Ex post evaluation of INTERREG III 2000-2006

Task 5: In-depth analysis of a representative sample of programmes

PROGRAMME: INTERREG III A KARELIA (Finland-Russia)
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Foreword

The ex-post evaluation of Interreg III comprises a number of tasks which are interactively and iteratively linked. One of the tasks is the in-depth evaluation of a sample of sixteen Interreg III programmes from all three strands. On the basis of these in-depth assessments an evidence-based extrapolation of the evaluation results to the Community Initiative level will be conducted.

INTERREG III A Karelia (Finland-Russia) is analysed here in-depth, as part of the 6th Category of Strand A programmes.
Executive summary

The Neighbourhood Programme *Euregio Karelia* aimed to promote cross-border cooperation between Northern Ostrobothnia, Kainuu and North Karelia in Finland and the Russian Republic of Karelia during the period 2004 – 2006. The programme was funded through two European Union instruments, namely, the Interreg Programme and the Tacis Programme.

The total framework of funding for the whole period 2001 – 2006 is approximately 74.2 million EUR. A total of approximately 48.3 million EUR had been allocated to 137 projects by the end of 2004. Public funding of the Neighbourhood Programme *Euregio Karelia* totalled approximately 22.0 million EUR during the years 2005 – 2006. The share of EU funding is approximately 12.1 million EUR (Interreg 8.1 million EUR and Tacis 4.0 million EUR). National public funding totals approximately 9.9 million EUR. In addition, private funding to the projects was also forthcoming.

Priorities 1 (Business Activity) and 2 (Education, Research and Regional Cooperation) of the programme were implemented up to 100%. The final realisation percentage of the Priority 3 (Transport and Communication) was 98.97 and for the Priority 4 (Technical Assistance) 93.12%.

There were (particularly in the early years of the programme) major problems in getting co-financing from the Russian side. At the end of the period the amount of Tacis-finance had however increased. In spite of this most measures displayed a linear spending trend.

The patterns of effectiveness and performance are not fully in accordance with the expectations set for the programme. The measures that exceeded the objectives in cross-border cooperation between enterprises (average realisation 269.5 %), promotion of preconditions for business life in cross-border cooperation (average realisation 1030.1 %) as well as in cross-border cooperation in the sectors of education and culture (average realisation 506.3 %).

It was noted already in the context of the mid-term evaluation that many of the objectives were already achieved or even exceeded by the end of 2002, which seemed to indicate a low level of ambition and unrealistic targeting. Projects were planned and implemented in a rather traditional ‘Interreg style’; less projects are experimental, innovative and/or complexity.

One of the most important results of the programme is that the level of trust between the partners has definitely increased. The results strongly suggest that the programme has had an impact in the sense that factors enabling cross-
border co-operation are now more firmly in place. The level of effectiveness in this regard is still most visible in the creation of the preconditions for sustainable cross-border cooperation and the experience of achieving genuine value added for the stakeholders both sides of the border. Interreg / Neighbourhood Programme instruments have been important tools in accelerating the process of collaboration and mutual learning between the two neighbouring countries. Therefore, the Community Added Value with a particular emphasis on co-operation has been rather high – most of the projects were started only because of the availability of EU co-financing.

Although sustainable outcomes are difficult to trace in some areas (e.g. culture and infrastructure) Interreg projects did help to initiate numerous long-term partnership frameworks. The co-operation ties created have in most cases been maintained though not necessarily through the same instruments. A majority of the projects continued cooperation in some context and impacts on learning and networking (e.g. increasing mutual understanding and knowledge transfer) were seen as positive factors contributing to this sustainability.

**Main recommendations:**
Strategic steering and the communication of expectations in respect of the strategy-driven project portfolio need to be enhanced. In addition, project selection criteria need to be further elaborated to ensure the ideal match between programme goals and project objectives.

Particular attention needs to be paid to the question of absorption and situations where such potential problems emerge need to be addressed immediately.

Peer-learning and comparative studies into this area (e.g. INTERACT and ESPON, as referred to above) are among the best ways of improving the knowledge transfer and indirectly over time also the quality of the system. Project partners’ experience and insights should also be used more actively in this regard, as they are in many cases the most knowledgeable in respect of identifying the best indicators to grasp the essential aspects of project activity.

Greater focus should be placed on enabling and capacity-building effects, as well as on the infrastructure (not only technical or physical, but also knowledge and human infrastructure), which can best address the question of bottlenecks while helping to create new and innovative projects. More business sector actors should also be engaged in the programme work, including the steering group work on the project level.
Seek to identify and promote innovation, find concrete examples of such practices that dilute traditional sector-driven working practices. Promote projects where cross-sector innovation is promoted in concrete terms.

The Programme Selection and Monitoring Committees need to be particularly engaged in the issue of coordination between national and EU policy and ENPI activity.

ENPI’s indicators and strategic objectives need to be restricted to genuine cross-border effects, e.g. creating preconditions and achieving new smaller-scale inputs into national or European level policy rather than engaging in sweeping societal change that requires national-level action (from the Russian side).

The needs of the market should also be taken into account and strategic foresight pursued for instance through the utilization of business experts and steering group members in ongoing information gathering and monitoring (of the environment).
1 Introduction

1.1 Outline and characteristic features of the programme

The Neighbourhood Programme *Euregio Karelia* aimed to promote cross-border cooperation between Northern Ostrobothnia, Kainuu and North Karelia in Finland and the Russian Republic of Karelia during the period 2004 – 2006. The programme was funded through two European Union instruments, namely, the Interreg Programme and the Tacis Programme.

The Neighbourhood Programme is based on the 2000-2006 Interreg III A Karelia Programme which was accepted by the Commission on the 26th of November 2001. The Neighbourhood Programme is designed to strengthen the work begun during the previous programming period. The most important change as compared to previous activities was that the EU could now grant funding to the activities of Russian cooperation partners. Funding for activities directed to Russia was allocated through the additional funding reserved in the Tacis CBC programme for the Neighbourhood Programme.

The total framework of funding for the whole period 2001 – 2006 is approximately 74.2 million EUR. A total of approximately 48.3 million EUR had been allocated to 137 projects by the end of 2004. Public funding of the Neighbourhood Programme *Euregio Karelia* totalled approximately 22.0 million EUR during the years 2005 – 2006. The share of EU funding is approximately 12.1 million EUR (Interreg 8.1 million EUR and Tacis 4.0 million EUR). National public funding totals approximately 9.9 million EUR. In addition, private funding to the projects was also forthcoming.

The new procedures introduced in this programme signalled the first steps towards an improvement in the opportunities for cross-border cooperation across the EU’s external border. For the subsequent phase, in other words the years 2007 – 2013, the Commission aimed to create a financing instrument which would enable the funding of joint projects crossing the EU’s external border through one source and through one management process (ENPI).

The programme complement of the *Euregio Karelia* Neighbourhood Programme specifies the programme strategy, as accepted by the Commission on 26 October 2004. For example the project selection criteria and the project preparation processes are defined in the programme complement. The activities to be supported are also described in connection with each priority and measure. Detailed instructions regarding application for funding as well as procedures are also included in the guidelines for applicants.
The **Euregio Karelia** Neighbourhood Programme aims at promoting welfare in Kainuu, North Karelia and Northern Ostrobothnia as well as in the Karelian Republic by increasing cross-border cooperation in accordance with jointly defined development strategies and focused areas. The Neighbourhood Programme also aims at developing a sustainable cooperation model for cross-border cooperation, which enables long-term cross-border cooperation.

Cross-border cooperation between Russia and the EU required the development of new modes of operation after previous attempts, in the years after 2001, to use existing instruments were seen as inadequate. It is widely recognised that the **Euregio Karelia** Neighbourhood Programme area will continue well into the future to demarcate the EU’s external border. This however necessitated the establishment of new permanent structures on the EU’s external borders designed to promote effective cross-border cooperation. Invigorating such structures across the EU external border with Russia however presents a number of significant challenges given the massive disparities in conditions across the border. The **Euregio Karelia** Programme facilitates the development of well-functioning cooperation initiatives across the border between the EU and Russia. Moreover, the experience gained in the context of **Euregio Karelia** will be useful in similar situations on the EU’s other external borders.

This programme also complements overall EU-Russia relations while focusing on the eligible border regions on each side of the border. Russia is seen as a strategic partner for the EU, primarily in relation to energy and security issues, and is its largest neighbour. As agreed at the EU/Russia summit in St Petersburg in May 2003, the EU-Russia strategic partnership was to be further developed through the creation of four common spaces: a common economic space (including, and with specific reference to environment and energy); a common space of freedom, security and justice; a space of co-operation in the field of external security; and a space of research and education, including cultural aspects. Regular summits have been organised subsequently, latest being held in November 2009.

The **Euregio Karelia** programme area includes the regions of Kainuu, North Karelia and Northern Ostrobothnia on the Finnish side of the border as well as the Karelian Republic on the Russian side. The regions of Lapland and North Savo are adjacent to the programme area on the Finnish side. On the Russian side the cooperation areas in business activities (priority 1), in addition to the Republic of Karelia, can also include the regions of Murmansk, Archangel and Leningrad as well as the city of St Petersburg.
2  Research interest and methodology

The scope of research is closely determined by the terms of reference for the *Ex-post* Evaluation for INTERREG III and the method proposed in the Inception Report¹.

3 In-depth analysis of the results and impacts of the Programme in terms of effectiveness and socio-economic effects

3.1 The financial implementation of the programme

In this section the Karelian Interreg III A Programme will be assessed by asking how financial plans were realised during the implementation process. What were the major explanatory factors in terms of deviations or implementation gaps? How were budget allocations targeted to various sub-policy fields (according to two and three-digit intervention codes)? Are these allocations justified (given the overall goals and objectives of the programme)?

In order to answer these questions final implementation schemes need to be analyzed. This however provides only a rough outline of programme implementation on the priority and measure level. However, allocations to sub-policy areas cannot be verified by using this kind of aggregated data, i.e. each priority and measure is likely to contain different sub-policy elements. Therefore we have coded each project by means of three different classification codes (first priority, second priority and third priority). These codes are thereafter aggregated to calculate the total amount of money allocated to various purposes. In addition the projects are assessed according to average project size, average duration and average implementation rate. As far as the last variable is concerned the implementation rate at the project level is somewhat different compared to that at the priority and measure level. This is because financial resources saved (for one reason or other) can be reallocated under the financial framework of the programme.

Table 3.1 Degree of realisation as % of the financial plan

<table>
<thead>
<tr>
<th>Priority</th>
<th>Total public eligible costs</th>
<th>National</th>
<th>EU</th>
<th>Total public eligible costs</th>
<th>National</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>9 548 068</td>
<td>4 774 034</td>
<td>4 774 034</td>
<td>100,89 %</td>
<td>106,54 %</td>
<td>95,24 %</td>
</tr>
<tr>
<td>1.2</td>
<td>11 404 184</td>
<td>5 702 092</td>
<td>5 702 092</td>
<td>99,70 %</td>
<td>104,04 %</td>
<td>95,37 %</td>
</tr>
<tr>
<td>Total</td>
<td>20 952 252</td>
<td>10 476 126</td>
<td>10 476 126</td>
<td>100,25 %</td>
<td>105,18 %</td>
<td>95,31 %</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority</th>
<th>Total public eligible costs</th>
<th>National</th>
<th>EU</th>
<th>Total public eligible costs</th>
<th>National</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>10 138 070</td>
<td>5 069 035</td>
<td>5 069 035</td>
<td>98,07 %</td>
<td>99,12 %</td>
<td>97,03 %</td>
</tr>
<tr>
<td>2.2</td>
<td>3 514 568</td>
<td>1 757 284</td>
<td>1 757 284</td>
<td>106,62 %</td>
<td>115,38 %</td>
<td>97,87 %</td>
</tr>
<tr>
<td>Total</td>
<td>13 652 638</td>
<td>6 826 319</td>
<td>6 826 319</td>
<td>100,27 %</td>
<td>103,30 %</td>
<td>97,25 %</td>
</tr>
</tbody>
</table>

2Data for this purpose is taken from the Euregio Karelia Neighbourhood Programme project publication (Hankejulkaisu). In this booklet all the projects financed by Interreg & Tacis between 2001 and 2008 are listed. The publication contains basic information on projects (resources, objectives, activities, implementation rate and to some extent also the main results and outcomes).
INTERREG III ex-post evaluation. In-depth evaluation of the PROGRAMME: INTERREG III A KARELIA (Finland-Russia)

<table>
<thead>
<tr>
<th>Priority 3</th>
<th>Total public eligible costs</th>
<th>National</th>
<th>EU</th>
<th>Total public eligible costs</th>
<th>National</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1.</td>
<td>9 056 624</td>
<td>4 578 312</td>
<td>4 478 312</td>
<td>100,23 %</td>
<td>103,01 %</td>
<td>97,40 %</td>
</tr>
<tr>
<td>3.2.</td>
<td>10 252 200</td>
<td>5 076 100</td>
<td>5 176 100</td>
<td>97,85 %</td>
<td>98,51 %</td>
<td>97,20 %</td>
</tr>
<tr>
<td>Total</td>
<td>19 308 824</td>
<td>9 654 412</td>
<td>9 654 412</td>
<td>98,97 %</td>
<td>100,64 %</td>
<td>97,29 %</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority 4</th>
<th>Total public eligible costs</th>
<th>National</th>
<th>EU</th>
<th>Total public eligible costs</th>
<th>National</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1.</td>
<td>2 823 200</td>
<td>1 411 600</td>
<td>1 411 600</td>
<td>99,29 %</td>
<td>99,29 %</td>
<td>99,29 %</td>
</tr>
<tr>
<td>4.2.</td>
<td>471 200</td>
<td>235 600</td>
<td>235 600</td>
<td>56,20 %</td>
<td>56,20 %</td>
<td>56,20 %</td>
</tr>
<tr>
<td>Total</td>
<td>3 294 400</td>
<td>1 647 200</td>
<td>1 647 200</td>
<td>93,12 %</td>
<td>93,12 %</td>
<td>93,12 %</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority</th>
<th>Total public eligible costs</th>
<th>National</th>
<th>EU</th>
<th>Total public eligible costs</th>
<th>National</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>28 057</td>
<td>604</td>
<td></td>
<td>28 057</td>
<td>604</td>
</tr>
<tr>
<td>Total</td>
<td>57 208 114</td>
<td>28 057</td>
<td>604</td>
<td></td>
<td>28 057</td>
<td>604</td>
</tr>
</tbody>
</table>

Table 3.1 shows the financial allocations as planned in the Programme Complement and the final degree of realisation (absorption) by the end of the programming period (which was spring 2009 as the implementation period of Euregio Karelia was extended).

