2020</b>	<b>2 958 108</b>	<b>1 479 054</b>	<b>1 479 054</b>	<b>2 958 108</b>	<b>1 879 054</b>	<b>3 370 000</b>
<b>2021</b>						
Projects					0	1 600 000
TA					370 000	370 000
<b>TOTAL 2021</b>	<b>N.A.</b>				<b>370 000</b>	<b>1 970 000</b>
<b>2022</b>						
Projects					0	900 000
TA					370 000	370 000
<b>TOTAL 2022</b>	<b>N.A.</b>				<b>370 000</b>	<b>1 270 000</b>
<b>2023</b>						
Projects					0	201 054
TA					360 000	360 000
<b>TOTAL 2023</b>	<b>N.A.</b>				<b>360 000</b>	<b>561 054</b>
<b>2024</b>						
Projects					0	0
TA					80 000	80 000
<b>TOTAL 2024</b>	<b>N.A.</b>				<b>80 000</b>	<b>80 000</b>
<b>TOTAL 2015-2024</b>	<b>21 501 054</b>	<b>10 750 527</b>	<b>10 750 527</b>	<b>21 501 054</b>	<b>21 501 054</b>	<b>21 501 054</b>
<b>TOTAL COFINANCING RATE</b>					<b>50,00 %</b>	<b>%</b>

Expenditure incurred in a currency other than the euro shall be converted using the monthly accounting exchange rate of the Commission. The exchange rate of the month during which the expenditure was incurred shall be used.

## 5.10. Rules on eligibility of expenditure

The following provisions form the basis for the rules on eligibility of expenditure in Karelia CBC Programme. Eligibility rules are specified in each call's guidelines and basic rules concerning the eligibility may be limited as necessary. The principles defined in each calls' guidelines are applied in the projects selected under it.

### *Eligibility of costs*

Grants shall 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 shall 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 shall relate to activities performed during the implementation period. Costs relating to supplies shall 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;

(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 shall 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).

***Indirect costs***

Indirect costs may be calculated on a flat-rate of up to 7 % of 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.

As indirect costs for a project shall be considered 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. They may not include ineligible costs or costs already declared under another cost item or heading of the budget of the project.



### *Costs incurred prior to the contract signature; projects with infrastructure component*

Costs for preparatory activities incurred prior to the contract signature in infrastructure projects can be considered exceptionally as eligible on the condition that they are incurred after the approval of the Project Summary of the project including an infrastructure component and the beneficiary has been informed by the Managing Authority that they have a right to reimburse the costs. Preparatory costs may be reimbursed only in cases where the project is finally selected for financing and respective grant contract has been signed.

The applicant must clearly indicate the costs for activities prior to the contract signature in the Project Summary Form and in the LIP Application. Preparatory costs may include: i) elaboration of the Feasibility study, ii) elaboration of the Environmental Impact Assessment, iii) preparation of the technical documentation and iv) preparation of tender documentation.

### *Non-eligible costs*

The following costs relating to the implementation of the project shall 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).

Pursuant to Article 4 a programme may declare other categories of costs as ineligible.

### **5.11. Apportionment of liabilities among the participating countries**

The Managing Authority will in the first instance be responsible for preventing and investigating irregularities and for making the financial corrections required and pursuing recoveries. Managing Authority 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 Managing Authority the Managing Authority 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 Managing Authority will be responsible for reimbursing the EU amounts concerned to the Commission in accordance with the apportionment of liabilities among the participating countries as laid down in the programme's financing agreement.

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

Where the recovery relates to a claim against a beneficiary established in Russian Federation and the Managing Authority 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 Managing Authority 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 Managing Authority will formally notify the latter to repay to the lead beneficiary. If the concerned beneficiary does not repay, the Managing Authority will request the participating country in which the concerned beneficiary is established to reimburse the amounts unduly paid.

### **5.12. Rules of transfer, use and monitoring of co-financing**

The Programme is co-financed by the Russian Federation and the State of Finland and these contributions together match with EU share directed to the Programme and all these funds are pooled to Managing Authority's accounts. The indicative amounts are defined in the chapter 5.9. Indicative financial plan.

As a basic principle the EU share shall be matched in each project with the national co-financing shares.

The permit to commit the national contributions shall be granted to the Programme according to the annual work programmes approved by the Joint Monitoring Committee. Annual work programme includes both resources directed to projects and to the technical assistance.

Programme's national contributions are managed by the Managing Authority as well as the EU contributions. The Karelia CBC Programme has a separate bank account within the Council of Oulu Region. The programme's account is independent and separate and it only includes transactions relating to the programme. This account has been divided into three sub-accounts:

- EU co-financing (including both ENI and ERDF)
- 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.

Same eligibility rules apply to national contributions than to EU contributions. Monitoring of national co-financing is conducted according to the annual monitoring and evaluation plan approved by the Joint Monitoring Committee. Key monitoring and evaluation principles have been described in chapter 5.6.

### **5.13. IT systems for the reporting between the Managing Authority and the Commission**

Karelia CBC Programme has an electronic monitoring and information system (PROMAS) which is used for the management of the programme as well as the projects. All project-related data is recorded and stored in the database and the Managing Authority uses it for both operational and financial follow up. Also programme level information of finances and indicators can be obtained from the system.

An electronic system used for 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 programmes use the same system but have a separate database. 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 call for proposals, management of project selection and data collection for the programme reporting. At project level the Managing Authority uses the system for operational as well as for financial follow up. Payments to the applicants are made with separate electronic accounting system. The information within these two systems is reconciled regularly.

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

Projects are using PROMAS for the reporting and all the material is stored in the database. The Managing Authority uses PROMAS to collect and summarize the information of projects to the annual reports and other possible use and evaluations.

Electronic system provides also a platform for the internal monitoring of projects conducted by the Managing Authority. 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.

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 Managing Authority as well as the Audit Authority 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.

No direct link between PROMAS and the IT systems of the European Commission will be created. The requested data will be reported to the Commission electronically, in the requested format using the data recorded and stored in the PROMAS system. All reports are sent to the Russian Government on request.

## 5.14. Languages

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

Meetings of Joint Monitoring Committee shall be conducted in English. Interpretation in Finnish and Russian can be organized if requested by the Committee members.

Meetings of the Joint Selection Committee shall be conducted in Finnish and Russian. Translation between Finnish and Russian shall be provided and translation into English when necessary.

Detailed principles on language regime shall be defined in the Rules of Procedures of both Committees.

Translations of key documents (such as Joint Operational Programme, Guidelines for the call for proposals, Programme manuals and the template for a grant contract) shall be provided in Russian and Finnish. In all cases, the English version shall be the official version.