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Joint Operational Programme 2014-2020

The Programme is co-financed by the EU, the 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.

The Karelia CBC Programme shall enhance the practical cooperation between the Finnish and Russian regions with the support of the 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 to 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 regional and cross-border co-operation is an important component of bilateral relations with the relevant countries and regions in the commercial and economic, humanitarian and other fields. Cross-border co-operation is important for strengthening the trust and mutual understanding of the Russian Federation and the European Union.

The current legal basis for EU-Russia cooperation is the 1994 Partnership and Cooperation Agreement.

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)

Structures and the procedures prepared for and applied in the implementation of the programme are in compliance with the EC Implementing Rules. Also the applicable European Union rules on State aid will be taken into account during the implementation of the programme.

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

- the Concept for the Foreign Policy of the Russian Federation
- the Strategy for the Social and Economic Development of the North-Western Federal District of the Russian Federation until 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
- the Federal law on procurement (№ 44-FZ dated 5.04.2013)
- the Applicable Codes of the Russian Federation
- the applicable decrees of the President of the Russian Federation and the Russian Government
- the Concept for Cross-Border Cooperation of the Russian Federation
- The Concept for the Long-term Social and Economic Development of the Russian Federation through to 2020

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, the Russian Federation and Finland. This agreement sets the basic joint principles for the implementation of the Programme. This Financing agreement shall be signed by both participating countries and by the European Commission after the Joint Operational Programme has been adopted by the European Commission.

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

Cross-border cooperation background of the Karelia CBC Programme area

Finland and Russia have carried out regional cross-border cooperation since 1996. The first programmes were co-financed by the EU and Finland. The Russian Federation contributed to the financing of the Karelia ENPI CBC Programme to underline the equal partnership between the participants.

The Finnish-Russian neighbouring area cooperation started already earlier, based on the intergovernmental agreement signed in 1992. But it is only with the first CBC Programme, - the Interreg II A Karelia Programme for the period 1996-1999 – that the regions became fully associated to the implementation of the cooperation. This programme established the preconditions for further CBC Programme work and also partly led to the establishment of the Euregio Karelia (agreement signed in 2000). The 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 represented are the same as in the Karelia CBC Programme (see chapter 2. Description of the Programme area).

The Interreg III A Karelia Programme for the period 2000-2006 was built on the experiences gained from the previous programme and was further transferred in 2004 to the Euregio Karelia Neighbourhood Programme. The Euregio Karelia Neighbourhood Programme gave for the first time a possibility to finance activities on both sides of the border. The Karelia ENPI CBC Programme during the period 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 two sides of the border.

Karelia CBC Programming process

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

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

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

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

During these meetings, the five Thematic Objectives that the Programming Committee had chosen based on the analysis of regional strategies were discussed with stakeholders. As a result of the analysis of regional strategies and the stakeholder meetings, the Joint Programming Committee finally limited the number of thematic objectives to four.

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. The Draft Joint Operational Programme (JOP) and the SEA were published on the Programme websites during the public hearings, which facilitated access to the draft documents by the whole programme area. Public hearings were organised on both sides of the border in February / March 2015. The Joint Programming Committee analysed the feedback received during the public consultations in its meeting on 26 March and agreed about the related changes that were introduced in the present document.

2. DESCRIPTION OF THE PROGRAMME AREA

Programme area

Programme area comprises a core region, adjoining regions and major economic, social and cultural centres.



Picture 1. Karelia CBC Programme area

Core region comprises:

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 centers :

Finland: Helsinki
 Russia: Moscow, St. Petersburg

Core region

Karelia CBC core region consists of three regions in Finland (Kainuu, North Karelia and Oulu Regions) and of the Republic of Karelia on the Russian side. These regions share a joint border of approximately 700 km in the Programme area. The geographical coverage of the programme area is 263 667 km², of which the Republic of Karelia represents 180 500 km².

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

Adjoining regions

The Programme area is extended outside the core region to include adjoining regions, which are geographically neighbouring the core regions. In order to ensure the continuity of cooperation the adjoining regions of Lapland and North Savo on the Finnish side and of Murmansk, Arkhangelsk and Leningrad on the Russian side will be included to the Programme area. In addition to these adjoining regions that were defined already in the Karelia ENPI CBC Programme, the regions of South Savo and South Karelia (Finland) are introduced as new adjoining regions. These two new regions widen the scope and group of potential CBC partners in the Karelia CBC Programme and also enable the implementation of larger cooperation initiatives across the Programme core region's borders which have a clear cross-border dimension.

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 in projects where it is required by the nature and by the objectives of the project and is necessary for its effective implementation. Partners from adjoining regions participating in projects 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 the 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 in projects where it is required by the nature and by the objectives of the project and is necessary for its effective implementation. Partners participating in 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 partnerships in projects

All projects in Karelia CBC Programme have to include at least one partner from the core region in Finland and one partner from the core region in Russia (partner refers to both lead partner with whom the grant contract is signed and other project partners).

When a partner is a national level public entity based in Helsinki or Moscow who doesn't have structural units in the programme region that could act as 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 adjoining regions may participate in 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 in projects from adjoining regions 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 taking place outside the programme area are necessary for achieving the programme's objectives and benefit the programme area. The same principle of eligibility of activities implemented outside the programme core region also applies to Large Infrastructure Projects.

The total amount allocated under the programme to activities or partners located outside the Programme core regions may not exceed 20 % of the Programme budget allocated to projects . This principle doesn't concern the Large infrastructure projects (LIPs).

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

The Karelia CBC Programme tries to influence the Programme area's general development trends with specific cross-border activities underlining their cooperation nature. These 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

The 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. The out-migration of the working age population to growth centres in search of work is also visible on both sides of the border. High unemployment rate is a big regional challenge as well especially on the Finnish side of the Programme area together with 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.

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 to the achievement of all three strategic objectives.

In order to increase the impacts and efficiency of the Programme the Programme was required to focus on a maximum of four thematic objectives out of the 10 created under the strategic objectives and proposed in the programming document 2014–2020 for ENI Cross Border Cooperation.

The CBC programmes with Russian participation are to be implemented within the following guidelines for actions stipulated in the Concept for Cross-Border Cooperation of the Russian Federation. These guidelines are:

- a) cooperation in cross-border trade;
- b) cooperation in investment projects;
- c) cooperation in transport and logistics and communication;
- d) cooperation in sustainable exploitation of natural resources and environmental protection;
- e) cooperation in law-enforcement;
- f) cooperation in regulating migration and labour market;
- g) cooperation in science and research and people-to-people contacts.”

The four 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 in all the priorities, the special focus being on young people. Innovations, research and education are also considered as 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 for social and economic development of the Northwestern Federal district until 2020” and the “Strategy for a long-term innovative development of the Russian Federation until 2020”.

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

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 for a long-term innovative development of the Russian Federation until 2020” which is the development of innovative manufactures and an increase of innovative businesses.”

Within the framework of thematic objective 3 the Russian Federation will be able to reach the following tasks of the “Concept for the cooperation development in the culture between cross-border areas of the Russian Federation and neighboring countries until 2020”: to maintain 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 implementation of these tasks can lead to the creation and promotion of new cultural products for the international market, increase of Russia's integration 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 of its environmental targets as stated in the “Ecological Doctrine of the Russian Federation” such as the rational use of natural resources, the reduction of the environmental pollution and the saving of resources by supporting ecologically efficient production including the use of renewable energy sources and secondary raw materials.

TO6 activities related to the promotion of nature protection and conservation of marine environment and land areas, as well as preserving biodiversity will contribute to Russia reaching one of the main priorities of the “Strategy for social and economic development of the Northwestern Federal district until 2020” which is retaining the 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 as regards foreign trade as well as the improvement of the state administration functioning in the field of customs

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 through cross-border cooperation for those already living in the region and for people willing to move to the region with a special focus on young people.