One can see from the budget table above that Priorities 1 (Business Activity) and 2 (Education, Research and Regional Cooperation) were implemented up to 100% (and even a bit more). The final realisation percentage of the Priority 3 (Transport and Communication) was 98.97 and for the Priority 4 (Technical Assistance) 93.12%.

Under priority 1 (especially 1.2 Promotion of preconditions for business life in cross-border cooperation) there was sufficient critical mass in terms of good-quality project proposals throughout the programming period. This is partly due to the fact that there were no specific business-area restrictions introduced in the programme document. The only hindering element during the initial (Interreg) years was the difficulty in finding partner projects from the Russian side. There have also been some problems in getting SMEs to commit to the projects. Four projects under Priority 1 were terminated for this reason.

Priority 2 (especially Measure 2.1.Cross-border cooperation in the sectors of education and culture) attracted many small grassroots projects (and proposals). According to the Managing Authority the amount of project proposals vis-à-vis the goals and objectives has not always been in balance. Therefore the rejection ratio under 2.1 has been relatively high. This was necessary in order to maintain the strategic scope of the programme. At least one project under Measure 2.2 was terminated.
Implementation in terms of Priority 3 (Transport and Communication) was seen to be lagging at the beginning of the programming period. This was due to the problems experienced with regard to national practices in financing infrastructure and investment projects. Better coordination between sector ministries has since been pursued, particularly in respect of national level infrastructure and investments.

The degree of absorption remained rather modest (93.12 %) under priority 4 (Technical Assistance) as a whole, and especially under Measure 4.2: Distribution of information and external evaluations and Technical assistance on the Russian side. According to the Managing Authority this can be explained partly by the fact that announcements in terms of project bidding in the regional and local media did not bring the expected results, therefore the MA utilised more internet and email lists which are also more cost-efficient. In addition, the slow and bureaucratic nature of procurement procedures also help to provide a partial answer here to the relatively low number of external studies and evaluations carried out during the implementation of the Euregio Karelia Neighbourhood Programme.

### Table 3.2 Private funding / Measure

<table>
<thead>
<tr>
<th>Priority / Measure</th>
<th>Private funding (by the end programme)</th>
<th>Share of the private funding (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>1 831 680,12</td>
<td>19%</td>
</tr>
<tr>
<td>1.2</td>
<td>1 724 556,57</td>
<td>15%</td>
</tr>
<tr>
<td>2.1</td>
<td>587 189,80</td>
<td>6%</td>
</tr>
<tr>
<td>2.2</td>
<td>408 767,41</td>
<td>11%</td>
</tr>
<tr>
<td>3.1</td>
<td>164 890,00</td>
<td>2%</td>
</tr>
<tr>
<td>3.2</td>
<td>1 444 719,40</td>
<td>14%</td>
</tr>
<tr>
<td>Total</td>
<td>6 161 803,30</td>
<td>11%</td>
</tr>
</tbody>
</table>

Table 3.2 shows the distribution of private funding per measure in absolute terms and as a share of total funding. The total amount of private funding was 6.2 million euros which equates to approximately 11 % of the overall funding. Measures 1.1 (Increasing cross-border cooperation between enterprises) and 1.2 (Promotion of preconditions for business life in cross-border cooperation) are above average in their share of private funding whereas measures 2.1 (cross-border cooperation in the sectors of education and culture) and 3.1 (Border-crossings and regional planning) performed rather poorly in terms of mobilising private funding. The nature of activities implemented under these measures is the main explanatory factor for the modest rate of private funding, i.e. small NGO-driven projects under 2.1 and public sector driven investment and construction activities under 3.1.

### 3.1.1 Financial analysis across the intervention codes

For the Karelia programme, 23 three-digit level codes of intervention were applied for budgeting and expenditure monitoring (see annex 1). Those with a larger budget share (with more than 1 million Euro from the ERDF) are:

- 122 (forestry products),
- 130 (rural development),
- 148 (measures financed by other structural funds),
- 160 (SME and crafts sector)
- 170 (Tourism)
- 171 (Physical investment for the tourism sector),
INTERREG III ex-post evaluation. In-depth evaluation of the PROGRAMME: INTERREG III A KARELIA (Finland-Russia)

- 181 (research projects),
- 182 (Innovation and technology transfer),
- 210 (labour market policy),
- 310 (transport infrastructure),
- 320 (telecommunication infrastructure),
- 322 (ICT),
- 324 (services and applications for SMEs),
- 340 (environmental infrastructure),
- 354 (maintenance and rehabilitation of cultural heritage); and
- 411 (preparation, implementation, monitoring).

The distribution of codes is thematically rather broad. Tourism (codes 170 and 171) accounted for the largest budget and expenditure with around 16% of the total ERDF budget. The fact that for tourism activities and telecommunication infrastructure, the programme management allocated funds to both, the general two-digit code (i.e. codes 170 and 320) and further funds to the subordinated three-digit codes (i.e. 171, 322 and 324) is surprising. Very obviously this means that the programme managers found it either difficult to attach their thematic ideas in these two sectors to the codes already defined or they simply misunderstood the systematic nature of the intervention codes.

As regards the weight of codes there are also some surprising trends in the Karelia programme. Code 148 (measures financed by other Structural Funds) has a noticeable weight with the 91-fold of the average weight in INTERREG and more than 100-fold in the strand A. Only in respect of the related cluster 5 is this relative weight smaller, though still the 10-fold. Further above-average relative weights can be seen in respect of codes 122 (forestry) and 340 (environmental infrastructure). In respect of the latter we assume the reason for that is the selection of the general code. In most other programmes the specific codes for the sector environment were selected. Regarding the former one has however to acknowledge that forestry as an economic sector plays a relatively important role in the Karelian region.

The mean absorption rate at the codes level is at 84.3% for the Karelia Programme, which is slightly above average for the strand A programmes. In respect of the codes, all sectoral codes performed well in absorption, most of them absorbing relatively more than INTERREG, on average, or strand A on average the only exception here being for horizontal codes 412, 413 and 415 which each had relatively poor absorption rates. But this does not automatically indicate a poor use of evaluation, studies or publicity measures. Indeed the use of evaluation was actually appreciated as very highly beneficial. Several studies were funded in the Karelia programme though not necessarily logged under code 413.

Programme level analysis was further elaborated by pursuing a financial analysis across the intervention codes by coding each project under programme measures according to relevant sub-policy area it referred to. After that project clusters were aggregated and analysed according to

\[\text{This additional project-level analysis was carried out in the Karelian Programme only because Net Effect (the consultancy that carried out the mid-term evaluation of the Karelian Programme) had already developed a project level methodology and data inquiry model during the mid-term evaluation. This time data was only updated to describe the situation at the end of the programming period. The situation is somewhat different in the other 15 case studies where this type of analysis cannot be carried out due to a lack of data.}\]
four main variables average size of the budget, average duration, implementation rate and EU/National co-financing ratio. It seems that there is a correlation between budget size and implementation rate ($r=0.222$). Correlation is significant at the 0.05 level (2-tailed). Highest and statistically most significant correlation was found between the budget size and co-financing rate ($r=-0.445$). Correlation is significant at the 0.01 level (2-tailed).

The analysis is further elaborated by describing how individual projects (red dots) relate to different sub-policy clusters (see figure below). One can see from the figure that most projects relate to at least two different policy areas (some to even three or more). This analysis was done by using network analysis tools (ICINET 6 and Netdraw).

Figure 3.1 N X K matrix of Euregio Karelia projects relating to different clusters

Figure 3.2 below shows the most prominent sub-policy areas. Prominence has been calculated from the network data by summing up the total amount of links (references) Euregio Karelia projects have under different Priorities vis-a-vis the policy fields. Code 163 (see also above) which involves business advisory services (information, business planning, consultancy services, marketing, management, design, internationalisation, exporting, environmental management, purchase of technology) receives 33 project references. Most of the projects are under Priority 1. The second prominent cluster seems to be code 172: Non-physical investment (development and provision of tourist services, sporting, cultural and leisure activities, heritage) and code 354 referring to the maintenance and restoration of cultural heritage, which both contain 27 references. The third area is code number 23 developing educational and vocational training not linked to a specific sector (persons, firms). Each of these sub-policy fields have a prominent position and are emphasized as the main target areas in the programme document and its complement. The reason why these areas are also well-represented in the intervention analysis is that there are several small projects under the three above-mentioned policy fields. Road building and transportation projects (also listed below) are normally larger in size, which implies that their actual prominence tends to grow when the size of the budget is controlled.
Finally, table 3.3 below summarises the main findings discussed above. The table lists the main properties (namely: *ex ante* financial plan, sub-policy share of total budget, implementation rate, average duration and EU/national co-financing ratio) of the most relevant sub-policy clusters. In addition to previous analyses the most interesting variable in the table is the proportional share of the budget for each policy field.

Business advisory services (the area that had most linkages from the project level) have a remarkable share of the total budget (13%) whereas the share of non-physical investment (development and provision of tourist services, sporting, cultural and leisure activities, heritage) receives only 3.5% share of overall funding.
Table 3.3  Main properties of the various sub-policy clusters in the Euregio Karelia programme

<table>
<thead>
<tr>
<th>Policy</th>
<th>Financial plan (average)</th>
<th>Budget Share</th>
<th>Implementation rate (average)</th>
<th>Average duration (months)</th>
<th>EU co-finance/National budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing educational and vocational training not linked to a specific sector (persons, firms)</td>
<td>201847</td>
<td>3.17</td>
<td>87</td>
<td>26</td>
<td>81.6</td>
</tr>
<tr>
<td>Workforce flexibility, entrepreneurial activity, innovation, information and communication technologies (persons, firms)</td>
<td>159740</td>
<td>0.28</td>
<td>99</td>
<td>26</td>
<td>70</td>
</tr>
<tr>
<td>Positive labour market actions for women</td>
<td>118703</td>
<td>0.41</td>
<td>95</td>
<td>16</td>
<td>84.1</td>
</tr>
<tr>
<td>Transport infrastructure</td>
<td>354959</td>
<td>6.2</td>
<td>89</td>
<td>25</td>
<td>86.5</td>
</tr>
<tr>
<td>Social and public health infrastructure</td>
<td>340212</td>
<td>1.19</td>
<td>91</td>
<td>32</td>
<td>79.1</td>
</tr>
<tr>
<td>Agriculture-specific vocational training</td>
<td>269199</td>
<td>0.94</td>
<td>90</td>
<td>25</td>
<td>86.2</td>
</tr>
<tr>
<td>Improvement of processing and marketing of agricultural products</td>
<td>27600</td>
<td>0.1</td>
<td>76</td>
<td>26</td>
<td>70</td>
</tr>
<tr>
<td>Improving the harvesting, processing and marketing of forestry products</td>
<td>74346</td>
<td>1.35</td>
<td>75</td>
<td>22</td>
<td>69.9</td>
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<tr>
<td>Promoting new outlets for use and marketing of forestry products</td>
<td>123000</td>
<td>0.43</td>
<td>88</td>
<td>28</td>
<td>70.5</td>
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<tr>
<td>Forestry-specific vocational training</td>
<td>237694</td>
<td>1.66</td>
<td>94</td>
<td>25</td>
<td>85.5</td>
</tr>
<tr>
<td>Fishing port facilities and protection and development of aquatic resources</td>
<td>441525</td>
<td>0.77</td>
<td>94</td>
<td>36</td>
<td>45.2</td>
</tr>
<tr>
<td>Environment-friendly technologies, clean and economical energy technologies</td>
<td>289000</td>
<td>0.5</td>
<td>83</td>
<td>24</td>
<td>70</td>
</tr>
<tr>
<td>Business advisory services (information, business planning, consultancy services, marketing, management, design, internationalisation, exporting, environmental management, purchase of technology)</td>
<td>281140</td>
<td>12.76</td>
<td>89</td>
<td>28</td>
<td>68.4</td>
</tr>
<tr>
<td>Shared business services (business estates, incubator units, stimulation, promotional services, networking, conferences, trade fairs)</td>
<td>324761</td>
<td>1.13</td>
<td>90</td>
<td>23</td>
<td>67.9</td>
</tr>
<tr>
<td>Services in voluntary/third sector (providing care for dependants, health and safety, cultural activities)</td>
<td>224552</td>
<td>2.74</td>
<td>90</td>
<td>33</td>
<td>68.4</td>
</tr>
<tr>
<td>SME- and craft-specific vocational training</td>
<td>299730</td>
<td>0.52</td>
<td>92</td>
<td>19</td>
<td>90</td>
</tr>
<tr>
<td>Physical investment (information centres, tourist accommodation, catering, facilities)</td>
<td>143478</td>
<td>1.25</td>
<td>72</td>
<td>43</td>
<td>76.9</td>
</tr>
<tr>
<td>Non-physical investment (development and provision of tourist services, sporting, cultural and leisure activities, heritage)</td>
<td>143154</td>
<td>3.5</td>
<td>86</td>
<td>28</td>
<td>72.3</td>
</tr>
<tr>
<td>Shared services for the tourism industry (including promotional activities, networking, conferences and trade fairs)</td>
<td>288535</td>
<td>2.52</td>
<td>92</td>
<td>33</td>
<td>54.5</td>
</tr>
<tr>
<td>Research projects based in universities and research institutes</td>
<td>264619</td>
<td>5.08</td>
<td>98</td>
<td>26</td>
<td>91.8</td>
</tr>
<tr>
<td>Innovation and technology transfers, establishment of networks and partnerships between businesses and/or research institutes</td>
<td>164323</td>
<td>1.15</td>
<td>90</td>
<td>15</td>
<td>79.4</td>
</tr>
<tr>
<td>Category</td>
<td>Total Amount</td>
<td>Priority</td>
<td>Reach</td>
<td>Impact</td>
<td>Efficiency</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>--------------</td>
<td>----------</td>
<td>-------</td>
<td>--------</td>
<td>------------</td>
</tr>
<tr>
<td>RTD Infrastructure</td>
<td>190345</td>
<td>0.66</td>
<td>95</td>
<td>27</td>
<td>81.3</td>
</tr>
<tr>
<td>Rail</td>
<td>499459</td>
<td>3.49</td>
<td>85</td>
<td>15</td>
<td>79.1</td>
</tr>
<tr>
<td>Roads</td>
<td>763418</td>
<td>21.33</td>
<td>89</td>
<td>19</td>
<td>88.3</td>
</tr>
<tr>
<td>Multimodal transport</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>19</td>
<td>80</td>
</tr>
<tr>
<td>Basic infrastructure</td>
<td>1674349</td>
<td>2.92</td>
<td>100</td>
<td>38</td>
<td>30</td>
</tr>
<tr>
<td>Information and communication technology (including security and safe</td>
<td>169744</td>
<td>1.19</td>
<td>90</td>
<td>23</td>
<td>76.7</td>
</tr>
<tr>
<td>transmission measures)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services and applications for the citizen (health, administration,</td>
<td>128363</td>
<td>1.57</td>
<td>93</td>
<td>24</td>
<td>87.4</td>
</tr>
<tr>
<td>education)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services and applications for SMEs (electronic commerce and transactions,</td>
<td>217003</td>
<td>1.52</td>
<td>91</td>
<td>31</td>
<td>84.7</td>
</tr>
<tr>
<td>education and training, networking)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity, gas, petroleum products, solid fuel</td>
<td>62288</td>
<td>0.07</td>
<td>84</td>
<td>14</td>
<td>90</td>
</tr>
<tr>
<td>Energy efficiency, cogeneration, energy control</td>
<td>13333</td>
<td>0.68</td>
<td>96</td>
<td>10</td>
<td>69.3</td>
</tr>
<tr>
<td>Urban and industrial waste (including hospital and dangerous waste)</td>
<td>224794</td>
<td>1.06</td>
<td>100</td>
<td>22</td>
<td>70</td>
</tr>
<tr>
<td>Drinking water (collection, storage, treatment and distribution)</td>
<td>302000</td>
<td>4.66</td>
<td>95</td>
<td>-</td>
<td>75</td>
</tr>
<tr>
<td>Sewerage and purification</td>
<td>229667</td>
<td>8.92</td>
<td>92</td>
<td>-</td>
<td>65</td>
</tr>
<tr>
<td>Rehabilitation of urban areas</td>
<td>151250</td>
<td>0.78</td>
<td>99</td>
<td>26</td>
<td>84.5</td>
</tr>
<tr>
<td>Protection, improvement and regeneration of the natural environment</td>
<td>266624</td>
<td>1.95</td>
<td>86</td>
<td>32</td>
<td>83.9</td>
</tr>
<tr>
<td>Maintenance and restoration of the cultural heritage</td>
<td>300330</td>
<td>0.3</td>
<td>94</td>
<td>31</td>
<td>77.9</td>
</tr>
<tr>
<td>Preparation, implementation, monitoring, publicity</td>
<td>223266</td>
<td>0.45</td>
<td>63</td>
<td>36</td>
<td>35.3</td>
</tr>
<tr>
<td>Information to the public</td>
<td>222805</td>
<td>0</td>
<td>73</td>
<td>24</td>
<td>95</td>
</tr>
<tr>
<td>Renovation and development of villages and protection and</td>
<td>169000</td>
<td>0</td>
<td>0</td>
<td>24</td>
<td>90</td>
</tr>
<tr>
<td>conservation of the rural heritage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversification of agricultural activities and activities close to</td>
<td>255819</td>
<td>0.81</td>
<td>100</td>
<td>36</td>
<td>90</td>
</tr>
<tr>
<td>agriculture, to provide multiple activities or alternative incomes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Encouragement for tourist activities</td>
<td>-</td>
<td>3.17</td>
<td>100</td>
<td>25</td>
<td>80</td>
</tr>
<tr>
<td>Protection of the environment in connection with land, forestry and</td>
<td>-</td>
<td>0.28</td>
<td>-</td>
<td>19</td>
<td>78.7</td>
</tr>
<tr>
<td>landscape conservation as well as with the improvement of animal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>welfare</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional/local roads</td>
<td>465000</td>
<td>0.41</td>
<td>100</td>
<td>28</td>
<td>67.9</td>
</tr>
</tbody>
</table>
Road construction and building components has by all measures the most prominent budgetary share (21%). The main activities under that heading relate to improving logistics, the road network and cross-border activities. The real impacts of these activities can only be seen in the longer term, and, as such, the programme period did not see a major increase in border crossing in the Karelia region. The next largest shares are allocated to sewerage and purification (9%) and drinking water (5%), as well as to research projects based in universities and research institutes (5%).

