



12.3.2014

## MINUTES OF THE MEETING OF THE BEAC AD HOC WORKING GROUP ON FINANCIAL MECHANISM STUDY

DATE: 18.02.2014, 9.30–12.30

LOCATION: Ministry for Foreign Affairs of Finland, Helsinki

### List of participants:

#### Finland

Chair: **Birgit Autere**, Ministry for Foreign Affairs (Team for Financial Cooperation)

**Marja-Leena Vuorenpää**, Ministry for Foreign Affairs (BEAC Team)

Secretary: **Laura Quist**, Ministry for Foreign Affairs (Team for Financial Cooperation)

**Leena Saarikoski**, Ministry for Foreign Affairs (BEAC Team)

#### Sweden

**Sven Hegelund**, Ministry of Foreign Affairs

#### Norway

**Hege Koppang**, Norwegian Embassy in Helsinki

#### Russia

**Maria Smirnova**, Ministry of Finance

**Sergey Petrovich**, Ministry for Foreign Affairs

**Alexey Kalinin**, Barents Regional Committee

**Alexey Ternavskiy**, Vnesheconombank

#### International Barents Secretariat

**Ari Sirén**

### 1. Opening of the meeting

Chair **Birgit Autere** opened the meeting and welcomed the participants to the first meeting of the BEAC Ad Hoc Working Group on Financial Mechanism Study (AHWG). Those BEAC members which are not able to send a participant to the meeting, will be kept updated on the work of the AHWG. The national representative of Finland will be nominated in the next meeting at the latest. **Autere** stated that according to the mandate the chairmanship of the AHWG follows the presidency of the Barents Euro-Arctic Council, with a representative of the Barents Regional Committee as co-chair (Arkhangelsk).

Autere introduced the draft agenda of the meeting and recalled the Barents Summit 3-4 June 2013 in Kirkenes which encouraged the Barents Euro-Arctic Council to take appropriate action to investigate the possibility of establishing a financial mechanism in the Barents region to support project activities and to facilitate making full use of the region's investment potential. The XIV Session of the Barents Euro-Arctic Council 29 October 2013 in Tromsø decided to set up an Ad Hoc Group to conduct an extensive study on this issue. Autere reminded of the task of the Ad Hoc Group is to conduct an extensive study to explore the possibilities of establishing a financial mechanism in the Barents region.

**Decision:**

Meeting agenda was approved without any changes.

**2. Mandate of the Ad Hoc Working Group, presented by the chairman of the BEAC CSO, Marja-Leena Vuorenpää**

Vuorenpää stated that the mandate of the BEAC Ad Hoc Working Group was adopted in the meeting of the BEAC Committee of Senior Officials in December 12–13, 2013. Vuorenpää pointed out that according to the mandate, the task of the Ad Hoc Working Group is to investigate the feasibility of establishing a financial mechanism in the Barents region. The information to be collected during the working period of the Ad Hoc Group will be analyzed and studied in detail and used as a basis for the final report and recommendations. The Ad Hoc Group will keep the Committee of Senior Officials informed of the progress. The Ad Hoc Group is bound to submit a midterm report to the CSO by the end of 2014 and its final report and recommendations by September 2015.

**3. Tour de table: financing of the Barents cooperation**

Chair Autere gave an overview on the existing financing sources for regional cooperation in the Northern Europe.

Maria Smirnova stated that recognized investment needs should always precede any decision regarding the establishing of a financing mechanism. In Russia the legal status of trust funds is problematic, since national funds cannot be used for international projects – funds intended for international cooperation ought to have an international status.

Sergey Petrovich stated that during Russia's CBSS presidency two financial mechanisms were launched: The Pilot Financial Initiative and The Project Support Facility. The size of The Project Support Facility is € 1million for three years; the extension of the period is possible. As to date six projects have been approved for financing.

Alexey Ternavskiy commented that there are no Vnesheconombank financed intergovernmental projects in the Barents region – the CBSS Pilot Financial Initiative comes closest as an example. The Pilot Financial Initiative supports public-private partnerships directly and small and medium-sized enterprises through various funds. The challenge of this financial mechanism is the currency loans. Moreover, it is difficult for Vnesheconombank to find eligible projects in the less developed Barents region (only 1,5% of overall Russian developing funds in the Barents Region).