Trade between Finland and Russia increased steadily for years before the downtrend started in 2013. Economic cooperation in general has been in focus in all previous CBC Programmes but still the potential for economic cross-border cooperation has not been used to the largest extend possible. Cross-border activities may play an initiating role at regional level with a view to stop this downtrend. Potential exists both in traditional economic sectors like forest industry and tourism and in newer sectors like IT and bioenergy. Economic cooperation and trade across the border faces difficulties and unexpected obstacles and this hinders the use of the existing economic potential. The rapidly changing economic and business environment also opens new possibilities for business cooperation which have not been tested in cross-border cooperation up to now.

This Priority shall enhance long-term business cooperation across the border. A lot of business cooperation initiatives have taken place across 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 created for businesses to operate in the 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.

This 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. Justified joint efforts to attract investments to the region shall also be considered.

Weak knowledge of and insufficient skills about cross-border trade and interaction are challenges that shall be tackled. Insufficient knowledge and skills make it more difficult to start cross-border

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

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

Challenging working opportunities built on international cross border environment also tempt the young people to stay in or come to the region. At the same time attention has to be paid to working conditions and to employees' wellbeing. Both sectors 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 the vulnerable nature of border regions requires the 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 in the whole Programme.

The participating countries have identified the following 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 priority 1 are selected through call for proposals.

Table 1. Logical framework of priority 1.

Description	Indicators	Means of verification	Assumptions
Overall objective: To make the programme area attractive for businesses to locate and operate			
Purpose / Programme Priority: 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
Output 1 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
Output 2 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 the analysed barriers and focus on resolving right things
Output 3 Enterprises have actively participated in 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
Output 4 Area 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 across the border between the cultural stakeholders is characterizing the Karelia Programme area. Culture has played an important role in all CBC Programmes implemented since 1996 and the cultural stakeholders have also been active in cooperation 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 stay or move to the region. At the same time people are also persuaded to visit the region.

Following the work that has been done and experiences gained in the previous programmes cultural activities in the 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 entrepreneurship 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.

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

Cross-sectoral cooperation with tourism sector is also seen as beneficial for the development of the cultural sector and for the building of the 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 encouraging them to stay or move to the region.

Projects under priority 2 are selected through 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 area's cultural services are easily reached and their quality is good	Satisfaction of the inhabitants in the cultural services available in the region	Survey organized to target groups	Cultural stakeholders are open to develop their working methods
Output 1 Skills and capacities of cultural stakeholders have improved	Number of cultural organisations using programme support; <i>common output indicator 6</i>	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	Number of established new enterprises in the cultural sector	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 organisations 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 organised 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

This priority contributes to the achievement of the Thematic Objective *Environmental protection and climate change adaptation (6)*

Clean environment is a key attraction factor of the Programme area 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 people are also persuaded to visit the region. Promoted activities have multiple nature: on the one hand they improve the peoples living conditions by creating environmental friendly living areas and by improving their basic infrastructure. On the other hand the priority includes activities which have a direct environmental dimension such as environmental awareness, which also act as inducements for people to stay in the region.

The 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 environmentally friendly residential areas, on 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 using 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.

This priority will cater for cooperation initiatives for the development and improvement of the use of technologies for pure drinking water and waste water treatment systems. Improvements of solid waste treatment are also promoted. A wide variety of opportunities also exists in the energy sector and especially with issues related to energy efficiency which have straight positive environmental impacts. Joint initiatives to develop environmentally sustainable ways to produce energy from renewable local energy resources are also called for. The focus shall be – in water, solid waste and energy issues – on preparatory / feasibility study –type of activities but investments may also be supported in specific cases where a 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 large investments (financed by other means than the programme) would be of particular interest.

People are activated to pay attention to the living environment and to nature. The priority shall therefore focus on 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 underlying the strategic objectives of cross-border cooperation. Sustainable environmental development is also 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 are called 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 use this potential.

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

Table 3. Logical framework of priority 3

Description	Indicators	Means of verification	Assumptions
Overall objective: People are willing to stay in the region or move to the region			
Purpose / Programme Priority: Peoples' living and working environment has improved	Satisfaction of the inhabitants in the state of the environment in the region	Survey organized to target groups	
Output 1 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 issues in the living environment is recognised
Output 2 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 to take the responsibility of larger development activities and investments
Output 3 Biodiversity in border areas is supported	Number of concrete actions taken 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
Output 4 Use of nature in the promotion of health and wellbeing	Number of persons actively participating in projects using nature as a tool to improve 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

This priority contributes to the achievement of the Thematic Objective *Promotion of border management, and border security (10)*

The possibility to fluently and easily cross the border is one key precondition for active cross-border cooperation – for both people and businesses. Border infrastructure forms the cornerstone of physical connections. The objective of Priority 4 - well-functioning border crossing - in the 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 barriers to people travel and goods transport across the border

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

The increase of border crossings was in general stable since 2000 until 2014. Structures and infrastructure of the Programme area's international border crossing points were not originally designed to accommodate the expected increasing number of border crossings and the fixing of the main bottlenecks is therefore of utmost importance. By removing the main bottlenecks on border traffic the functionality of border-crossing and the safety of cross-border traffic shall be improved.

The number of border crossings is expected to increase during the following years despite the latest downtrend in 2014-2015. According to the estimates the number of border crossings (crossing of persons) may double by the year 2024 at Niirala-Värtsilä and Vartius-Lyttä border crossing points (At the Niirala border crossing point, this doubling of crossings may occur even earlier, by 2021).

Heavy traffic is also expected to increase by 1,5 times by 2020 compared to the situation in 2014. This rapid increase would mean vast economic benefit for the region. In order to facilitate this positive development clear development activities are needed on the border crossing points. The roads leading to the international border crossing points also require improvements. The 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 to both Vartius-Lyttä and Niirala-Värtsilä border crossing points 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 priority 4 are selected through direct award procedure and may also be selected through calls for proposals.

Table 4. Logical framework of priority 4

Description	Indicators	Means of verification	Assumptions
Overall objective: To make the programme area attractive for the people to live, work and visit and businesses to locate and operate			
Purpose: Border crossings are functioning smoothly at the Programme area's border crossing points	Number of border crossings on Programme area's border crossing points	Official statistics	
Output 1 Bottlenecks related to traffic of persons are removed at the Programme area's border crossing points	Increased throughput capacity of persons at the border crossing points which have been involved in project activities; common output indicator 38	Information received from border guards	Problems are analysed and recognized on both sides of the border
Output 2 Bottlenecks related to heavy traffic have been removed at the Programme area's border crossing points	Increased throughput capacity of trucks at the border crossing points which have been involved in 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
Output 3 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
Output 4 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

The Karelia CBC area has already a long history of cooperation across the border with several CBC Programmes operating since 1996 and the Euregio Karelia created in 2000. The Euregio Karelia has a joint cross border strategy and the regions it covers are the same as in the Karelia CBC Programme. Its existing strategy was approved in Spring 2014 and is valid until 2020. In this strategy the region's socio-economic situation has been analysed and strengths and weaknesses identified. The Euregio Karelia strategy clearly supports the programming process. In addition to the material and data made available through the Euregio Karelia strategy, data and material has also been produced by Petrozavodsk State University and the University of Eastern Finland.

Because of this long history of cooperation and the existence of the joint Euregio Karelia strategy a full separate socio-economic analysis of the Programme area was not conducted. The analysis made was rather an overview of the regional and national strategies combined with the experiences accumulated from the implementation of previous and ongoing Programmes. In addition, it appeared nevertheless appropriate to analyse some basic data in order to identify existing trends which can be influenced with cross-border cooperation. It is on this basis that the Programming bodies have selected the four most relevant thematic objectives from the list proposed in the Programming Document for EU support to ENI Cross-border Cooperation 2014-2020).