The cluster-based implementation rate varied from 63% (preparation, implementation, monitoring and publicity) to 100%. If one compares these figures with financial realisation percentages, it can be said that the overall absorption rate is rather good. The only areas with major difficulties in achieving financial commitments were some of the technical assistance areas and investments occurring at the beginning of the programme period.

3.1.2 Dynamic financial analysis

The purpose of dynamic financial analysis is to see whether there are major changes and reallocations between various priorities and measures during programme implementation and if so, what the major explanations are for this. Therefore, it complements the overall analysis made in the previous sub-chapter. Figure 3.3 summarises the implementation trends of the programme.

![Figure 3.3 Dynamic financial trends](image)

Figure 3.4 shows that the implementation of first three measures (1.1, 1.2 and 2.1) is rather linear throughout the programme period. Measure 3.1 however faced major difficulties at the beginning of the period. As noted previously the main reason for the emergence of these problems was the difficulty in getting national co-financing for the projects planned. That is mainly due to rather centralised budget and planning framework of national ministries (especially the Ministry of Transport and Communications). In 2006, ERDF finances totalling 1.13 million € were transferred to measure 3.2 from all other measures. This then explains why the trend line for measure 3.2 goes up over last two years of the programme.
Measure 2.2 aimed at increasing the basic safety and well-being of the citizens living in the border regions as well as addressing the impacts of various social problems on both sides of the border. Another objective was to improve cooperation between citizens and different organisations. Altogether, 22 Interreg projects were financed under the measure. As indicated by the implementation trends, the curve is rather flat throughout the programme period. This is due to the fact that most projects were small, grass-roots projects and the capacity of project owners implementing them was rather limited.

**Figure 3.4**  ERDF funding vs. national co-finance

Figure 3.5 illustrates that a major increase has occurred in national co-financing after 2003. This relates in part to the previous difficulties experienced in respect of national procedures in the investment projects, particularly during the period 2002-2003. Overall ERDF financing for the programme was 28 million euros (+ 3.8 million Tacis). National central government finance was approximately 24 million and municipal finance approximately 2.9 million. In addition to this the estimated share of private finance amounted to 13 million euros.

The *Euregio Karelia* Neighbourhood Programme includes a method which enables the division of projects according to their cross-border influence into three categories: 1) joint projects, 2) co-ordinated projects and 3) other projects. A **joint project** has been planned in the context of cross-border co-operation and is implemented on both sides of the border. A **co-ordinated project** has been planned in the context of cross-border co-operation, but is implemented only on the Finnish side. **Other projects** are planned and implemented in Finland, but are considered to have important cross-border influences.
Table 3.4 Final implementation of different types of projects

<table>
<thead>
<tr>
<th>Project type</th>
<th>Planned share (%)</th>
<th>Final share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint projects</td>
<td>25 %</td>
<td>18.8 %</td>
</tr>
<tr>
<td>Co-ordinated projects</td>
<td>65 %</td>
<td>60.4 %</td>
</tr>
<tr>
<td>Other projects</td>
<td>10 %</td>
<td>20.8 %</td>
</tr>
</tbody>
</table>

Table 3.4 shows the gaps between planned shares of different types of project vis-à-vis the final share. As can be seen, the actual share of both joint projects and co-ordinated projects at the end of the programme period remains lower than previously planned. This is mainly due to the difficulties experienced in mobilising resources on the Russian side. As noted previously, the level of Tacis-funding available was insufficient, particularly at the beginning of the programme period.

3.1.3 Intermediate conclusions

The intervention codes with the greatest budgetary importance in the Karelian programme (at the programme level) were tourism (codes 170 and 171 with around 16% of the total ERDF budget), infrastructure, forestry (code 122) and environmental infrastructure (code 340). In terms of project coverage: business advisory services (information, business planning, consultancy services, marketing, management, design, internationalisation, exporting, environmental management, purchase of technology) with 33 project references and non-physical investment (development and provision of tourist services, sporting, cultural and leisure activities, heritage) and code 354 maintenance and restoration of the cultural heritage both with 27 references. In terms of total financial allocations at the project level, the main themes include road construction and building sewerage and purification (9%) drinking water (5%) and research projects based in universities and research institutes (5%).

The mean absorption rate at the level of codes is at 84.3% for the Karelia programme which is slightly above average for strand A programmes. In terms of the codes, all intervention codes performed well in absorption, most absorbing relatively more than INTERREG or strand A on average. The only exception here was for the horizontal codes 412, 413 and 415 which showed relatively poor absorption rates though this does not automatically indicate a poor use of evaluation, studies or publicity measures. One reason for the low absorption rate for the latter area was, according to the MA, been the rather bureaucratic procurement procedures (based on Finnish procurement rules) that have hindered the use of external expertise in terms of carrying out studies and ad hoc evaluations. Otherwise the use of evaluation (e.g. mid-term evaluation) was appreciated as very beneficial. Several studies were funded in the Karelia programme, but not necessarily booked under code 413. The ex-ante budget has, in principle, met the effective demand. Projects under measures 2.1 and 2.2 can, to some extent however, be said to have exhibited a lack of critical mass (in terms of capacity).

When it comes to the ex ante share of the budget and the ex post share of the expenditure and non-member contributions, it can be said that there were (particularly in the early years of the programme) major problems in getting co-financing from the Russian side. At the end of the period the amount of Tacis-finance had however increased. In spite of this most measures
displayed a linear trend. Major reallocations in 2006 were targeted to measure 3.2 (mainly from 3.1). A flat curve was found in Measure 2.2. One of the difficulties concerned the gaining of a sufficient amount of national co-financing for investment and construction projects. This was mainly due to the medium and long-term budgeting and planning system applied by the Finnish Ministries (e.g. the Ministry of Traffic and Communication). Despite these problems the MA and the selection committee were able to adjust the programme allocations to reflect changes taking place in the operating environment in all of the regions involved in the process.

3.2 The effectiveness of the programme

3.2.1 Planned results, achievement rates at the measure level and trend patterns

This chapter aims to shed light on the degree of achievement reached in terms of the goals initially set, as well as undertaking an analysis of the degree of relevance with regard to local needs. Effectiveness as defined here refers to the degree of pre-defined objective(s) achieved. In its simplest form it is just a comparison of plans and achievements. It should however be noted that the results obtained are not necessarily relevant; the results may also be obtained at a high opportunity cost. This means that there may have been better alternatives available to the goals actually set and attained.

It is stated in the programme document that the horizontal themes should be realised in all activities. The horizontal objectives to be taken into account are sustainable development and environment, equality and the Information Society. According to the monitoring data collected between 2003 and 2008, the objective level has been best achieved in the number of Information Society projects while the results obtained in both the environmental and the equality projects have fallen short of the targets set.

Figure 3.5 Achievement rates in horizontal themes
Taking into consideration the programme’s objectives and the focus areas set by *Euregio Karelia*, the goal in terms of the number of Information Society projects was attained across the whole programme period. Information Society projects have usually been operationalised through technical solutions such as portals and network-based solutions intended for cross-border cooperation. The initial objective was that a total of 30 Information Society projects should be set up during the programming period. As early as 2003, a total of 21 such projects had been launched and by the end of 2007 a total of 34, as compared to the original target of 30, were in operation.

According to the monitoring data, the environmental achievements of the programme have not however met the objectives set throughout the whole programme period. Already in 2003 it was realized that the requisite number of projects with a positive environmental impact will not be achieved and that the objective set clearly appeared to be overly optimistic. The objective set for the whole programme period in this regard was 80 projects but by 2003 the number of such projects was only 19. As proposed by the Finnish Ministry of Environment, the objective for projects with environmental impacts was set as a 20 per cent share of all ERDF financing. Referring to the situation at the end of 2005, the share of the projects with environmental impact was a mere 8.25 per cent. This target level was not reached although there has been a considerable increase as compared to the situation of the end of 2004 (1.4 per cent). Despite the slow beginning, at the end of the programme the share of the projects with environmental impacts was only 17.3 per cent a headline figure that lags behind the 20 per cent objective only slightly. It should however be noted that although not all the projects as such are environmental projects, their impact on the state of the environment can be considerable. A good example of this is the large-scale development project for making community-level energy supply more effective.

It should also be noted that in terms of the question of environmental impacts, the need to address this issue are much greater on the Russian side of the border, though the programme does not provide the means to sufficiently influence them. As early as June 2003, the Monitoring Committee meeting raised the issue of the extent to which the authorities filling in the evaluation forms share a common view on the definition of environmental impact (positive, negative or neutral). To some extent this viewpoint might be extended also to other themes, such as the national financing authorities who fill in the evaluation forms and who often view the projects and their contents somewhat differently. In addition, project size can also vary a great deal and the monitoring data alone does not tell us much about the projects’ real impacts. In conclusion it seems that the degree of realisation in terms of the themes does not capture particularly well the success of the cross-border programme.

Achieving the objectives set with equality projects has also been challenging. The objective of the Interreg programme is to promote cross-border cooperation and to provide citizens with better facilities for the creation of contacts and interaction with people across the border. The number of projects with such a target has however been small throughout the duration of the programme period. During the first year of the programme the number of such projects was only 7. By the end of the programming period while that number had risen to 13 the objective for the programme was 30 thus representing a failure to meet the set target.
INTERREG III ex-post evaluation. In-depth evaluation of the PROGRAMME: INTERREG III A KARELIA (Finland-Russia)

At the level of cross-border cooperation the programme objective has not been reached either. The objective at the programme preparation stage was that by the end of the programming period, joint projects should make up 25 per cent of all funded projects. The level realised was however only 18.8 per cent. The target set for coordinated projects was however almost realised, with the highest peak being reached in 2005, when 64 per cent of the projects funded by the end of the year were coordinated projects, with the objective being set at 65 per cent.