Alexey Kalinin stated that the Barents regions are glad to be involved in the work of the BEAC Ad Hoc Group on Financial Mechanism Study, since there is no separate financing tool for Barents cooperation at present.

Ari Sirén pointed out that if a funding mechanism for Barents cooperation was to be established, the International Barents Secretariat would be able to participate in the selection process of projects. Sirén said that a separate BEAC funding mechanism would most likely activate the working groups by encouraging them to come up with projects and apply for funding.

Hege Koppang stated that there is a lot of bilateral Norwegian-Russian cooperation in the fields of environment, transport and logistics, among others. Norway has also channeled money through the Barents Euro-Arctic Council on business development and through the EU to cross-border cooperation with Russia. Moreover, Norway participates in arctic cooperation through the Arctic Council, the work of which focuses on climate change and sustainable development. Last year Norway allocated € 10 million to Barents 2020 programme with a focus on research.

Sven Hegelund said that Sweden channels money through the NDEP fund hosted by the EBRD, through NIB and Nefco funds as well as regional structures such as Nordic Council of Ministers and Arctic Council. Hegelund promised to provide more detailed information before the next meeting.

Vuorenpää pointed out that Kolarctic ENPI CBC has been crucial in the financing of the projects of Barents working groups. These Kolarctic ENPI CBC projects have been extensive in size, e.g. the Barents Freeway project with a budget of € 1,4 million. One of the priorities of the Finnish BEAC chairmanship is to tighten the links between the BEAC and Kolarctic CBC. Vuorenpää highlighted that in the Northern Dimension partnerships there already exist funds for cooperation in the environmental and transportation/logistics sector. Therefore, it is important to make full use of the existing funding sources. It would also be useful to hear a presentation on the EU Northern Periphery Programme, which is governed by the Finnish Ministry of Employment and the Economy.

#### **Decision:**

The chairman will send an extract of her presentation of existing financing sources to the AHWG members. The existing financing sources will be studied thoroughly by the AHWG as stated in its mandate.

#### **4. Work programme and the working methods of the Ad Hoc Working Group**

Chair Autere presented the work programme and the working methods of the Ad Hoc Group. According to the work programme, there are four meetings scheduled for the year 2014 and more meetings can be scheduled, if needed. Vuorenpää suggested to add 2–3 meetings for the year 2015. The next meeting will be held in Helsinki in April; the venue and the exact date of the meetings in the autumn will be decided on at a later stage. The methods of work include both written contributions and oral briefings by representatives of regional and cross-border cooperation structures, as well as national and international financing institutions (IFIs). The members of the Ad Hoc Group are requested to provide information on their national financing prior to the next meeting in April. As for the questionnaires, there will be one questionnaire for the BEAC working groups and another for the representatives of the Barents regional council. The mandate stipulates that every BEAC working group must be heard.

Vuorenpää stated that the EU representative in the BEAC CSO has promised to deliver a written contribution on EU financing.

Ternavskiy proposed that the hearings with international financial institutions would be earlier in the work programme.

Ternavskiy and Hegelund also raised a question about the scope of the study, i.e. how will the actors in the Barents region be defined and limited.

Vuorenpää noted that the AHWG mandate is broad as it refers not only to Barents cooperation but to Barents region. In the end, however, it is important to keep the activities within the Barents cooperation separate from the activities in the Barents region in general.

**Decisions:**

- The next meeting will be devoted to the presentations of international financing institutions, such as EIB, EBRD, NIB and NEFCO with the condition that the representatives from the IFIs will be available at that date.
- The suggested amendments to the work programme and the questionnaires of the AHWG will be made and the amended documents will be sent to the AHWG members for comments within two weeks after the meeting.
- The final questionnaires will be sent to the chairpersons of the Barents working groups and to the representatives of the Barents regional council in March 2014.
- The method of taking civil society actors and business actors into account in the collection of information will be discussed later.
- Additionally, the secretariat of the AHWG will draft a preliminary outline for the final report and send it to the members of the AHWG prior to the next meeting in April.

**5. AOB**

None.

**6. Next meeting**

The next meeting will be held in Helsinki on 29 April 2014. This date will be confirmed as the experts from IFIs (EBRD, EIB, NIB and NEFCO) confirm their availability. The date of the September meeting is to be decided on in the meeting in April.