Basic facts about the Programme area

Population

Between 2000 and 2012 the total population of the Programme area has decreased by 80 000 (with a total of 1 284 041 inhabitants in 2012). The population decrease has been the most significant in the Republic of Karelia (- 13 %). The only region within the Programme area where the population increased during the same period is the Oulu Region with an increase of 9 % : this increase originates from the city of Oulu.

This positive population trend in Oulu Region is the result of a combination of a 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. The net out-migration has also been significant in these regions. In the region of 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 negative natural population development and net out-migration. Karelia had net in-migration until year 2009 and the decrease of the population is the result of low birth and high mortality rates.

According to the forecasts based on official statistics from Finland and Russia the population of the Programme area shall increase by about 1 % by 2020 (from a total of 1 284 041 in 2012 to a total of 1 300 000 in 2020). According to these forecasts the increase only originates from the Oulu Region and the population in the other regions of the programme area is decreasing.

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

Economic structure

The economic structure of the Programme area's regions is fairly similar with high share of services (the highest being in the Kainuu region) and about one quarter share of industry (the lowest being in the Kainuu region with 18 % in 2011). The share of jobs in the primary production is between 5 and 8 % in all regions on the Finnish side and in Republic of Karelia the share is a bit higher. The share of jobs in the service sector 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 the forest sector has increased in the Finnish regions between 2000 and 2011.

The 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 % (source: Kareliastat). Young unemployment is remarkably high especially on the Finnish side. Households' available income per person was about 16 000 € a year on the Finnish side and 6600 € in the Republic of Karelia in 2011.

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

Education, research and innovations, are seen as strengths of the Programme area when it comes to bringing special added value for business cooperation especially through cross-sectoral initiatives and joint actions on new and innovative business sectors such as cleantech.

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

There are three universities in the region: The University of Eastern Finland, the University of Oulu and the Petrozavodsk State University. Each University has its own strengths such as, for example, information technology in Oulu, forest and environment in Eastern Finland and computer programming and information technology in Petrozavodsk .

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

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

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

Border crossings and cross-border traffic

The border between Finland and Russia located in the Karelia CBC Programme area is about 700 km long . On this border there are three international border crossing points: Niirala-Värtsilä, Vartius-Lytta and Kuusamo-Suoperä. In 2013 the number of border crossings in 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 continue to increase in the future despite the short downtrend experienced during 2014-2015: this confirms the need for improvements of the border infrastructure including road network in the immediate proximity to the border. Pressure on the development of border infrastructure shall be particularly notable if the visa-freedom between Russia and the Schengen countries proceeds,

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

Environment

Diversity of physical environment characterises the Karelia CBC Programme area. There are remarkable forest resources on both sides of the border and several notable national parks / conservations areas. Part of the Fennoscandian Green belt – this unique chain of untouched forests between the Baltic Sea and the Arctic Ocean - also crosses the Programme area. .

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 almost everywhere in this region but the use of groundwater is nevertheless limited. Wastewater emissions have a minor impact in the Finnish part of the programme area, whereas in the Republic of 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 from pulp and paper mills are released in lakes and rivers. However, there are signs of positive development in the field of wastewater and a new wastewater purification plant has been approved 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 the Karelia ENPI CBC Programme 2007-2013. Regional culture and heritage has been, generally, conceptualised in a forward-looking way by emphasising 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 the tourism industry. Culture is therefore seen as one of the key elements to tackle the problems related to outmigration and aging population of the Programme area.

- *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 specifically identified in its population. The total population is decreasing according to official forecasts (with the exception of individual regional peaks (e.g. city of Oulu)). The population is also aging because of a low birth rate and because of out-migration. A high unemployment rate is also characterizing the region especially on the Finnish side. Special attention should be paid to the high youth unemployment rate on both sides of the border as it may lead to out-migration of young working age population.

Cross-border economic cooperation and trade has a high potential but a lot of this potential is either not recognized or otherwise used. Cross-border economic cooperation might offer possibilities to create new jobs for the young which would counter the overall trend of out-migration and decreasing population. Culture is considered as one of the potential cross-border growth sectors. Clean nature is also seen as a strength for the Programme area and this might also be seen as a beneficial activity area within CBC. Working with culture and environment in CBC could offer possibilities to improve the comfortable living in clean environment.

Several attempts to foster cross-border trade have been made in previous Programmes. The main problems have been tackled and several networks have been built, but the sustainability of these achievements is considered as weak. Created networks seem to collapse after the external financing ends. However, a 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 the traffic connections also have to be adequate. There are huge needs as regards the development of traffic connections – mostly roads – on both sides of the border, but these development needs go far beyond the resources of the Programme.

The importance of transport and accessibility is 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 across the border.

The Euregio Karelia strategy states that inadequate infrastructure is a clear weakness in the region and that 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
- high level education and research
- 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 the Programme area's attractiveness. Attractiveness is considered both under a business and a living environment perspective. In order to contribute to the general development trend four priorities were built:

Priority 1 "Growing cross-border business cooperation" focuses on increasing the attractiveness of the programme area from a business life perspective. It creates preconditions for businesses to trade across the border on a sustainable basis. It also promotes the development of working opportunities within the cross-border context. Youngsters constitute a special target group for innovative and challenging working opportunities in a cross-border environment. This priority contributes to the achievement of Thematic Objective 1 *Business and SME development*.

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

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

Priority 4 Well-functioning border crossing develops the basic requirements for the cross border cooperation: crossing the border. Border infrastructure as well as connections to the border crossing points require improvements especially on the Russian side. The Programme as such can only cover a limited number of activities on the border crossing points but can at the same time also work as an initiator for larger development activities. To some extent the Programme may also fasten the investments on border crossing points. This Priority contributes to the achievement of Thematic Objective 10 *Promotion of border management, and border security*.

Lessons learned

The Karelia CBC Programme is based on the experiences and best practices of the previous CBC Programmes since 1996. Programmes have been clearly characterized by a go-ahead nature. The first Programmes formed the basics and established contacts and networks of key regional stakeholders. The foundation of the Euregio Karelia in 2000 was one clear cornerstone in the development of cross-border cooperation. The 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 the Euregio Karelia has given its input to the Programme level work and has played an important role in guiding the implementation of the CBC programmes in the area. The Euregio Karelia board has given recommendations and signals to the programme bodies as regards direction of the cooperation, actual needs of the Programme area and important thematic issues. Programme bodies have been taking these recommendations into consideration in implementing the programme even though the Euregio Karelia board is structurally separated from the programme bodies. The Euregio Karelia board has been enhancing the strategic and long-term cross-border cooperation planning in the area.

The Euregio Karelia Neighbourhood Programme was the first opportunity to test joint operations on both sides of the border and gave clear signals on the programme area needs in terms both of content and implementation. The Karelia ENPI CBC Programme took these development needs into account and the end result was a clearly innovative approach to cross-border cooperation Programmes implementation. Experiences gained in the course of the implementation of the Karelia ENPI CBC Programme 2007-2013 indicate clear success stories as well as remaining development needs.

The Karelia ENPI CBC Programme had a focused approach regarding the sectors selected for cooperation. The limited resources of the programme were directed to the sectors which were seen as the most beneficial in cross-border cooperation. The definition of the thematic scope was a joint

exercise by the participating regions with inputs from the board of the Euregio Karelia which helped in the identification of the approach and the proposed thematic scope. The regions had a separate content drafting team in addition to the Programme Task Force composed of members of both national and regional levels. Thematic focus changed the concept of Programme implementation: the calls for proposals were organised on a thematic basis and within these calls the projects were competing with other projects operating in the same area: the competition between different sectors was therefore avoided. A total of 6 thematic calls for proposals were organised and about 10 projects finally selected and contracted under each one. One key idea was also to improve the dialogue among the projects and the thematic approach gave this opportunity because projects were operating at the same time. The thematic scope also structured the programme more clearly even though the Programme priorities were set at a general level.