As to the impact on the employment sector, it was expected that the projects would produce a total of 400 new jobs (set objective) by the end of the whole programming period. The last monitoring data is from 2007 and it was estimated that some 800 permanent or temporary new jobs had been created in the projects. According to information obtained from the various projects, it was possible to maintain as much as a 1386 jobs through the projects including fixed-term project employees. However it should be noted, that the figure is based on the subjective estimates of the project actors and the number of maintained and new jobs can at best only be regarded as indicative.

Concerning the business sector, the objective set at the programme preparation stage was that a minimum of 300 companies should be involved in projects during the programming period. Compared with the target set, there are actually very few projects directly subsidised and implemented by single companies. At the end of the programme there were only 17 companies that were supported directly through such projects. Notwithstanding this, the inquiry conducted for the project actors in 2003 indicated that many companies are however engaged in one way or another in projects supported through the programme activities. The inquiry concluded that at the end of 2003 as many as 513 companies were participants in ongoing projects. In addition, many companies have participated in broad development projects, which were mainly run by a public organisation. In conclusion, the objective set for the business sector was not reached on the basis of a narrow interpretation of the goals set, but when the results are considered from a broader perspective, they are nevertheless remarkable.

The aim of priority 1 (Business Activity) was to develop cross-border business cooperation as well as to promote the development of new forms of cooperation. During the programme a significant amount of effort was exercised in committing companies to the implementation of the programme. The most important indicators used to measure accomplishment in business activity are the number of new companies set up, the number of companies that export their goods and/or services and the number of overnight stays of Russian tourists in the programme area. Projects implemented in the context of priority 1 generated a total of 42 new companies while the objective was 60 companies. The ability of the programme to create so many new enterprises in the border regions of Finland and Russia has also been improved during the programme period.

One of the other most important indicators set to measure cooperation was the number of Russian tourists in the programme area. The objective set was 65 000 overnight stays. The actual number was however as high as 106 177 stays recorded in official statistics for 2007 so the target was considerably exceeded. The number of Russian tourists actually rose markedly in Kainuu, Northern Karelia and Northern Ostrobothnia. It should be noted however that the growth in the number of Russian tourists visiting Finland in general is clearly on an upward trend. Thus, the intense growth experienced in the programme area cannot be solely (or even mainly) explained by
INTERREG III ex-post evaluation. In-depth evaluation of the PROGRAMME: INTERREG III A KARELIA (Finland-Russia)

changes triggered by the programme activities, although tourism as a sector has been well represented amongst the project activities.

The objective for priority 2 (Education and Regional Development) was to develop cross-border cooperation from the point of view of citizens and the Information Society with reference to their joint culture, nature and border. The key targets were to develop expertise, culture cooperation, well-being and civil organisation activities. As a result of very active project efforts within this priority, the situation in respect of the quantitative objectives set for the priority seems quite positive. The most remarkable result is that almost 7716 persons have participated in the seminars and training occasions arranged in connection with the priority compared to the original target which was just 500. In addition, educational institutions and research organisations have work very actively to set up expertise networks. In addition, a total of 24 cross-border expertise networks between research institutions were formed while the initial aim was as few as 3. However problems also emerged in respect of how to define a well-functioning network and how the networks in general describe the productivity and efforts of an ongoing action. Concerning tourism and culture many new products has been launched. This generally reflects the activeness and productivity of tourism and culture projects though it might also simply result from poor cooperation between project actors.

In priority 3 (Transport and Communication) the overall objective was to develop functions supporting border-crossings and to make the actual border-crossing procedure more flexible. The aim here was to improve border-crossing points in the area and to support cross-border cooperation by developing collaboration in regional planning. Border-crossing was also promoted by improving the transport and telecommunications infrastructure. The number of border-crossings however actually fell from previous years at the programme area’s international border-crossing points. The total number of crossings in 2007 was 1 325 447 compared with 1 434 650 in the previous year, so the border crossing in the programme area has seen a downward trend.

The objective was also put in place to build or restore 50 km of roads leading to the border-crossing points but only 32.79 km was realised. It was stipulated that the renovation and improvement of roads leading to the border-crossing points should be done with financing from the Finnish state budget. The role of the Neighbourhood Programme’s ERDF financing has in some cases then been to speed up the implementation of the projects connected with border crossings that would otherwise not be financed in the foreseeable future. Subsequently however it was stated that the resources of the Karelia ENPI CBC programme will not allow for the implementation of major investments connected with the road network. Priority 3 started slowly, primarily for administrative reasons, and this most likely explains why the intended goals were not achieved.

In the telecommunications area progress fell short of expectations. The number of projects developing a cross-border telecommunication infrastructure was five instead of the objective of eight. The biggest problem seen in promoting Information Society projects is caused by the weak telecommunications infrastructure in the Karelian Republic and the poor connections across the border. At present all telecommunication between Finland and the Karelian Republic go through south-eastern Finland to St Petersburg and from there further to Petrozavodsk and to the other centres. Connections from Petrozavodsk onward to the regional centres in particular are weak.
Other essential factors which hampered the success in the Information Society theme were due to disappointments in respect of the large scale eKarelia – Tacis project. High expectations existed in respect of this project which was designed to improve the overall impact of projects funded through the Neighbourhood Programme. The coordination of project activities however simply did not achieve its intended aims. In respect of programme implementation, the project implementation strategy was restricted to only a few unconnected actions. The need for action in respect of a more comprehensive implementation of this kind of project and the support of the whole strategy has already been recognised by the programme management.

The mid-term evaluation paid attention to some of the objectives already achieved or even exceeded by the end of 2002, which seemed to indicate a low level of ambition, e.g. with regard to the number of participants in training. The number of enterprises supported through programme actions was also surprisingly high, when taking into consideration the fact that the interest of enterprises in planning and management of the Interreg projects is, on average, considered to be low because Interreg did not enable direct investments to be made on the Russian side.

Similar conclusions can be drawn from the most recent monitoring data. Many of the objectives set at the beginning of the programme have been exceeded. These include for example the number of cooperating enterprises, enterprises that have started export or import activities, new tourism enterprises operating in relation to Russia, new tourism products and programme services directed to Russia, the number of reports supporting facilities for business life, the number of new service projects supported cross-border business cooperation, participants in training, the number of participants in language courses funded through the programme (Russian language courses), new cultural and tourism products and the number of organisations participating in training products. As noted previously, at the same time many of the set objectives are however lagging behind their targets.

As noted in the mid-term report, achievement of the set objectives with regard to jobs and especially with regard to new enterprises will remain a challenge. As employment levels have been identified as one of the most challenging overall societal factors, the importance of the number of new jobs developed was extremely high. The objective for the whole programme was to create 400 new jobs but according to monitoring data the programme has helped to create a total of 799.02 new jobs. It should be noted though, that another target was to develop 400 permanent jobs, while the total number of permanent jobs was 425.27 after the programme. Thus it can be concluded that every temporary job created can be seen as an additional benefit.

What is alarming however, and not only from the viewpoint of employment, but also from that of the horizontal equality objective set for the programme, is the lack of permanent jobs created, especially for women. It is remarkable that as much as 55% of all the new jobs generated for women are temporary in character, while the respective share among jobs generated for men is only 41%.

It has also to be asked, to what extent can the quantitative indicators capture the success of the programme and are they indeed really suitable for its measurement? This issue has been referred to many times in the annual reports of the programme. It is obvious that the evaluation of
quantitative results merely on the basis of the information reported by the projects delivers only a limited picture of the impact and results of the programme. In many cases the reported quantitative results are the outcome of not only project activities, but also of other, external factors. Often the latter can play an even more important role than do the active efforts taken in the project. It is also possible then that the same information in respect of results is recorded for several projects that have received financial support from different sources. When the different programmes are then summarised, the final outcome can greatly differ from the real-life situation.

During the mid-term evaluation the project leaders were asked about their project’s most important permanent impact in the project’s target area (in Finland and in Russia). They mentioned many types of programme impacts not included in the formal monitoring data. The additional impacts of the programme range from business-related to attitudinal in nature e.g. the increase in Russia-related expertise in Finland, new cross-border business partnership and joint ventures, increases in cross-border trade and in turnover, improvements in the tourism infrastructure and more efficient marketing, cultural co-operation and increased interaction at the civil society level, also gradually leading to changes in attitudes. Similar effects were identified in the project case study analysis undertaken as part of this ex post exercise in addition to numerous learning effects related to working practices, e.g. new methods and concepts for cooperation.

According to the observations of the project leaders it seems that the programme puts emphasis both on tangible results and on learning and experimentation effects. In the view of the project leaders there are thus many ‘results’ which cannot be directly monitored with the monitoring indicators. In their opinion the most important result arising from the programme is that the project actors emphasise the transfer of expertise and the exchange of information as well as the creation of new expertise networks as significant project results. They also create more open discussion about existing problems, which is a prerequisite for solving many of these problems and is considered important especially for that part of the projects related to trade. More efficient border crossing procedures as well as improvements in the functioning of basic infrastructure installations are also emphasised.

When the different measures are compared, measure 1.2 ‘promotion for preconditions for business life’ emerges as the most effective, followed by measure 1.3 (education and culture) and 1.1 (increasing cross-border cooperation between enterprises). Traffic and telecommunications and welfare and civil society are clearly the two measures which fall furthest short of the targets set, thereby also reflecting the inability to engage actors and stakeholders from these fields in project implementation. In the future, when preparing similar cross-border programmes and measures, the need to involve and engage stakeholders from these fields already at an earlier stage and in programme preparation is clearly a question that should be addressed if effectiveness in these fields is to be improved.
Figure 3.6  Achievement rates at measure level
3.2.2 Reviewing programming quality and programme relevance on the basis of the results achieved

Based on the financing framework set by the Commission the regions drew up the Interreg III A Karelia Programme for the years 2000-2006 in accordance with the Commission guidelines and instructions from the Finnish Ministry of the Interior. The programme was prepared in cooperation with the authorities of the Karelian Republic. At the same time the regional cross-border co-operation programme with the Karelian Republic was also prepared. These two programmes had many common mechanisms (starting points, SWOT analysis and priorities) which generated lots of synergy-benefits for both programmes. A joint summary was drawn up of the programmes (Our common border) and this summary serves as a basis for the Executive Committee of Euregio Karelia. This joint programme approach undoubtedly reflects the regions’ inclination towards closer co-operation.

In preparing the Interreg Karelia Programme special attention was paid to the focus on cross-border co-operation development. In the previous period the programme was not so precisely defined. One of the objectives of the previous programme was to assist in dealing with those problems associated with the region’s remote location though it lacked a clear connection with cross-border co-operation as such, while in the Interreg III A Karelia Programme the main objective was subsequently defined as being “to increase welfare in the programme area through the cross-border co-operation and to create a new, well-functioning model of co-operation with Euregio Karelia for the border region between the EU and Russia”.

Figure 3.7 Achievement rates at programme level

![Graph showing achievement rates at programme level](image-url)
INTERREG III ex-post evaluation. In-depth evaluation of the PROGRAMME: INTERREG III A KARELIA (Finland-Russia)

The major question here then is whether the programme has been designed to systematically address the strengths and weaknesses which were initially diagnosed.

The SWOT analysis undertaken in connection with the programme preparation presented in the programme document was drawn up on two levels; besides the basic need assessment, it also describes the state and opportunities of cross-border co-operation. The initial analysis here is placed on the programme-specific border effects so that the border effects were not just assumed in general to take place. In the SWOT attention was given, for example, to the views of different kinds of actors and institutions, to the specific cultural issues of the region, to existing networks, natural resources and to geopolitical and traffic-related issues.

Co-operation in the areas of developing natural resources and tourism, as well as Information and civil Society were seen as particularly important across the entire border region. Cumulative migration patterns and the weakening of service supply were seen as a threat on both sides of the border. Criminality, health and safety issues and the risks associated with these issues were identified as being among the major risks in the border-area. The existence of a common cultural identity, possibilities, meeting places and facilities for co-operation as well as specialised centres of expertise were all considered as being particular strengths upon which the region should build. Limited traffic connections in the Karelian Republic, differences in the co-operation cultures and poor language skills, as well as a lack of support services, were also seen as weaknesses.

The ex ante evaluation of the Programme was carried out by Nordregio, together with the University of Tampere. It was stated in the ex ante evaluation that a distinct emphasis had been placed on the characteristics of the border region than in the previous programming period and that the description and analysis of the programme area was seen as valid and pertinent. The major aspects of spatial development were thematically considered in the baseline analysis, though the analysis of the programme area still remained rather superficial. It can however be said that the data analysis for the baseline study is accurate, and that both strengths and weaknesses are identified. The regionally specific deviations between European Union and Russia have been recognised, but these have not been specifically taken into account in the programme strategy.

Overall, the ex ante evaluation stated that despite the careful analysis of the programme area, the main objectives of the programme are pitched at a rather general level and thus the initial needs of the programme area is not made sufficiently tangible and operational. The connections between the introduction of the priorities and the programme’s points of departure (common cultural heritage, common nature and common border) are well made and extensive offering a framework for concrete actions to be pursued by the project-level actors. A major noted advantage of the programme is its connection with the regional cross-border co-operation programme of the Karelian Republic.

The interview with the managing authority confirms that the programme strategy was only partially constructed on the basis of the socio-economic analysis, and there were still many elements in the programme which remained un-addressed in the analysis. According to the managing authority’s view, the reason for the general nature of the original objectives was simply that the specific concepts and models for realizing cross-border cooperation were still weakly
developed at this stage. Instead the purpose of the programme was to provide opportunities to explore and facilitate new forms of cooperation across the board. The type of action most likely to reap rewards and best utilise the potential for successful cross-border cooperation was not yet clear at the preparatory phase of the programme. In this regard the nature of the programme was indeed experimental. The value added of cross border cooperation is in itself an area where additional learning and analysis was required, instead of relying on already tested models and well-established concepts and indicators.

Analysis has shown that the central monitoring indicators are not specific enough to measure the quality of the project. In the area of regional development as a whole the impact of an individual action or measure is a sum of several variables and there are both expected and un-expected results and impacts involved. Tracking the causal chains directly from single programme instruments down to the number of new jobs and enterprises often over-simplifies the complicated paths of development. For example many of the monitoring indicators totals the different kinds of projects (e.g. number of cooperation projects of citizens’ organisations, number of projects promoting public health in the border region and number of projects improving treatment of municipal and industrial waste) undertaken. This kind of monitoring data is very formal and only describes the types of inputs (i.e. the kind of action) that have been taken during the programme. It however fails to sufficiently grasp the results or the real effects of the programme. Other monitoring data, such as the number of cooperating enterprises, participants in training, new jobs total or number of roads leading to the border-crossing points built or restored may thus be more indicative of the result and impacts of the programme.