The focused approach was a clear success for the Programme but there is still room for improvement. 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 a thematic basis than on a priority basis. The objective setting on both priority and thematic level was also insufficient. This makes it difficult to evaluate how the Programme has succeeded. However, it remains nevertheless clear that the themes contribute to regional development.

A Two-step approach was launched for the thematic call for proposals: in the first phase concept notes (project ideas) were submitted and only the best ones were selected to submit a full proposal. This proved a practical and user friendly approach which brought new stakeholders to participate in CBC Programme. However, the two-step selection process takes more time and this challenge will have to be tackled in the future.

While Programming logic calls for development the capacities on project cycle management also need to be improved. By improving the knowledge and quality of project cycle management the expected results and impact may also 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 a 4-year-cycle. In practice this 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. A future challenge will be to get the Programme bodies more involved in the monitoring of Programme and project activities in order to better contribute to the achievement of the objectives set for the Programme.

The legal framework in which Karelia ENPI CBC was implemented was challenging in practice. Strict and inflexible rules caused difficulties and misunderstanding at many levels. The new legal took best practices from the previous programming period into account and revised inoperative rules and procedures.

Experiences from project implementation brought a lot of useful information for the definition of the 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 Karelia CBC with the most relevant policies, strategies and Programmes has been investigated.

The Programme strategy is examined against the objectives of the mentioned policies, strategies and programmes. With this coherence check possible areas where overlapping might exist can also be identified. The need for synergies between different Programmes, the avoidance of overlapping and the prevention of the risk of double financing were underlined in the mid-term evaluation of the ENPI CBC Programmes (published 2013).

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

The built monitoring, evaluation and reporting systems provide information on how the ENPI Karelia Programme has managed to contribute to the chosen European level thematic objectives as well as the national strategies and objectives in both the 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 the coherence assessment with regional strategies also covers the 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.

The coordination between national and regional strategies (Russian and Finnish) and programmes will be ensured through an involvement of national and regional authorities and providing them with services, information, and good practices. The coordination with other EU policies and strategies will be carried out by checking the coherence between and towards them. Coordination will be ensured through exchange of information between authorities and bodies in charge of the implementation of programmes.

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
- EU strategy for the Baltic Sea Region (EUSBSR)

Cooperation Programmes with synergy aspects:

- Other CBC Programmes
- Interreg / territorial cooperation programmes

Russian national and regional strategies

Russian national level concepts and strategies described below have synergy elements with the Priorities of Karelia CBC Programme.

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

The “Strategy for a long-term innovative development of the Russian Federation until 2020” aims at helping Russia meet the challenges and threats in the sphere of innovative development. The strategy determines the targets, priorities and instruments of the governmental innovation policy. This Strategy also creates long-term guidelines for the development of innovations and the financing framework for fundamental and applied science as well as the support of commercialization of products.

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

The “Concept for the cooperation development in culture between cross-border areas of the Russian Federation and neighbouring countries until 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 this 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.

Euregio Karelia

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

The objective of the Euregio Karelia is to operate as a cooperation forum, 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, and bring strategic guidance into the cooperation. The board, which is the highest decision-making body in the Euregio Karelia informs the Joint Monitoring Committee of the CBC Karelia Programme regularly about its regional cross-border objectives and actual needs. The regional lobbying is an important task of the Euregio Karelia.

The Euregio Karelia is a significant framework in the preparation and implementation of the Karelia CBC programme. The 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. Its current strategy was approved in spring 2014 and is valid until 2020. Priority areas in the 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. The Priority areas in the Euregio Karelia strategy and of the Karelia CBC Programme are mostly consistent with each other. There is a clear synergy between the Euregio Karelia and the Karelia CBC programme on all themes selected as part of the Karelia CBC programme. Regional authorities regularly inform the Euregio Karelia board about the progress of the Programme as indicated in chapter 4.8. Dialogue between the Programme and the Euregio Karelia is also ensured by having partly the same organisations presented in both the Euregio Karelia board and the 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. A clear synergy between the Karelia CBC and ND is foreseen especially in environmental and cultural sectors as well as on the issues of transport and logistics including coordination in order to avoid double funding of projects.

Barents cooperation

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

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

The Barents cooperation has clearly a multilateral focus whereas Karelia CBC operates on the bilateral basis. It is nevertheless good to recognize the thematically and geographically clear connections between both. Geographically the Karelia CBC Programme area is within the Barents cooperation area – although the North Karelia Region of Finland participates in the Barents cooperation with observer status. All the priorities defined for the Karelia CBC Programme are also topics for the Barents sectoral working groups. This gives a good basis for building mutual benefit but requires regular dialogue. Regional Council of Kainuu is chairing the Barents Regional Council and Committee during 2016-2017 (rotating chair). One objective in Kainuu's action plan for the chairmanship is to create a mechanism for the cooperation between CBC Programmes and Barents Regional Council and Committee and their working groups.

EU strategy for the Baltic Sea Region

The EU Strategy for the Baltic Sea Region (EUSBSR) is the first macro-regional strategy in the European Union. It aims at reinforcing cooperation within this large region in order to face several challenges as well as promoting a more balanced development in the area. It also contributes to major EU-policies. The strategy is divided into three objectives. The objectives are: Save the sea, Connect the region and Increase prosperity. Each objective relates to a wide range of policies. The EU Member States involved in the EUSBSR are Sweden, Denmark, Estonia, Finland, Germany, Latvia, Lithuania and Poland. The Strategy welcomes cooperation with countries neighbouring the EU (Russia, Norway and Belarus)."

Other CBC Programmes

Cooperation with other CBC Programmes gives a possibility to create an overview of 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 this analysis. For the regions and individual programmes cooperation and coordination give a possibility to exchange information, avoid possible duplication of activities or financing and get stakeholders operating in the same sectors to meet with each other.

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

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

Cooperation and 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 events for all CBC programmes are also seen as valuable. Checking of possible overlapping with project financing is done in the communication between the Managing Authorities. The networking meetings with other CBC Programmes, EU Member states and other participating countries are also utilized in the exchange of information (former InterAct ENPI –type of activities).

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 to avoid risks of overlap at project level through exchange of information. 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. Possibilities for the cooperation between the projects in different programmes within the similar themes are checked through exchange of information at the same time with the overlapping checking.

Risks

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

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

The table below lists the risk factors, estimates each risk factor’s likelihood and impact and proposes 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 stakeholders 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 offered by the Programme are organised
Key stakeholder have information about the Programme but do not want to participate because think it is 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 organised for the project stakeholders
Project owners loose interest in 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 organised for all Programme bodies. Procedures may be reviewed and improved as necessary.

3.3. Objectively verifiable indicators

Objectively verifiable indicators have been defined to help monitor the Programme development and impacts. Output indicators, including quantified target values have been defined for each Priority (and 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 proposed to all CBC Programmes. Common output indicators shall help aggregate data on achievements of different programmes in an uniform manner. Use of common output indicators is therefore recommended by the EC.

- Programme specific output indicators

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

Both common output indicators (COI) and Programme specific output indicators are introduced in the 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 those mentioned in the JOP may be included by the Joint Monitoring Committee in the course of the Programme implementation provided they reflect the results of projects in the best way.