There are also problems in measuring jobs created or maintained as a result of the programme. In many cases the figures reported for individual projects only represent the subjective estimates of the implementing party. In addition, considering the entire EU programme policy, there is always the danger that job figures are calculated and reported for more than one project or intervention, i.e. the same jobs are double-counted, or registered for more than one project or programme. If the coordination of regional development efforts also entails co-financing from different programme sources, in the worst case scenario each of the interventions calculates and reports the same jobs as its own output. The results should therefore be regarded as indicative, as in many projects it is difficult to indicate what jobs actually resulted from a given action or how the project has contributed to the maintaining of jobs. Indirect employment effects are often assessed to be considerable, as a result of which projects often report higher job numbers. This problem was also recognised in the mid-term evaluation update drawn up in 2005.

The indicator data measuring the results is necessary and important, but its interpretation requires a more comprehensive analysis, also entailing a qualitative view of the development of operating facilities in the programme area. When examining the influence of individual programmes, efforts should be made to delve deeper, beyond the surface of the indicator data, which describes the development, but also necessarily simplifies the complex reality. The final impacts of projects and programmes are generally created through transmitting mechanisms related to human activities, such as decision-making structures, commitment, networks, partnership and participation. Many of the results and longer term effects achieved thus escape measurement by monitoring indicators. The quantitative results give only a very limited picture of the impact and results of the programme. Taking into consideration the enormous differences
between the EU and Russian border areas, the achievements in attitudinal issues cannot be measured by simple indicator systems alone, though they may yet prove to be the most important effects in the long run. Included here would be the building of bridges and the setting out of the preconditions for future cooperation. The nature of the most significant results and effects is often more qualitative in nature perhaps rendering it impossible to set specific monitoring data for the achievements and real impacts of the programme.

<table>
<thead>
<tr>
<th>Criterion / scoring</th>
<th>excellent</th>
<th>sufficient</th>
<th>poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data use and analysis</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clear conclusions</td>
<td>Conclusions are clear, though rather superficial.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality and logic of the SWOT analysis</td>
<td>Thematical the major aspects of spatial development are considered in the baseline analysis, though the analysis of the programme area is quite superficial.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consistency of the programme strategy</td>
<td>Despite the careful analysis of the programme area, the main objectives of the programme are at a very general level and thereby also the initial needs of the programme area are not made tangible and operational enough.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determination of programme measures</td>
<td>Most of the programme measures are quite general and ambiguous.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.2.3 The level of complexity and experimentation achieved by co-operation

In the course of the evaluation process questions over the utility of indicators in respect of INTERREG was raised. When drafting the indicators table we did not have access to the general level data on the limited nature of indicators in INTERREG. In many other programmes if a measure has not achieved the planned results this does not necessarily mean that the action was ineffective because many of the activities may have been largely experimental. In such cases “a trial & error approach” adopted within a project may fail but the project is not necessarily unsuccessful because it may motivate the partners to subsequently try an alternative approach. This leads to learning and fosters the growth of networks and thus is rather more positive than negative.

As has been argued in the context of the applied indicator system the programme has, in part, performed better that expected though at the same time achievement rates in traffic and telecommunication systems, transport and communication, as well in welfare and civil society notably lagged behind objective levels (see table in chapter 3.2.1.). The projects executing these measures have however been neither experimental nor complex in nature. Thus, it cannot be said that failures in respect of these measures occurred through trial and error. Instead, these measures indicate the level of success in basic development projects with the role of supporting
all the other functions at a very basic level. Controversially perhaps the most experimental projects in the business sector have been most the productive.

The indicators selected, however, are only of limited use in monitoring the performance of the programme. The high average achievement rates and at the same time the strong negative deviation of those rates seems to suggest that ex-ante quantifications were less than realistic. The programme has put much more emphasis on the quality of the projects and the indirect effects triggered by networking and learning. The introduction of a monitoring at the project level would thus require a different programme monitoring approach, based more on qualitative indicators. For the programme monitoring, either an explicit weighting of the different indicators or more realistic target values should have been applied.

Figure 3.8 Realisation rates per indicator

<table>
<thead>
<tr>
<th>Measure</th>
<th>Description</th>
<th>Ex post achievement %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure 1.1.</td>
<td>Increasing cross-border cooperation of enterprises</td>
<td>269,5</td>
</tr>
<tr>
<td>Indicator 1.1.1.</td>
<td>Number of cooperating enterprises</td>
<td>391,0</td>
</tr>
<tr>
<td>Indicator 1.1.2.</td>
<td>Enterprises having started export or import</td>
<td>306,7</td>
</tr>
<tr>
<td>Indicator 1.1.3.</td>
<td>New tourism enterprises operating to the direction of Russia</td>
<td>293,3</td>
</tr>
<tr>
<td>Indicator 1.1.4.</td>
<td>New tourism products and programme services directed to Russia</td>
<td>276,7</td>
</tr>
<tr>
<td>Indicator 1.1.5.</td>
<td>Number of projects having taken into use environmental technology and/or developed environment-friendly products to cross-border cooperation</td>
<td>80,0</td>
</tr>
</tbody>
</table>
INTERREG III ex-post evaluation. In-depth evaluation of the PROGRAMME: INTERREG III A KARELIA (Finland-Russia)

<table>
<thead>
<tr>
<th>Measure 1.2.</th>
<th>Promotion of preconditions for business life in cross-border cooperation / Education and regional co-operation</th>
<th>1030,1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator 1.2.1.</td>
<td>Participants in training (men / women)</td>
<td>3086,4</td>
</tr>
<tr>
<td>Indicator 1.2.2.</td>
<td>Cross-border expertise networks between research institutions</td>
<td>800,0</td>
</tr>
<tr>
<td>Indicator 1.2.3.</td>
<td>Number of joint cultural events created through programme measures</td>
<td>60,0</td>
</tr>
<tr>
<td>Indicator 1.2.4.</td>
<td>Number of participants in language courses funded through the programme (Russian language courses)</td>
<td>174,0</td>
</tr>
</tbody>
</table>

| Measure 2.1. | Cross-border cooperation in the sectors of education and culture | 506,3 |
| Indicator 2.1.1. | New cultural and tourism products | 545,0 |
| Indicator 2.1.2. | Number of cooperation projects in the education sector directed to Russia | 90,0 |
| Indicator 2.1.3. | Number of organisations participated in training products | 1290,0 |
| Indicator 2.1.4. | Number of projects maintaining or restoring cultural or heritage landscapes | 100,0 |

| Measure 2.2. | Welfare and civil society | 48,3 |
| Indicator 2.2.1. | Number of cooperation projects of citizens’ organisations | 66,7 |
| Indicator 2.2.2. | Number of projects aiming at restoration and development of villages and protection of the rural heritage | 0,0 |
| Indicator 2.2.3. | Number of projects promoting public health in the border region | 60,0 |
| Indicator 2.2.4. | Number of projects improving the living environment in the border region | 66,7 |

| Measure 2.3. | Transport and communication | 65,9 |
| Indicator 2.3.1. | Number of border-crossings (international border-crossing points) | 68,7 |
| Indicator 2.3.2. | Number of international border-crossing points | 66,7 |
| Indicator 2.3.3. | Number of persons going to work daily to the other side of the border | not available |
| Indicator 2.3.4. | Roads leading to the border-crossing points built or restored through programme measures | 65,6 |
| Indicator 2.3.5. | Projects developing cross-border telecommunication infrastructure | 62,5 |

| Measure 3.1. | Border-crossings and regional planning | 87,2 |
| Indicator 3.1.1. | Number of projects rendering border-crossings more efficient | 95,0 |
| Indicator 3.1.2. | Joint land use plans | 66,7 |
| Indicator 3.1.3. | Number of projects improving treatment of municipal and industrial waste | 100,0 |

| Measure 3.2. | Traffic and telecommunication connections | 35,0 |
| Indicator 3.2.1. | Number of traffic infrastructure projects | 73,3 |
| Indicator 3.2.2. | Number of projects promoting the use of public transport | 0,0 |
| Indicator 3.2.3. | Number of projects promoting the use of environment-friendly logistics | 66,7 |
| Indicator 3.2.4. | Number of projects increasing environmental awareness through information service networks | 0,0 |

3.2.4 Intermediate conclusions

The patterns of effectiveness and performance are not fully in accordance with the expectations set for the programme. The measures that exceeded the objectives in cross-border cooperation between enterprises (average realisation 269.5 %), promotion of preconditions for business life in cross-border cooperation (average realisation 1030.1 %) as well as in cross-border cooperation in the sectors of education and culture (average realisation 506.3 %).

In proportion, measures in welfare and civil society (average realisation 48.3 %), transport and communication (65.9%) as well as traffic and telecommunications connections (35.0 %) the level
of success did not measure up to the objectives set. In respect of border-crossings and regional planning (achievement rate 87.2 %), the hypothesis was close to the objective set.

Concerning the horizontal objectives, the objective was reached in only a number of information society projects supported through programme measures (achievement rate 113%). The number of environmental projects (achievement rate 86.4 %) as well as equality supportive projects (achievement rate 43.3 %) was however smaller than expected. In addition, it is clear that on the basis of other indicators the programme is substantially deficient in promoting sexual equality. 

Taking into consideration the enormous differences between EU and Russian border areas, e.g. cultural and economic differences, as well as historical factors, achievements in respect of attitudinal issues cannot be measured by simple indicator systems alone. According to the project leaders the most significant result of the project is the new cultural and social bridges developed between the EU and Russian regions.

It was noted already in the context of the mid-term evaluation that many of the objectives were already achieved or even exceeded by the end of 2002, which seemed to indicate a low level of ambition and unrealistic targeting, e.g. with regard to the number of participants in training. A rather more technical reason for the gap is the unreliable data coded into the national monitoring system (Fimos), issue mainly related to double counting. This problem was raised by mid-term evaluators of the Karelian Interreg IIIA programme. According to mid-term evaluators (and also interviewees carried out during this evaluation) projects and JTS should pay more attention to the reliability of the data coded into the system. A special attention should be given to the cases where same beneficiaries are active in several actions to avoid errors of multiple coding. Priority 3 as well as the environmental achievements of the programme has been trailing behind the objectives set throughout the programme period. Priority 3 started slowly primarily for administrative reasons and simply ran out of time to catch up which led to the objectives not being achieved.

Projects were planned and implemented in a rather traditional 'Interreg style' so experimentation and the complexity of the projects did not influence the outcomes evaluated in this chapter. One of the most important results of the programme is that the level of trust between the partners has definitely increased. The results strongly suggest that the programme has had an impact to the extent that factors enabling cross-border co-operation are now more firmly in place. The level of effectiveness in this regard is still most visible in the creation of the preconditions for sustainable cross-border cooperation and the experience of achieving genuine value added for the stakeholders both sides of the border.

3.3 Project-level co-operation under the Interreg IIIA Karelia programme (Finland-Russia)

3.3.1 Sample of projects to be analysed in-depth

The core of the project-level investigation in the programme has been a series of in-depth project analyses. The function of the project analysis has been to provide an in-depth examination into the specific conditions of the programme implementation that prevails in the evaluated programme. The project analysis provides a starting point for cross-analysis task producing
evidence for the conclusions of the evaluation work. The primary source for the examination has been the points of view expressed and the experiences of those responsible for implementing the projects. The selection of a set of projects representing the implementation of the programme allows us to analyse in greater depth some of the key elements and dimensions of the programme.

The main goal in terms of the selection of the projects was to cover as many of the themes defined in the list of priority topics for the three Interreg III strands as possible as well as the main priorities set out in the programme itself. The selection of the projects also revealed various features and characteristics of the projects such as the projects’ budget, number of partners, starting date and outcomes.

The selection of the projects for the in-depth evaluation of the Interreg IIIA Karelia Programme was made in two phases as defined in the Inception Report of this evaluation. First, the evaluators chose ten projects on the basis of the above-mentioned criteria paying particular attention to the priority topics for the three Interreg III strands. The intention here was to find a satisfactory balance between the priority topics and also the programme priorities. The evaluators also paid attention to project documents and project descriptions in the publication “EUREGIO KARELIA Neighbourhood Programme projects 2001-2008”, in which all projects financed in the programme were presented. After making an initial choice for a project evaluation shortlist the evaluators contacted the Joint Technical Secretary of the programme and invited the Managing Authority to select five projects for in-depth analysis. One of the five projects identified was also identified as a possible good practice example which would highlight the community added value of the Interreg programme.

Before outlining the selected projects the overall distribution of projects between measures in the Euregio Karelia Interreg Programme is displayed in the figure below. Most of the projects were financed under the programme’s priority 1 Business activity, in which the projects are divided rather evenly between measure 1.1 Increasing cross-border cooperation of enterprises and measure 1.2 Promotion of preconditions for business life in cross-border co-operation. Most of the projects in priority dealt with issues like tourism and forestry which are the most important and visible cooperation areas between Finland and Russia. Selecting projects from priority 1 of the programme was also emphasised because it included projects directed to promote environmental cooperation and the energy sector.