The Baseline and target values for the result indicators which are not defined in the tables below will be defined 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 across the border	Result indicator	205	225
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
Satisfaction of the inhabitants in the cultural services on the region	Result indicator	3,81	4,31
Number of cultural organisations using programme support for cross sectoral cooperation;	Common output indicator 6	0	15
Number of new established enterprises in the cultural sector;	Programme specific indicator	0	40
Number of cultural organisations using programme support for cross-sectoral cooperation	Common output indicator 4	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
Satisfaction of the inhabitants in the state of environment in the region	Result indicator	3,85	4,35
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 in 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 border crossings on Programme area's border crossing points	Result indicator	1 944 863	2 200 000
Increased throughput capacity of persons on those border crossing points which have been involved in project activities	Common output indicator 38	700 / 252 000	2000/720 000
Increased throughput capacity of trucks on the border crossing points which have been involved in project activities	Common output indicator 37	120 / 43 200	250 / 90 000
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	2

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 identified in the programme area. The building of a Programme strategy has been a joint effort of programme partners who have been working together across the border in order to define the most relevant cross-border cooperation areas for the region. The number of thematic objectives and priorities is limited to four in the programme and the cross-cutting themes relevant for the Programme have also been introduced .

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

Education, research and innovations are also seen as potential elements for 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 utilised to support the development and cooperation within each cooperation area / priority.

Environmental sustainability is an important cross-cutting issue in the Programme implementation. A Strategic Environmental Assessment (SEA) was carried out at Programme level simultaneously with the preparation of the Joint Operational Programme. The purpose was to ensure that environmental impacts are assessed and duly considered during the preparation and approval of the Karelia CBC Programme 2014-2020. Environmental questions are also in particular focus on Priority three of the Programme.

The SEA indicated the potential impacts that the Programme activities may have. The analysis was made at priority level and optional mitigating measures were listed. The expected negative impacts are mostly 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 funding the necessary environmental assessments need to be conducted.

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

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 (JMC) will monitor and follow the programme implementation and progress and may issue recommendations to the Managing Authority (MA) regarding the programme implementation and evaluation.

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

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

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

The JMC will in particular:

- (a) approve the Managing Authority's work programme and financial plan, including planned use of technical assistance;
- (b) monitor the implementation by the MA of the work programme and financial plan;
- (c) approve the criteria for selecting projects to be financed by the programme;
- (d) be responsible for the evaluation and selection procedure 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 with respect of equal treatment and transparency for the applicants
- (f) approve any proposal to revise the programme;
- (g) examine all reports submitted by the MA and, if necessary, take appropriate measures;
- (h) examine any contentious cases brought to its attention by the MA.
- (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.

The JMC may set up a project selection committee acting under its responsibility (chapter 4.2. Joint Selection Committee).

The travel and accommodation expenses of the members of the JMC 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 JMC Rules of Procedures.

4.2. Joint Selection Committee

A separate project selection committee – the Joint Selection Committee (JSC) - will be set up by the JMC. The JMC will nominate the members of this JSC. The JSC will consist of an adequate number of regional and national level representatives from both participating countries. The JMC may appoint observers to the JSC when necessary. The project selection and the final decision on projects to be funded will be done by the JMC based on the evaluations conducted by the JSC. The JSC 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 JSC 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 JSC Rules of Procedures.

4.3. Managing Authority

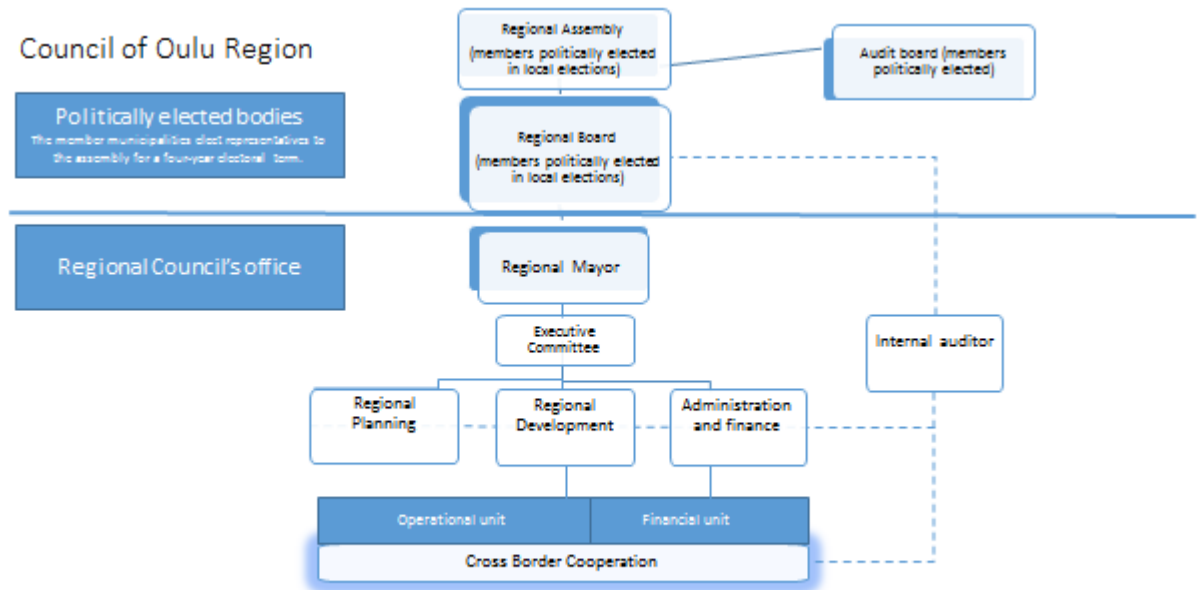
The participating countries have appointed the Council of Oulu Region to act as Managing Authority (MA) for the Programme. The JMC will, as soon as it is set-up, mandate the MA to act as a programme body.

The MA 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 organizational structure of Council of Oulu Region and the Karelia CBC managing authority functions within the organization (divided to financial and operational units)



As regards the programme management, the Managing Authority will:

- (a) support the work of the JMC 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 JMC, 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 the request of a Russian project beneficiary or a project partner, provide confirmation about participation of a named organisation in a project that has been awarded by the Programme, in order to assist the Russian partners to apply for the tax and customs duty exemption

As regards the 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.

The MA together with the Branch office will prepare a programme manual to support the implementation of projects. The manual will include 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 cases of problems, the MA should be in contact with all project partners (not only with the lead partner) with the aim of solving 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 National Authorities to support the MA 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 MA 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.

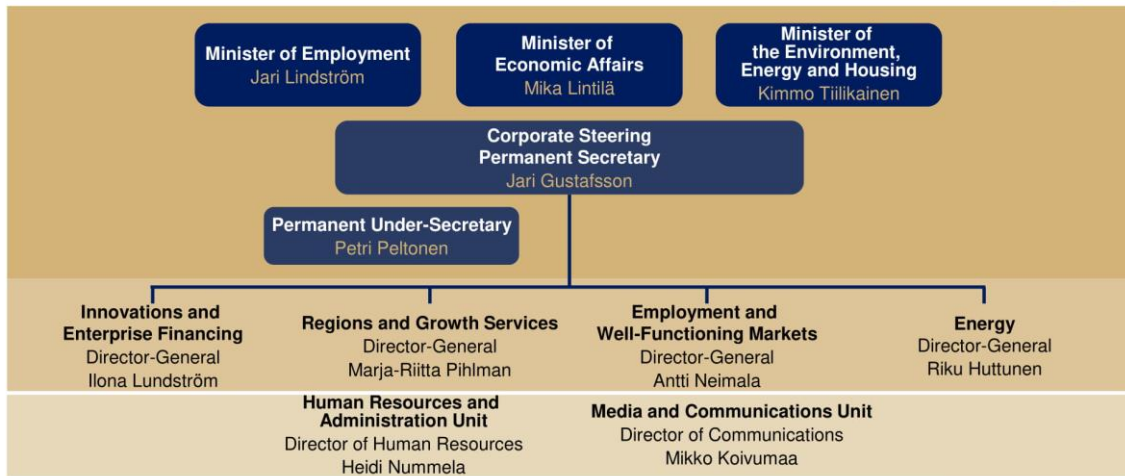
Participating Countries have nominated the following organisations to act as National Authorities in the Karelia CBC Programme:

Russia: Ministry of Economic Development of the Russian Federation
Department for Development and Regulation of External Economic Activities
Regional and Cross Border Cooperation Development Unit

Finland: Ministry of Economic Affairs and Employment
Department for Regions and Growth Services
Group of Cohesion Policy and Structural Funds

In the Finnish Ministry for employment and the Economy the Regional department is responsible for both national authority and control contact point functions. Within the Regional department the Structural change and international cooperation –group is responsible for the National Authority functions and the Coordination and finance group is responsible for Control Contact Point functions.

Organisation of the Ministry of Economic Affairs and Employment



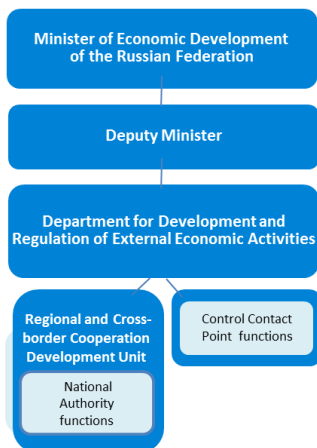
MEAE Group agencies and enterprises

- Energy Authority
- Geological Survey of Finland
- National Emergency Supply Agency
- Business Finland
- Finnish Competition and Consumer Authority
- Finnish Patent and Registration Office
- Finnish Safety and Chemicals Agency (TUKES)
- Centres for Economic Development, Transport and the Environment
- Employment and Economic Development Offices
- Finnvera Plc
- Finnish Industry Investment Ltd
- VTT Technical Research Centre of Finland Ltd
- Terrafame Group Ltd
- Baltic Connector Ltd

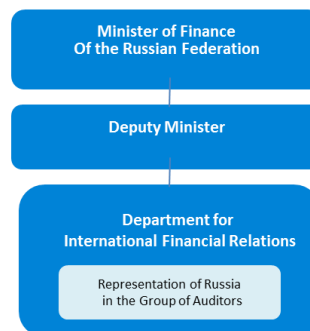
- National Conciliator's Office**
Vuokko Piekkala
- Cooperation Ombudsman's Office**
Harri Hietala

The following organigrams show how the responsibilities and tasks concerning the programme management are divided in the Russian Ministries. National Authority and Control Contact Point functions are under the Ministry of Economic Development but are operating in different units.

Ministry of Economic Development of the Russian Federation



Ministry of Finance of the Russian Federation



4.5. Branch office

Participating countries have jointly decided to set up a branch office to Petrozavodsk. Members of the JMC will provide recommendations concerning the organisation of branch office and the selection of the head of the branch office. The MA will conclude the contract for the branch office and take care of recruitment of staff giving due consideration to the recommendations provided by the Russian members of the Joint Monitoring Committee. All agreements with the hosting organisation and requirements specification should be aligned 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 MA.

The branch office will:

- (a) assist the Programme MA in fulfilling its Programme management tasks on the Russian side;
- (b) assist the MA in the project Selection procedures and in the follow-up and monitoring of 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 a quarterly basis and at their request
- (h) organise events on the Russian side of the Programme area.
- (i) provide information to JMC members so that they can carry out their tasks in the JMC.

The events and the participation of the Russian authorities in programme events etc. will be covered by the TA budget.

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 the *Government financial control function of the Ministry of Finance of Finland* to act as Audit Authority in the 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 European Commission and to the Government of the Russian Federation. The audit strategy will be updated annually between 2017 and 2024.

The 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.

The Finnish Member of the group of auditors will be appointed by the Ministry of Employment and the Economy and the Russian Member will represent the Ministry of Finance of the Russian Federation.

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 five 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 of Economic Affairs and Employment
Department for Regions and Growth Services
Advisory Staff

Russia: Ministry of Economic Development of the Russian Federation
Department for Development and Regulation of External Economic Activities

The control contact points will support the Joint Managing Authority in fulfilling 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 the Managing Authority to organise trainings for projects' auditors if necessary and
- receive information on the quality of expenditure verifications from the Managing Authority.

4.8. Regional Authorities

Regional Authorities from both sides of the border bring their deep knowledge of the Programme into the Programme implementation. Regional Authorities have participated in the preparation of the Joint Operational Programme in both Regional Task Forces and Joint Programming Committee meetings. During the Programme implementation the regional authorities will:

- Represent their region in the Joint Monitoring Committee
- Participate in the project selection procedures in the Joint Selection Committee
- Maintain the dialogue between the 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 organise Programme information events at 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 and Industry of the Republic of Karelia

5. PROGRAMME IMPLEMENTATION

5.1. Summary description of the management and control systems

Functions of each body involved in the management and control of the Programme

The 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 on 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. These organisations and their tasks have been described in chapters 4.1.-4.8.

The Joint Monitoring Committee (JMC) will carry out the tasks defined in chapter 4.1. and in general will monitor and follow the Programme implementation. The JMC will also be responsible for the evaluation and selection procedures of projects to be financed under the Programme. The JMC will set up a separate Project Selection Committee. The JMC 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 after the Joint Operational Programme has been adopted by the European Commission. Responsibilities of the JMC 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 JMC meeting. The JMC 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 JMC. National authorities support the Managing Authority in the management of the Programme in accordance with the principle of sound financial management. National authorities also ensure the coordination of the institutions involved at national level in the Programme implementation. The tasks of National Authorities are described in chapter 4.4.

The Managing Authority will carry out the majority of day-to-day tasks related to the overall Programme implementation. It works according to an annual work programme, which is approved by the JMC. The division 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.

The Managing Authority is assisted by the Programme branch office in Petrozavodsk. The 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.

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. The 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 the 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 in the work of both Programme Committees and ensure a dialogue with the 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. The Managing Authority's verification tasks have been described in chapter 4.3.

The 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.

The 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

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

An electronic management and information system (PROMAS) will be developed for the CBC programmes working on the Finnish-Russian border. All programmes will 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 and confidentiality standards and comply with the respective legislation.

PROMAS is used both for applying for funding and for 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 to a project. The Managing Authority uses PROMAS to collect and summarize the information about the projects for the annual reports and other possible reports and evaluations.

The 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 an 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

The 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.

The 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. The Audit Authority also provides on an 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.

The organisation hosting the Managing Authority has an internal auditor. This 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.

The implementation of projects is based on a signed grant contract and the implemented activities as well as the related expenses incurred 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 organised on compliance with the 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.

The 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.

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. The 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 Finland to reimburse the amounts unduly paid. Finland will then pay the due amount to the managing authority and claim it back from the beneficiary.

Procedures of reimbursement for the cases where a recovery order concerns a Russian beneficiary and the Managing Authority is not able to recover the amount, 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 related to their ordinary functions specified in chapter 4.5. and are supporting the Programme implementation and are included into the annual technical budget and are agreed with the Managing Authority.

Project selection procedures

The projects funded under the Karelia CBC Programme are selected either through calls for proposals or as direct awards without call for proposals. The selection procedures for regular projects (i.e. selected through calls for proposals) are described in chapter 5.3. and those applying to projects selected via direct award procedures are described in chapter 5.4.

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

The 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 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 their countries in the Joint Monitoring Committee. The National authority on the Russian Federation is the ultimate body responsible 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 its adoption 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 the entry into force of the 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. The closure of the Programme will be carried out between 1 January 2023 and 30 September 2024 at the latest.

The Joint Monitoring Committee will approve annual work programmes. Work Programmes include both calls for proposals and activities planned to be organised with technical assistance. The 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 funded under the Karelia CBC Programme are selected either through calls for proposals or as direct awards without call for proposals. The direct award procedures 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).