Measures 2.1 Cross-border cooperation in the sectors of education and culture and 2.2 Welfare and civil society were financed under priority 2 Education and regional cooperation, which comprised significantly fewer projects than those under priority 1. Priority 3, Transport and communication, contained the least number of projects of the three priorities in the programme.
In total, the *Euregio Karelia* Neighbourhood Programme financed 200 Interreg projects and 20 Tacis projects. The pre-selection of the ten projects was done according to the criteria described above. The pre-selection comprised the following ten projects:

<table>
<thead>
<tr>
<th><strong>INTERREG-A Priority Topics</strong> (Communication)</th>
<th><strong>Pre-selection of projects</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing cooperation in the legal and administrative spheres to promote economic development and social cohesion</td>
<td>Russian legislation for entrepreneurs and authorities in the Interreg III A Karelia -region (<em>RusLex</em>)</td>
</tr>
<tr>
<td>Sharing human resources and facilities for research, technological development, education, culture, communications and health to increase productivity and help create sustainable jobs</td>
<td>STEP – neighbourhood portal for social and health care</td>
</tr>
<tr>
<td>Increasing human and institutional potential for cross-border cooperation to promote economic development and social cohesion</td>
<td>The project of theatre cooperation</td>
</tr>
<tr>
<td>Promoting the integration of the labour market and social inclusion</td>
<td>Developing the capacities for immigration customised for labour needs</td>
</tr>
<tr>
<td>Encouraging entrepreneurship and the development of small firms (including those in the tourism sector) and local employment initiatives</td>
<td>Cloudberry 2002–2004</td>
</tr>
<tr>
<td>Increasing human and institutional potential for cross-border cooperation to promote economic development and social cohesion</td>
<td>RockBridges</td>
</tr>
<tr>
<td>Encouraging entrepreneurship and the development of small firms (including those in the tourism sector) and local employment initiatives</td>
<td>Developing the networking and material facilities of stone sector enterprises</td>
</tr>
<tr>
<td>Promoting the integration of the labour market and social inclusion</td>
<td>The new dimensions of network education</td>
</tr>
<tr>
<td>Encouraging the protection of the environment (local, global), the increase of energy efficiency and the promotion of renewable sources of energy</td>
<td>Karelian Villages – Intelligent Energy Services</td>
</tr>
<tr>
<td>Improving transport (particularly measures implementing more environmentally-friendly forms of transport), information and communication networks and services and water and energy systems</td>
<td>Northlink</td>
</tr>
</tbody>
</table>
The final selection of the five projects for the in-depth study was made on the basis of documentary analysis and the criteria presented in the Inception Report. The selection process was aided by the Joint Technical Secretary because at the final stage before completing the interviews one of the five chosen projects had to be substituted with an alternative because the persons responsible for the project were not available.

The five selected projects for the in-depth study were as follows:

- Russian legislation for entrepreneurs and authorities in the Interreg III A Karelia -region (RusLex)
- STEP – neighbourhood portal for social and health care
- Rockbridge
- The new dimensions of network education
- Karelian Villages – Intelligent Energy Services

3.3.2 In-depth evaluation of projects realised under the priority topics of the Community Initiative

Project analysis 1: RockBridge

Background
The project RockBridge concentrated on the export of Finnish rock music to Russia. The project was proposed by the Association for Pop Musicians in Joensuu and realised in cooperation with the Myllärit Centre. The intention in the project was to make Finnish rock music better known in Russia and to build a cultural bridge for youth culture across the border. For this purpose, the project organised six concerts on the Russian side and three on the Finnish side of the border. In the concerts, bands performed from both of the countries gaining experience of what it was like to perform abroad. The RockBridge project did not solely promote the organisation of concerts; the purpose was generally seen to be about the promotion of cross-border ‘rock tourism’ and the establishment of permanent cooperation between Russian and Finnish musicians.

The RockBridge project was implemented between 2003 and 2005 and its total budget was €196,002.

Phase initialisation
The project was selected in the rolling application procedure.

First initiation of the project took place in the Finnish-Russian Cultural Forum, which is an annual meeting organised by the Ministry of Education and the Russian Federation Ministry of Culture. The Cultural Forum seeks to activate and promote direct cultural cooperation between civic organisations, cultural institutions and artists. Actors from both sides of the border had an opportunity to acquaint themselves with potential project partners. Discussions in the Cultural Forum subsequently led rather quickly to real project preparations which were quickly completed. The groundwork for the project was done in the Cultural Forum. The project partnership comprised of only two partners which made the project planning phase easy to manage. It is also
worth mentioning that although the partnership was small the number of people involved in the project on a voluntary basis and primarily as a hobby was quite extensive.

Youth culture has been considered an important strand of cultural activity for some time but not necessarily as a dimension of development policy. In the programme document, ‘youth’ is mentioned only in relation to youth work designed to prevent social problems and promote education. Youth culture has not however been systematically processed or developed in the programme which was a major factor in project approval.

**Partnership and sustainability**

The partnership was genuinely based on common action at the local level. On both sides of the border local actors were responsible for organising the concerts and for the travel arrangements of the bands. Connections between local actors were already set up before the project commenced. The partnership approach was applied to the preparation and the launch of the first project activities. The lead partner in the main coordinated the project activities. The project included a participatory process designed to elaborate further a shared diagnosis and need assessment that was actually already agreed in the initiation phase of the project. This was possible primarily due to the small partnership of the project. The partners and beneficiaries had homogenous expectations regarding the project objectives. Naturally objectives were also important to achieve but the nature of the project was to reach out to as many young people as possible and widen their knowledge about cross-border cooperation. Young people having often in the past been left in the shadow of projects related to business, the environment and even social issues.

The project succeeded in enhancing awareness of common challenges and perspectives in cross-border cooperation. The project was to a large extent able to recognise also the Russian side’s demands for the development work that is not generally the case in all development projects. In promoting youth culture the level of demand and interest was consistent on both sides of the border. This kind of attitude in the context of project undoubtedly helped to address the issue of mistrust mainly through working together on very concrete issues. Especially important in this sense was the ability to increase each other’s knowledge and thereby strengthen the partnership both in the context of the specific project and also more generally.

**Implementation and impacts**

The project was experimental in nature because it was the first of its kind to promote youth culture through rock music in the context of the cross-border cooperation of Euregio Karelia. Unfortunately, the project did not continue after official project termination. The overall impacts were however both perceptible and traceable in the target regions. On the Russian side of the border the impacts were highly concrete because the youth culture there was not as mature as in Finland. Previously there had been no instances there of concerts organised by and directed at young people whereas in Finland there is a long tradition of organising rock festivals and concerts.

The INTERREG co-funding has as a condition the continuation of actions begun in the context of the project. The demand remains for comparable actions on both sides of the border but especially on the Russian side. The annually organised Ilosaari rock festival in Joensuu has continued, in
part, to apply the concept and an event is organised every year where young musicians have the possibility to perform.

Organisational learning has to a large extent been the added value for the partners but also for the region as a whole. The project succeeded in creating a concept focused on developing and promoting youth culture in terms of cross-border cooperation. The concept is actually rather simple, comprising of rock concerts on the both sides of the border, but the success of the idea depends on the abilities of active persons at local level. However, the major problem in the approach was that realisation of the concept was based on the activity of a limited number of people. The concept also became well-known outside the target regions and the project partners have subsequently been asked to organise corresponding concerts and events at other culture festivals in the programme region. This has helped to develop something of a regional benchmarking process in relation to the RockBridge project. The stakeholders involved in the project were satisfied with the outcomes and implementation of the project. In the main they acknowledged the experimental nature of the project and identified new modes of actions to be applied in their own development work.

Administration
The project partners did not detect any deficiencies in the programme strategy. Where difficulties did arise the partners always received assistance from the Managing Authority and the Regional Council. The only problem in managing the project was the long waiting time experienced for payments. The lead partner of the project was an association which did not normally have access to such liquidity to enable it to administer such a large budget.

Project analysis 2: The new dimensions of network education

Background
The project ‘New dimensions of network education’ was designed to support and facilitate the movement of labour force across the border. One of the key areas in project activities was the transition training of Russian immigrants to enable them to be employed in the Finnish labour market; another was the promotion of cooperation between Finnish and Russian educational institutions and businesses. The project made use of modern technology, learning environments and interactive media-based on internet solutions in its training segment. The creation of new partnerships was one of the aims of the project with a view to sustaining project structures after project termination.

The project the ‘New dimensions of network education’ was implemented between 2005 and 2007 and had a total budget of € 216,000.

Phase initialisation
The project was selected in the context of a call for proposals.

Labour immigration at the national level has been one of the key areas in political discussion. The Ministry of Labour (from 2008 onwards renamed the Ministry of Employment and Economy) launched, in 2005, a programme to promote active labour immigration in order to make Finland a more attractive workplace and to develop integration services for immigrants. Labour immigration
from Russia into the programme region was rather high during the last programming period thus making the demand for such a project all the more understandable. The lead partner was also a co-initiator of the project.

On the other hand the requirement also existed to develop a new kind of educational environment in order to reach as large a group of immigrants as possible and also to secure balanced access to training on both sides of the border.

**Partnership and sustainability**

Project cooperation was ultimately broader than initially planned. The background to active cooperation was an earlier project implemented at the beginning of 2000s, which was largely based on the same partnership structure. The partnership approach was actively applied in the project from the outset and undoubtedly assisted project partners in the reaching of a mutual understanding in terms of the demands of the project. The project partners did not make any separate diagnosis for the project. They had from the beginning a shared view as regards project expectations primarily based on their previous work together.

The project succeeded in highlighting the need for a common awareness of the challenges faced across the border. General development is very much parallel on both side of the border: the existence of an ageing and declining population and the strong outmigration of young people. The policy outcome of these developments included the rising cost of education provision in these regions to which network education may offer a potential solution. The project could only really address the issues of suspicion and 'difference' to only a minimal extent but did however succeed to some extent in building a better understanding of Russian circumstances on the Finnish side of the border. Many of the actors and stakeholders involved in the project had their first experiences of international cooperation in the context of this project. Visits were particularly important in building mutual understanding between partners and beneficiaries on both sides of the border.

**Implementation and impacts**

The project was again largely experimental in nature because it included the testing of developed arrangements for network education. In the past few years network education has expanded into universities and colleges but it has not yet been applied to immigration transition training. The project succeeded in increasing the immigration of Russian students to Finland but there have been less Finnish students moving to Russia. However, the project was also able to establish some regional partnerships between various actors involved in education and business. Its major impact was nevertheless achieved in producing material and designing an educational portal for network education.

Cooperation between partners has continued after project termination on the basis of new training courses organised by the regional Employment and Economic Development Centre. The courses formed to a certain extent a renewed framework for partnership that has now led to a preparatory contract between the Karelian Republic and North Karelian College. The plan was to establish a vocational adult education centre in Karelia. The partners did not directly gain added value on their everyday operations (except new teaching methodologies), rather the real beneficiaries were the students who used the teaching materials produced.
INTERREG III ex-post evaluation. In-depth evaluation of the PROGRAMME: INTERREG III A KARELIA (Finland-Russia)

INTERREG funding was a perquisite for starting the project because no other funding sources were available. Generally, there are resources available for organising adult education from various programmes (such as the European Social Fund), but education in this case has to be directed to Finnish persons or immigrants living in Finland. The various stakeholders were generally satisfied with the project’s activities. The only stakeholder group who did not directly achieve the kind of benefit from the project that was directly useable in their business was the entrepreneurs. An additional and important dimension of the project was however to bring potential immigrants and entrepreneurs together, because some branches of the economy such as metal processing and machinery suffered at that time from labour shortages on the Finnish side of the border.

Administration
The project partners did not find any deficiencies in the programme strategy or intervention logic. The only structural problem in the implementation of the project was that the financial benefits of the project had to be directed to the Finnish side because Russia did not sign the contract in respect of the Neighbourhood Programme. The selection and implementation of the project was not really altered however because of the decision-making processes put in place as regards administrative procedures.

Project analysis 3: STEP

Background
The aim of the project ‘Neighbourhood portal for social and health care’ (STEP) was to create a communication and information platform for social and health care workers working across the border. The platform was meant to help to increase cooperation and information exchange, to improve the channelling of neighbourhood ‘know-how’, to intensify cooperation with the republic of Karelia and to improve monitoring of the completion of projects and the distribution of results. The purpose of the project was to optimise the cooperation of the social and health care workers of East Finland with those of the Republic of Karelia.

The STEP project was implemented from 2002 to 2004 and its total budget was €126,450. The lead partner was the Support Association for the Educational Social Centres of East Finland and other project partners included The North Karelia Centre for Public Health (Pohjois-Karjalan kansanterveyden keskus), Joensuu diabetes association, Aid to Karelia Association (Karjalan Apury) and the Russia network in the Finnish Centre for Health Promotion. From the Russian side the partners were the municipality of Sortavala and the Faculty of medicine at Petrozavodsk State University.

Phase initialisation
The Finnish project partners took the initiative for the project as many organisations wanted this kind of information tool detailing financing possibilities, ongoing and planned projects and possible cooperation partners. There have been several important Finnish actors working in the health and social services sector in the Republic of Karelia since 1990s. On the Russian side the partners were possibly not fully aware of all the possibilities inherent in this kind of portal but soon discovered the benefits. In the initial phase of the project it was easy to find partners and ideas and the partnership approach could be applied.
The project was selected in the rolling application procedure.

**Partnership and sustainability**

Cooperation between project partners worked well and interest was especially strong on the Russian side. All partners were active in collecting information for the portal. It was considered very helpful even though computer and internet accessibility was low in the Russian part of the project area during the project implementation period. Project partners shared similar conceptions in respect of the needs and aims of the project which were confirmed during the project. The Russian partners in particular were positively surprised about the achievements and the contents of the portal.

The project partners hoped to be able to bring together new project partners when the first project ideas emerged. This, they argued, could help in creating larger projects with more workers, financing and possibilities for success. This desire did not however succeed because the portal was actually completed at such a late stage of the project. The project increased the possibility of analysing local challenges in the Russian part of the programme area and demonstrated that with the right tools and project management skills it is possible to initiate a process of self-development in the area.

**Implementation and impacts**

Other social and health care projects in the region had previously existed but the method used here (internet-based communication and information portal) was a new one. Even though the portal was only completed in the final phase of the programme it nevertheless helped local actors in Russia to realise that they themselves have the ability to influence the kinds of projects that are needed in the area. The level of knowledge in respect of project financing possibilities was certainly raised during the life of the project. Russian actors strongly desired to continue cooperation in this field. A follow-up project was developed to continue the work with the questions raised in the STEP project. The new project was supported by the Finnish Ministry for Foreign Affairs. The aim in the follow-up project was to learn to use the portal and the internet and to learn project management skills. These two projects created a strong network between the Finnish and Russian partners. The partners generated 6-7 project ideas and even some new applications. The most active actors have also established a Neighbourhood forum which organises annual thematic seminars about cross-border cooperation.

The users of the portal included not only the project partners themselves while, in addition, the project undoubtedly achieved some unexpected results and attracting some interesting new users. For instance Russian people immigrating to Finland found it possible to employ themselves as interpreters or professionals in the cross-border projects by contacting the project actors through the portal. They also utilised the possibility to learn more about the Finnish social and health care system because all the information, actor introductions etc., were translated into Russian. They also used the portal car pool service.

INTERREG co-funding played an important role in the implementation of the STEP project. After the project however it has proved rather difficult to find a host or a responsible party to take over the task of updating the created portal. The portal was built to be easy to update but
unfortunately none of the requested organisations has shown sufficient interest in taking on the responsibility of hosting the portal.