The Joint Monitoring Committee is responsible for the evaluation and selection procedures applicable to projects to be financed by the Programme and the 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.

The Joint Monitoring Committee will set up a separate Selection Committee for the evaluation of the project proposals. The 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.

The administrative check will assess whether the projects satisfy all the administrative criteria mentioned in the checklist in the guidelines of the call for proposals. The eligibility criteria determine the conditions for participating in a call for proposals. The 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.

The 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.

The eligibility and evaluation criteria specified in the Guidelines for the Call for Proposals will be applied as they have been published and not changed in the course of the procedure. Guidelines are published on the date when the call for proposals 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 of the applications submitted is conducted 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.

The Joint Selection Committee starts its deliberations from the evaluations conducted by the regional assessors and independent and qualified external experts. The 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. The Joint Monitoring Committee makes the final decision on the project selection on the basis of the evaluations conducted by the Joint Selection Committee. The principles applied in the conflict of interest situations are described in the Committee's Rules of Procedures as well as in the full description of management and control systems.

The consultation to avoid double funding shall take place before the Joint Monitoring Committee deliberations and is conducted by the MA.

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. Instructions for the

appealing are sent to applicants together with information about the results of the selection process. The list of contracts awarded will be published by the Managing Authority on the Programme's website.

The 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.

The participating countries have identified the following large infrastructure projects (LIP) for direct award (without call for proposals). This indicative list is as follows:

1. Niirala border crossing point development (Finland)

Lead Partner :	Finnish Transport Agency (de jure and de facto monopoly body to carry out the activities in this project)
Estimated indicative total costs:	4,475 MEUR (majority of the total costs to infrastructure element)
Description:	The project includes traffic arrangements such as lane check area with roof structure, lane check facilities (booths) and facilities for further measures (second line) as well as all border control technology or border checks and customs control.
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” (de jure and de facto monopoly body to carry out the activities in this project)
Estimated indicative total costs:	4,2 MEUR (majority of the total costs to infrastructure element)
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” (de jure and de facto monopoly body to carry out the activities in this project)
Estimated indicative total costs:	3,67 MEUR (majority of the total costs to infrastructure element)
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 (de jure and de facto monopoly body to carry out the activities in this project)
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Estimated indicative total costs:	4,5 MEUR (majority of the total costs to infrastructure element)
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 (de jure and de facto monopoly body to carry out the activities in this project)
Estimated indicative total costs:	4,82 MEUR (majority of the total costs to infrastructure element)
Description:	Project includes new traffic arrangements such as lane check area with roof structure, lane check facilities (booths) and facilities for further measures (second line) as well as all border control technology for border checks and customs control.
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” (de jure
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	and de facto monopoly body to carry out the activities in this project)
Estimated indicative total costs:	4,0 MEUR (majority of the total costs to infrastructure element)
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) (de jure and de facto monopoly body to carry out the activities in this project)
Estimated indicative total costs:	12,0 MEUR (majority of the total costs to infrastructure element)
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:	CJSC (ZAO) Karelvodokanal (a private company working on the basis of regulated tariffs approved by the Committee on prices and tariffs of the Republic of Karelia. It is also the only company operating with all water supply and water discharge facilities of Sortavala based on lease agreement)
Estimated total costs:	3,6 MEUR (majority of the total costs to infrastructure element)
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 this list are not in any order of priority. The Joint Monitoring Committee will launch the prioritization and selection process of the projects after the adoption of the Joint Operational Programme.

Selection of these projects is based on a two-step procedure, consisting of the submission of a project summary followed by a full application. Full project applications about large infrastructure projects will be sent to the European 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.

The share of the EU 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.

A total of 6,0 million euros of Programme funding is allocated to technical assistance (see. chapter 5.9. Financial table). The 10 % threshold is exceeded to ensure the proper organisation of required

management and control functions for the whole programme life cycle (2015-2024). The estimation of the total costs required for the Programme management and control is based on the experience and incurred expenses of the Karelia ENPI CBC Programme 2007-2013. The 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.

This proposed total budget is divided into annual budgets of 740 000 € for TA per year for the years 2017-2022 as presented in the financial table 2. in chapter 5.9. The annual TA budgets are lower in the launching phase (2015 - 2016) as well as in the closure phase (2023-2024). This level of funding (740 000 €) is already more than 10 % smaller than the technical assistance costs incurred in the Karelia ENPI CBC programme during e.g. 2014.

Based on the experience of the Karelia ENPI CBC Programme the annual fixed costs (salaries, offices and office running costs) cover the majority of the annual budget (with a variation of between 66 and 73 % of the total costs during the years 2011-2014). The number of Karelia ENPI CBC programme management staff has fulfilled the minimum requirements for the implementation and separation of tasks and the required tasks are not decreasing in the future. Resources for variable costs (travel, meeting costs, procurements, information costs) will be reduced compared to the ENPI CBC Karelia budget whereas the programme staff will not increase.

The Joint Monitoring Committee decides about the technical assistance budget on an annual basis.

For technical assistance the Finnish National procurement rules will be applied in cases where the Managing Authority is responsible for procurements. On the Russian side Petrozavodsk Branch Office may conduct procurements which are related to their ordinary functions specified in chapter 4.5. and 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.

Karelia CBC preparatory activities are covered with technical assistance of the Karelia ENPI CBC Programme until the date when the first pre-financing under the new Karelia CBC programme has been received by the Programme but not later than May the 31st 2016 (subject to the adoption of the modifying decision).

5.6. Monitoring and evaluation systems

The monitoring system is developed in order to provide relevant information about the projects' progress to help the programme bodies make informed decisions. The 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. MA shall carry out result oriented programme and project monitoring in addition to the day-to-day management. This result oriented monitoring function organised by the Programme is referred to

later as internal monitoring. In addition to the internal monitoring organised by the Programme the European Commission uses a result oriented monitoring system which is later referred to as external monitoring.

The scope of evaluation is broader than that of monitoring. Evaluation provides information about the strategic choices (such as the selection of thematic objectives and programme priorities) and their relevance. It evaluates whether the right choices were made and is conducted by external/independent persons. Evaluations shall be carried out as mid-term, at completion phase or ex-post. Joint Monitoring Committee decides about the realisation of evaluations.

Cooperation and exchange of information is also ensured 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) organised 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. The 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 and can enhance the 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 also be 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 in a due time after the first projects have begun (12 months after their inception 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 organising 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: if 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 and efficiency of project management. If projects undergo both

internal and external monitoring, the external monitoring provides a second view on 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 on 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 data, which will enable the Programme to incorporate lessons learned into decision-making processes, and will also provide useful information about how the selected priorities performed and why. The evaluation of the entire Programme will produce information that can be used for preparation of future programmes or for improving the existing one.

A mid-term evaluation may be carried out if necessary for the adjustments on the programme scope for example in case of availability of additional funding for the Programme.

Indicative Monitoring and evaluation plan

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

	Monitoring	Evaluation
Year 1 / 2017	No monitoring of projects, first projects selected.	ENI CBC EC mid-term review (in 2017 mainly to decide on the possible additional allocation of ERDF funding)
Year 2 / 2018	No monitoring of projects, first projects contracted	Programme mid-term evaluation if necessary
Year 3 / 2019	First monitoring visits are conducted in due time after the projects have been launched	
Year 4 / 2020	New projects are monitored and follow-up visits are conducted for projects already monitored	
Year 5 / 2021	Follow up monitoring and additional monitoring on selected projects	
Year 6 / 2022	Follow up monitoring and additional monitoring on selected projects	
Year 7 / 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 in the implementation of the measures.