The satisfaction level of the stakeholders was difficult to evaluate because the portal could not be opened before the final phase of the project. The portal was created with help of student assistants which, in part, caused the delay. The lead partner was however satisfied with the accomplished work and felt that they had in this way a better chance to influence the completion of the portal. It was disappointing however that the portal did not find a new host. The issue should probably however have been addressed earlier in the project. Project implementation also suffered due to personal changes which often caused delays.

Administration
The project partners did not witness any problems with the programme strategy. The initial phase worked well but the long waiting time for payments caused some problems in respect of project implementation. The lead partner, the Support Association for the Educational Social Centres of East Finland, thus faced some problems because their financial resources were limited. The individual personal in the programme office frequently changed which caused some frustration when contacting the office and repeating again and again the project circumstances. These difficulties ultimately drained a certain amount of energy from the real project activities.

Project analysis 4: Russian legislation for entrepreneurs and authorities in the Interreg III A Karelia -region (RusLex)

Background
The project RusLex was intended to promote good economic relations in the neighbourhood and improve the level of knowledge about Finnish and Russian social circumstances for business life on each side of the border. The project focused in particular on the promotion of regional stability and social development in the cross-border region. The purpose was to clarify the characteristics of Russian and Finnish legislative concepts and regulations for those engaged in the business sector. Russian and Finnish business legislation is often very different, moreover, systems do not also work in practice as they should ‘on paper’ and the interpretation of supposed ‘shared’ concepts can often differ markedly. In order to secure business activities on both side of the border it is vital for Russian and Finnish entrepreneurs to know at least the basics of the legislative framework as it pertains to the business community in each country. The purpose here was also to clarify the necessary EU legislation as it pertained to potential entrepreneurs. The target group included also the police authorities, representatives of the judicial system, employees of the Finnish Border Guard and customs, employment authorities, employer organisations, employee organisations and business services organisations. The project comprised all essential organisations and organisational aspects deemed important to mitigate the cooperative prerequisites of ‘doing business’ in Russia.

The RusLex project was implemented between 2005 and 2007 and its total budget was € 213,874.
Phase initialisation
The RusLex project was selected in the call for proposals procedure.

In the previous round of project cooperation the need not only to identify the basic differences between the economic systems and policies implemented but also to learn about and to raise awareness of the national legislative situations in respect of business life had been acknowledged. It has to be noted however that knowledge and information about legislation and the various procedures subject to licence are not solely the concern of businesses alone, other authorities and organisations currently lacking this knowledge were also interested. Different procedures had normally to be clarified separately however while no single and independent source of information was available.

Project planning was launched after the seminar dealing with immigration law in 2004. At that time a project on labour market legislation between Russia and Finland, funded through the Finnish Ministry for Foreign Affairs and the Ministry of Labour, was also ongoing. Various labour market organisations other authorities and private enterprises participated in the project. The RusLex project was initiated in 2004 by various actors both on the Finnish and Russian sides of the border. At the beginning of the project cooperation was active on the both sides. The Russian partners contributed significantly to the planning and design of the project content and objectives. The project initiation was broadly based on the needs of both sides of the border.

Partnership and sustainability
The partnership approach was applied to the preparation and the launch of the project to a large extent because a mutual understanding of the needs and demands for the project had been embedded at an earlier stage, namely, the previously mentioned common seminar in 2004. The project partners also accomplished a preparatory assessment of local needs on both sides of the border. This strongly influenced a shared understanding of the task as well as the sharing of responsibilities in the project. The partners found a significant correlation between satisfaction with the mutual objectives and implementation of the project. In the application phase of the project, the Finnish lead partner created a basic structure and initial conception for the project to which the Russian and other Finnish partners contributed. Special support was received from a Law Professor from the University of Joensuu.

Project cooperation with the Russian partners continued after project termination. After the RusLex project two special training projects targeted at judges and the judicial authorities and financed by the Finnish Ministry for Foreign Affairs have been initiated. More general project training also highlighted the need for special training in particular sectors and fields of society. INTERREG –funding was a necessity for project implementation. The partners were able to increase their knowledge of national legislation on both sides of the border. The various authorities concerned were also able to gain knowledge and enrich experiences that would subsequently have an important impact on their work in advising entrepreneurs on how to expand their businesses on the other side of the border. This kind of information was vital particularly for Finnish enterprises because Russian legislation is very ambiguous in relation to Finnish legislation. On the other hand, the Russian partners received important information not only about Finnish but also about EU legislation that will assist them to trade and function more effectively in European markets.
The project succeeded in enhancing awareness of common challenges and perspectives across the border. The main result of this increased level of awareness has been the initiation of new projects after the completion of the original RusLex project. One of the acknowledged main challenges in cross-border action in the jurisdiction area is how to communicate appropriate and up-to-date information about continuously changing legislation on various sectors of society. This is a particular challenge for the Russian side because, for instance, here customs legislation and procedures are constantly in a state of flux.

Implementation and impacts
The project was the first of its kind to demonstrate that knowledge of national legislation is vital for businesses operating in different environments from their own. A number of previous projects concentrated on the training of entrepreneurs and regional and local authorities on new business environments in Finland and Russia. However, these projects did not directly include references to important juridical issues. The RusLex project focuses solely on issues arising from the nature, form and structure of legislation and regulation in the countries involved. The central themes of the project were to highlight the differences between the judicial systems although practical issues in relation to national legislation and regulation were focus in terms of the implementation of the project. The RusLex project however also highlighted the need for similar kinds of training approaches to be adopted in other thematic fields in relation to cross-border cooperation. For instance, interventions in environmental management require a far greater emphasis on knowledge in respect of national legislations and regulation than was previously understood to be the case.

According to the collected feedback from the project beneficiaries, the project did to a large extent achieve its objectives and purposes. The target of the project was to reach 30 government officials and 20 entrepreneurs. In total the project organised 34 events, in which over 300 persons from hundreds of different organisations participated. The events highlighted significant differences in the legislative and practical adaptations of the law in Finland, Russia and the EU. The structure of the events, which emphasised culture-specific modes of action, ideas and attitudes turned out to be a highly successful way of arranging training. The project was very successful in improving the transparency of cross-border markets because mutual understanding of the reasoning behind different processes on both side of the border is a basic starting point for deeper cooperation in business. Transparency was also strengthened because the number of participants in the training events was higher than expected. Various beneficiaries have stated their satisfaction with the training methods and the project materials produced.

Administration
The programme was generally regarded as efficient particularly in its synchronisation with other cross-border programmes and initiatives. However, INTERREG projects are viewed as administratively ‘heavier’ than neighbouring areas cooperation projects financed directly by the Finnish Ministry for Foreign Affairs. It was also noted however that the supervision of the individual project is dependent on controllers managing the reporting and activities. Answering precise questions on the implementation and activities of the project does however consume a lot of time and, in many cases, undoubtedly leads to ‘project exhaustion’. This may even result in a decline in interest in implementing the project successfully.
The selection and implementation of the RusLex project was not hampered by inadequate decision-making processes in the JTS. The project experienced the ‘normal’ difficulties and challenges in dealing with the JTS including the usual concerns over the receipt of payments and the answering of inquiries about project activities. However, this was regarded as normal procedure in terms of INTERREG projects.

3.3.3 A good practice project with particularly strong territorial cooperation demonstrating the Community value added to INTERREG programmes: Karelian Villages – Intelligent Energy Services

I. General information

Keywords: Karelian INTERREG, virtual village, energy services, heating systems, public-private partnerships

Region: Karelian Republic in Russia and the Region of Oulu and Kainuu on the Finnish side of the border

Partners:
Research partner: VTT Technical Research Centre of Finland (6 researchers)
Business partners: Planora Ltd (12 members of staff), Oulu Centre of Expertise / Oulu Innovation Ltd
Public authorities from the Russian side: The National committee for the renewal of housing and municipal economy, republic of Karelia and the local villages (Kostamus, Pudos, Prääsä, Muejärvi); regional economic commission of the Karelian republic
Public authorities from the Finnish side: municipalities of Suomussalmi and Kuhmo in the Finnish region of Kainuu, City of Oulu

Duration: May 2006-December 2007
Funding: 73 485.02 EUR (total, with funding shares distributed as follows: Finnish state level 33.96%, municipalities 17.62%, ERDF 33.96%, private funding 12.89%)
Tacis share of funding: from the EU 216 041 EUR, 24 000 EUR co-financing from local/regional authorities from Russian Karelian side

II. Project aim: the story of an idea and turning it into reality (concept, partners, expectations, the application procedure)

The initiative came from the research and business field, but was also actively embraced by the local and regional authorities on the Finnish and Karelian sides of the border. The fact that the Russian local level public utilities system had been transformed and was undergoing structural change at the time of the launching of the project made it timely. Utilising local level expertise and experience through knowledge transfer process, where the R&D organisations (such as VTT),
private businesses (*Planora*) and local authorities co-operated was typical of the triple helix model widely used in the Finnish regions involved in the project (and in Oulu in particular).

The main idea was connected to knowledge transfer around the theme of energy systems, in this case a "virtual village" pilot study of managing a local heating system. The fact that there was Finnish expertise on new forms of public energy services (heat supply chain utilising combined heat and power (CHP) production, also referred to as *cogeneration*) and local authorities who had experience of such systems, while the Karelian local authorities were in need of information to develop and implement a new heating and energy service system could be seen as a 'win-win' situation, where the information, experience and knowledge needs coincided across the border among the project stakeholders. The project was seen as timely and its inception was well received.

**Figure 3.10 The win-win model**

The partnership was seen as fruitful and co-operation on the whole worked very well. The working model developed promoted cross-border cooperation between local authorities and businesses, as well as knowledge transfer between researchers and public sector authorities, thereby also contributing to evidence-based policy-making on the local level. Interest among the various parties was from the start key to the success of the project and the working packages delivered their outputs and outcomes as planned. It was acknowledged that the achievement of the concrete results created the need for a network management process and the presence of the

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project partners in the region in question. Training personnel and experts for the maintenance of the heating system piloted ensured the continuity of the cooperation and the putting into practice of the benefits achieved, as the knowledge transfer was developed in a systematic fashion from the start. Karelian commitment and active participation in the project was seen as an essential factor in ensuring the practical implementation and the reports and interviewees reported that this was indeed the case.

The project intended to develop an Intelligent Energy Services -concept ("Virtual Village") that could be used for planning and developing the entire heat supply chain of a community and individual housing estates. The concept can be used for managing the functionality and sufficient service level of community and real estate heating as well as for directing, selecting and controlling the maintenance and repair investments.

The central issues studied are: heat production (fossil fuels, biofuels, etc), heat distribution (networks and systems), heat use, and making heat use more efficient during the entire life cycle of the building. As to real estate, the projects reviewed various building types, HVAC (heating, ventilating, and air conditioning) and control systems, and energy performance, as well as the monitoring and comparison of energy consumption. The project also collected up-to-date and focused background information from Russia. These activities will, for their part, contribute to the reduction of greenhouse gas emissions.

The pilots in this project consisted of the assessment of the energy supply chain in the heating of villages in the Republic of Karelia (e.g. Kostamuksha, Pudozh, Prrazha and Mujezerskij) as well as obtaining basic information for the Virtual Village concept. Here, the Finnish municipalities of Kuhmo and Suomussalmi, as well as the City of Oulu, which served as points of comparison.

The administration of the Republic of Karelia (the Regional Energy Committee of the Republic of Karelia the State Committee of the Republic of Karelia tasked with the reform of housing and communal services) was responsible for the Tacis part of the project. In the St. Petersburg area the project partner was the Petersburg Power Engineering Institute of Professional Development (PPEIPD). These partners obtained the required information about the Russian target area and pilot targets as well as participating in the implementation, training and future utilisation of the project. In addition, the administration and other partners utilised and applied the Finnish instructive and regulatory information produced and collected in the course of the project. In the Tacis part of the project the ‘Virtual Village’ concept was implemented in Russia, and the required training on the proper use of the methods arranged. The aim of these activities was to increase co-operation through networking and possible joint undertakings and these aims were achieved.

The project created a ‘Virtual Village’ concept containing the required support material and tools for the development of the heat energy supply to communities on the Russian side of the border. Information on Finnish guidelines, methods and tools was collected in the course of the project which was applied and used in the projects executed in Russia. The aim was also to have the Virtual Village model presented on the Internet in a simplified form, which could then be used by Russian customers and future partners to assess the energy supply solutions of their respective regions. Finnish participants and partners were also involved in this solution, utilising the existing Finnish/Russian InfraNet network managed by the Finnish business partner (Planora Ltd). On the
Finnish side, the Oulu Region Centre of Expertise (Oulu Innovation) provided additional support and knowledge for the project, importantly also bringing to bear their intrinsic knowledge about the triple helix model.

In connection with the Virtual Village concept, the energy conservation potential of the communities in the target area and the financial viability of various types of measures were considered. The feasibility and realism of the opportunities for their implementation and their life cycle, utilising the information obtained from the pilot cases, was also assessed. Thus the practical knowledge needs and utilisation of R&D expertise were balanced throughout the project. One of the central goals of the project was to build a basis upon which future cooperation could be built while strengthening the embryonic co-operation in, and the operational preconditions of, industry and commerce in cross-border co-operation in the field of community heating energy solutions management. The project sought to develop new forms of cross-border co-operation based on state-of-the-art communications media (e.g. the Internet) and new e-based interactive methods. The procedures and tools created in the project were intended to enable the flexible and up-to-date transfer of expertise, thereby promoting the improvement and renewal of operational conditions in this border region. At the same time, the project aimed to establish a permanent virtual network that could in the future be utilised beyond the scope of this specific project. The issues of the sustainability of project activity and cooperation forms were thus clearly addressed from the start.

From the point of view of the Finnish parties the essential issue was to increase the number of connections and contacts with the Russian parties and to create new tools for project implementation. This was seen as important to open up new opportunities for business in Russia, as was the testing and use of research in a novel operational and geographic context. Tools implemented included common operating principles, guidelines, methods and regulations, as well as equipment and technological expertise.

Figure 3.11 Map of the project area in Russian Karelia
III. Political and strategic context (the strengths of the project concept and the expectations from the policy level)

Within the programme context the project was strategically important in a number of respects and as such also provides an interesting potential example of a ‘win-win’ situation in the often elusive meeting point between the economic and ecological aspects of sustainability.