The Managing Authority takes all the necessary steps to ensure the equal visibility of the co-financing by the European Union, Finland and Russia. 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. In order to ensure visibility through the projects, special attention needs to be paid to the provision of guidance and training to 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 are taken into account and the general public is also included in 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 also to provide the target groups with the information they need and to provide information about the results and success of the programme with a view to influencing the image of the programme and of 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 need to be dedicated to communication activities when preparing the implementation of the programme. Resources are also needed for training of both the programme bodies and the project 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

The indicative communication and visibility work plan for the first year of implementation is available in the table on the following pages

OBJECTIVE	SPECIFIC OBJECTIVE	ACTIVITY	TIMELINE	INDICATOR	RESPONSIBLE BODY
The Programme is a well-known and trusted actor in cross-border cooperation.	The Programme is known among the target groups. The difference between CBC and other funding instrument is recognised.	Information events are organized.	Months 1-3	#Number of events and participants	MA + BO
		Media coverage is sought after.	Ongoing	#Coverage	MA + BO
		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 how to apply 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		
Identified project best practices are shared with all projects.		Not applicable during the first year of implementation.			
Information on the programme's current situation 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 applicants.	Toolbox for communication is created.	Months 1-3	# Uploads # Quality of the communication plans (percentage of plans that are of good quality)	Communication officer
		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.

The 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). The state of environmental legislation and administration both in Finland and in Russia is also shortly described.

The 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 three regions in Finland, Kainuu, Northern Karelia and Oulu region and 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 in the programme area there are challenges especially in the fields of waste management and water maintenance. The loss of biodiversity is a serious concern to be taken into account. Possibility to act upon these topics is limited but possible in the Programme. Activities with indirect impacts may at least 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 programme development, the exact locations, nature and impacts of actions cannot be identified, as this depends on specific projects that will be implemented. Some sectors are nevertheless introduced within the priorities in the programme document.

On this basis it is difficult to state that certain activities would evidently be better than others. However it can be noticed that activities under priority 3 have a clear potential for positive environmental impacts.

Sustainable development is a significant horizontal principle of the programme. The programme is not based on the Sustainable Development Strategy but the principles of the sustainable development have and will be taken into account in the programme and during 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.

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. Also environmental authorities were involved into the process. Environmental authorities were asked to give their comments first to the Programming and environmental assessment process and later to the draft JOP before the final meetings of the Joint Programming Committee.

The Draft Joint Operational Programme (JOP) and the SEA were published on the Programme websites during the public hearings, which facilitated access to the draft documents by the whole programme area. Public hearings were organised on both sides of the border in February / March 2015. Environmental authorities gave their opinions (in Finland both national and regional level) to the draft JOP and SEA. Attention was paid particularly on assessment of the estimated programme level environmental impacts and to the inclusion of environmental elements to the project selection criteria. These elements shall be noticed in the project selection procedures as well as on project and programme level reporting systems. Programme level reporting produces information how the estimated potential impacts have realised and the mitigating measures have been carried out.

5.9. Indicative financial plan

Three different financial tables are provided:

- The first table specifies the provisional amounts of the financial appropriations of the support from the European Union, the Russian Federation and Finland for each Programme priority and thematic objective as well as for the technical assistance.
- The second table specifies the yearly provisional appropriations for commitments and payments envisaged for the support from the European Union and national contributions from the Russian Federation and Finland for projects and technical assistance.
- The third table specifies the yearly provisional appropriations for EC commitments (both ENI and ERDF parts)

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)	4 731 339	2 365 669	1 077 254	3 442 923	42 %	8 174 262
Priority 2 (TO 3)	2 919 399	1 459 700	1 373 009	2 832 709	49 %	5 752 108
Priority 3 (TO 6)	5 280 000	2 200 000	4 101 825	6 301 825	54 %	11 581 825
Priority 4 (TO 10)	5 570 316	3 225 158	2 698 439	5 923 597	52 %	11 493 913
TOTAL PRIORITIES	18 501 054	9 250 527	9 250 527	18 501 054	50 %	37 002 108
Technical assistance	3 000 000	1 500 000	1 500 000	3 000 000	50 %	6 000 000
Priorities + technical assistance total	21 501 054	10 750 527	10 750 527	21 501 054	50 %	43 002 108

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

Financial table 2. (next page) Yearly financial appropriations for 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 -
2016						
Projects					5 922 000	1 800 000
TA					340 000	340 000
TOTAL 2016	6 730 005	0	3 365 003	3 365 003	6 262 000	2 140 000
2017						
Projects					5 550 000	3 200 000
TA					370 000	370 000
TOTAL 2017	6 262 224	0	3 131 112	3 131 112	5 920 000	3 570 000
2018						
Projects					3 002 000	3 800 000
TA					370 000	370 000
TOTAL 2018	2 636 929	7 814 579	1 318 464	9 133 043	3 372 000	4 170 000
2019						
Projects					2 518 000	4 000 000
TA					370 000	370 000
TOTAL 2019	2 913 788	1 456 894	1 456 894	2 913 788	2 888 000	4 370 000
2020						
Projects					1 509 054	3 000 000
TA					370 000	370 000
TOTAL 2020	2 958 108	1 479 054	1 479 054	2 958 108	1 879 054	3 370 000
2021						
Projects					0	1 600 000
TA					370 000	370 000
TOTAL 2021	N.A.				370 000	1 970 000
2022						
Projects					0	900 000
TA					370 000	370 000
TOTAL 2022	N.A.				370 000	1 270 000
2023						
Projects					0	201 054
TA					360 000	360 000
TOTAL 2023	N.A.				360 000	561 054
2024						
Projects					0	0
TA					80 000	80 000
TOTAL 2024	N.A.				80 000	80 000
TOTAL 2015-2024	21 501 054	10 750 527	10 750 527	21 501 054	21 501 054	21 501 054
TOTAL COFINANCING RATE					50,00 %	%

Financial table 3. Yearly financial commitments by the EC

	ENI	ERDF	TOTAL
2015	1 686 018	1 365 707	3 051 725
2016	1 727 964	1 950 316	3 678 280
2017	1 783 183	4 479 041	6 262 224
2018	1 671 218	965 711	2 636 929
2019	1 928 763	985 025	2 913 788
2020	1 953 381	1 004 727	2 958 108
2014-2020 without additional ERDF	10 750 527	10 750 527	21 501 054

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 the 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. Participating countries will jointly bear the financial liability, whereby each participating country shall be responsible in proportion to the Programme funds paid out to beneficiaries per participating country.

Where the recovery relates to a claim against a beneficiary established in Finland and the 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 the EU share allocated to the Programme. All these funds are pooled and transferred to the Managing Authority. The indicative amounts are defined in the Indicative financial plan in chapter 5.9.

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

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

The Russian, Finnish and EU contributions are managed by the Managing Authority. 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 financing agreement.

The same eligibility rules apply to national contributions and to the EU contribution. The monitoring of 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

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

An electronic system for programme and project management is developed as a tailored web-based service for all CBC programmes implemented on the Finnish-Russian border. All programmes use the same system but have individual databases. The system and database are secured and the use of functions requires registration.

The main functions provided by the system include publication and management of calls for proposals, management of project selection and data collection for programme reporting. 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 a separate electronic accounting system. The information provided by these two systems is reconciled regularly.

The experience of the current programme and its electronic system is taken into account in the development work. The system and database are secured and access is restricted to a limited number of people. The database complies with the security and confidentiality standards as well as the relevant legislation.

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

The electronic system also provides a platform for internal monitoring of projects conducted by the Managing Authority. Reports, findings and recommendations of the internal monitoring missions are stored in the database.

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 for 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. The information on all projects selected under the programme is fed to the KEEP database.

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 organised 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 calls for proposals, Programme manuals and grant contract template) shall be provided in Russian and Finnish. In all cases, the English version shall be the official version.