The theme remains interesting also in the new programming period with the successor programme KARELIA ENPI CBC. As stated in the Programme Document\(^1\), with strategic choices and carefully selected focus areas, the programme may be able to promote development in the areas of energy and energy consumption with local and regional solutions, for instance, which can have major impacts on the environment as well as on local economies. Other similar issues are the provision of clean drinking water, and wastewater and waste management. Focusing on key questions may offer greater potential to achieve results on environmental issues (as well as on other themes).

The project is of great interest in light of the policy drivers and issues on the European and global agenda today. The need to promote the more efficient utilisation of energy resources and to develop innovative solutions for planning are very much on the international agenda, both for regulatory and economic reasons. Managing the heating systems is in most cases a municipal, i.e. local authority, responsibility in Finland and there is great interest in taking the expertise accumulated on into new areas.

Despite the geographical proximity, economic and institutional ties have been slower to foster in the programme context. It has been pointed out in the research undertaken that the regional economy of eastern Finland has been slow to turn towards Russia since the 1990s. To cite Eskelinen, “Especially in export industries, the evolution of market-induced cross-border economic links has been relatively sluggish. In addition to the risks related to the 1990s’ political turbulence and socio-economic crisis in Russia, geographical and institutional reasons that derive from the peripheral legacy are obvious explanations for the fact that Russia’s relative share of the region’s foreign trade is still lower than the Finnish average. Branch-plant firms, which play a major role in the peripheral regional economy, have been reluctant to initiate novel Russian-oriented strategies, and local small companies face relatively higher border barriers. Another important obstacle derives from the spatial structure of the region: there are no major centres that would be attractive as a source of urbanisation economies for companies seeking an inroad to Russia.

Overall, the partial opening up of the border has not led to a visible turn in the long-run relative peripheralisation and decline of eastern Finland” (Eskelinen 2008,27).\(^2\)

The Finnish partners emphasised the fact that although Finland has been very active in this area and the research partner VTT is a key player in developing research evidence and testing new models for more energy efficient systems, Finland is by no means a “best case” or “ideal model” to be followed. Yet due to its climatic conditions and the traditions of energy-intensive industries it has a strong interest in developing more affordable, efficient and effective heating systems. The

\(^1\) Page 14
per capita energy consumption in Finland is among the highest in the OECD countries. This is explained by the important role of energy-intensive industries, such as the pulp and paper industry, in the Finnish economy. As a result, the economical use and secured distribution of energy have always been put under special scrutiny in Finland. The country’s geographic and climatic features have provided a base for the development of CHP in district heating. Effective energy production is essential, since both the annual heating demand and the annual number of heating hours are high.

In terms of the technology involved, combined heat and power (CHP) production, also referred to as cogeneration, is a process of generation both electrical and thermal energy. This means that the heat generated in thermal power production is recovered and used. The CHP process may be based on the use of steam or gas turbines, or combustion engines. The primary energy source can combine of a wide range of fuels, including biomass, waste and fossil fuels, as well as geothermal or solar energy.

The amount of energy Finland saves annually through CHP corresponds to over 10% of all primary energy used in the country, or 20% of Finland's fossil fuel consumption. Approximately one third of the electricity consumed in Finland is derived from CHP. Industrial CHP plants and district heating CHP plants respectively accounted for 45% and 55% of the cogeneration. Industry accounts for more than half of Finland’s electricity consumption, and almost 40% of this electricity is generated by CHP. Depending on the annual climate conditions, as much as 75 to 80% of district heat is produced by CHP.

On the policy front, the project answered an intensified call for more sustainable and energy efficient systems. This issue is equally pressing on the national and EU level. For instance a Green Paper on sustainable energy was adopted in 2006, in itself an important milestone in developing an energy policy for the European Union (EU). In justifying the need for this strategic step, the role of the EU as a major influence on the international market and as a source of innovation in this area was referred to and it was argued that “If Europe is to achieve its economic, social and environmental objectives, it has to address major energy-related issues such as a growing dependence on energy imports, volatile oil and gas prices, climate change, increasing demand, and obstacles to a fully competitive internal energy market. The EU must exploit its position as the world’s second largest energy market and as world leader in demand management and the promotion of renewable energy sources.” The Green Paper addressed in particular three core objectives: sustainability - to actively combat climate change by promoting renewable energy sources and energy efficiency; competitiveness - to improve the efficiency of the European energy grid by creating a truly competitive internal energy market; and security of supply - to better coordinate the EU’s supply of and demand for energy within an international context.

IV. Implementation: The story of activities and co-operation among partners and with external stakeholders

In order for cross-border cooperation to be genuinely mutually beneficial a shared level of motivation and commitment is required. This is best ensured when both parties can participate in

defining the common agenda and activities. There was a strong sense of common interest among
the stakeholders of the INTERREG IIIA Karelia programme and though there was the poor level of
awareness in respect of the programme, its’ priorities, principles, lack of specific data available to
the applicants on the Karelian side were all factors decreasing the full potential of this mutual
benefit (Shevchuk 2005, 17), the importance of co-operation was echoed by stakeholders on both
sides of the border (ibid, 1). A survey undertaken among the Karelian stakeholders revealed, for
instance, that all respondents emphasized that the Interreg III A Karelia programme plays an
important role in the cross-border and international cooperation of the Republic of Karelia. Among
the factors assisting in cross-border cooperation development are legislation, the geopolitical
location of Karelia, long-term partnership links with Finland and common cultural and historic
values.

While it was generally observed that the further development of cross-border cooperation has
positive prospects concrete measures were demanded to increase its effectiveness in the
programme and it was highlighted in the respondents’ answers as essential instrument of resource
concentration in terms of the strategy tasks of the Republic of Karelia’s international cooperation
effort. In the course of its implementation useful experience of international cooperation
coordination on the regional inter-agency level has been obtained. As all respondents put it, an
important role in the cross-border and international cooperation of the Republic of Karelia is
performed by the Interreg III A Karelia programme which is regarded as one of the best
instruments for its development. The Interreg III A Karelia programme exerted substantial
influence over cross-border cooperation development through new contact establishment, the
strengthening of existing partnership links, the transfer of technology and knowledge, and their
use on the Russian side of the border.

The reasons for the well functioning nature of the project are numerous. One of the key aspects of
its success was the organisational model used where the broad-based - though limited in size -
steering group supported the project implementation. The steering group consisted of 8 members
and chaired by Planora, a company working with energy consultancy. At the beginning of the
project a kick-off meeting ensured that all the parties established direct contact and got to discuss
the project objectives, activities and working methods in detail, and face-to-face. The meeting
also clarified a number of administrative and project-management related issues, rules and
regulations (eligibility of costs, monitoring, audit etc).

Decision-making and administration were seen as representing quite a heavy burden, largely due
to the Tacis-funding involved. The ability to engage a research institute that could commit itself to
such a risky and in many respects uncertain undertaking was essential. Companies on their own
could not have ensured a similar level of commitment (financially and otherwise). The time-lag in
getting actual payments makes it impossible for companies to have a leading role, as the first
payments were only received at the end of the project. The level of bureaucracy was sometimes
seen as presenting a genuine bottleneck, and even with the high level of personal and
organisational commitment displayed it made the project difficult to manage at times.

Another key result and positive impact was connected to the improvement of understanding
across the border. Despite the existence of possible prejudicial views across the border and the
holding of certain reservations, the experiences were positive and the project became a vehicle of
learning and dynamic mutual exchange. The Finnish project stakeholders were used to a very pre-
determined and planned process and had to adjust to a more ad hoc and flexible working mode
(e.g. the lack of measures and low level of utilizing indicators on the Karelian side represented a
novel experience for the Finnish stakeholders). This was seen as risky at the time, though at the
same time also as a useful learning experience on their part. Success was ensured by the trust
and confidence that was built up and by the fact that the experts involved on both sides of the
border were serious, skilful and committed. Personal contacts and the human aspects of this
otherwise highly technical project were thus a key factor in ensuring its effectiveness.

V. Effectiveness: What could the project achieve?
The project achieved its goals to some extent. In terms of the qualitative aspects and impacts on
the utilisation of environmental technology and/or developed environmentally friendly products for
cross-border cooperation it can be seen as a success story. The qualitative aspects and leverage
effects, as well as individual and organisational learning were generally seen as the most
important outputs of the project. In this regard the INTERREG-funding was seen as particularly
central to strengthening the faith in the future and positive attitudes amongst the younger
generation of Karelian experts. Their expertise is already in place, networks have been developed
through the INTERREG-co-operation and as many stakeholders stated, ‘the only thing missing is
money’.

VI. Sustainability: how are the partners co-operating currently?
A direct follow-up to the project did not take place through the various stakeholders are pursuing
diverse cooperation initiatives and some are also active in the ENPI-programme which replaced
INTERREG IIIA. The aim of establishing an educational programme for the Russian partners on
heating systems is still under preparation by a variety of partners and stakeholders. The market
surveillance activities are now undertaken by private parties, but this work is also supported by
the portal initially established with the support of the project
(http://www.planora.fi/sivu/en/energiahuolto/). The companies that have sought to develop closer
business ties which can be maintained on the basis of genuine business logic have naturally been
affected by the market situation and the economic downturn. The potential is nonetheless there
and tapping it remains an attractive opportunity, though still also a risky one. The project did take
one step forward in terms of reducing some of these risks and thus contributed to a constructive
process of placing these co-operation efforts on firmer ground.

VII. Conclusions
Organisational learning was seen as one of the main effects and impacts of the project co-
operation. The level of information and knowledge transfer in the Karelian Republic was improved
and mutual understanding and trust solidified further. The project partners acknowledged that the
process of building collaborative ties that can maintain themselves over time without public sector
support is a large one, but the information gained about the administrative structure, regulation
and maintenance of utilities can be seen as a value added that can be actively developed in the
future.

In compiling this report, the following individuals were interviewed: Project manager Veli
Möttönen, VTT, Project manager Tiina Palosaari, Programme coordinator, Oulu regional Council
Managing Director Esa Teppo, Planora Ltd. Mayor Eila Valtanen, Kuhmo municipality.
3.3.4 Conclusions from the project level analyses

The reviewed projects were mostly based on large partnerships. The only exception here was the RockBridge project which had only two partners. The projects were all common actions based on feasibility studies in the early phase of the projects (e.g. Karelian Villages). Awareness of common actions was generally stronger on the Finnish side from the beginning of the project. On the Russian side, awareness of common actions took a little longer to materialise but was normally reinforced in the running of the project. The projects were all experimental and complex to some extent as they tackled new dimensions in the area of cross-border cooperation. The Karelian Villages and RockBridge projects in particular comprised novel experimental dimensions. The geographical impact of these projects was mostly targeted at the whole programme region. The projects did not produce or utilise a shared diagnosis and need assessment in the preparation phase because most were based on needs already identified through previous activities/projects/discussions.

Most of the projects were able to sustain and extend their activities and results after project termination. The STEP project was the only one which faced difficulties in sustaining its activities because a new host for the developed portal could not be found during the project. The STEP project along with the other projects which did not succeed in initiating a new project were nevertheless able to create new networks and cooperation structures.

The cross-border cooperation was generally regarded positively. It was noted moreover that INTERREG –funding was extremely important in deepening and widening the traditional cooperation between Finland and Russia, e.g. neighbouring area cooperation financed by the Finnish Ministry for Foreign Affairs. The project partners regarded the programme strategy and measures as adequate for their activities.

Learning both at the organisational and individual level was verified in the review of five projects. However, there were differences in learning processes between Finland and Russia. On the Finnish side, organisational and individual learning were also seen as vital parts of the project though this often comprised of ‘importing the knowledge’ to Russia. Organisational and individual learning in Finland comprised of identifying and learning from Russian circumstances, whereas in Russia it comprised of organisational and individual learning of new methods and processes.

3.4. The character of the programme, its constituting features and the factors acting as barriers to cooperation

The current ex-post evaluation has developed (1) a synthetic indicator for measuring the depth & intensity of territorial co-operation achieved under INTERREG III and for exploring the influence of the previous co-operation tradition on this co-operation performance and (2) a wider INTERREG III taxonomy which allocates programmes - within Stand-specific typologies – to different sub-types (or Categories).

Both concepts include a number of indicators which determine the age and maturity of co-operation existing prior to the start of INTERREG III (i.e. & “historical variables” of the synthetic 

\footnote{No cluster has been created for the Strand C; therefore, only the analysis of the synthetic indicator is reported in depth here.}
INTERREG III ex-post evaluation. In-depth evaluation of the PROGRAMME: INTERREG III A KARELIA (Finland-Russia)

indicator) and assess important geographical / socio-economic context factors characterising a programme area at the outset of INTERREG III (i.e. Strand-A & Strand-B typologies).

The following sections will now identify which of these historical and context-related factors were most important in the cases of the programme concerned while also analysing in greater depth some of the most important programme-specific features and concluding on the relevance of these factors.

3.4.1 Historic factors determining the character of cross-border co-operation before the start of INTERREG III

A brief look at the raw results achieved by the Karelia Programme under the three variables making up the “Historical Criterion” of the synthetic indicator points to one specific aspect which is of a particular importance: formalised co-operation at the Finnish-Russian border is very young, despite the historical links between the involved regions. This formalised cooperation started in 2000 when the activities of Euregio Karelia (created in 1999) were launched. Preparations for the Euregio concept were financed under INTERREG II A Karelia, beginning with 1998. The INTERREG III A INTERREG/TACIS CBC, in 2004 converted into the Neighbourhood Programme, came to reinforce the Euregio political commitment for stronger ties across the borders.

The relatively young age of Euregio Karelia is one more factor, in addition to e.g. the specific type of border covered, (external to the EU) and financing instruments (combination of ERDF with TACIS funds, the latter for the Russian regions) which determined the classification of this programme in Category 6 of the Strand A typology created by Task 4 of the INTERREG ex-post evaluation, respectively, "programmes with unfavourable cross-border framework conditions, a mostly very high and sometimes medium concentration of ERDF-support on INTERREG "priority topics" and mostly a poor/very poor and sometimes a medium level of depth and intensity of co-operation (in accordance with the values of the real rate of the synthetic indicator).

The Karelia programme, as with most programmes on the external/old external/new internal EU borders (see INTERREG FIR, page 289), including the two other CBC programmes between Finland and Russia, score below average for component 1 (historical component) of the synthetic indicator (see table 3.5).

However, it can be said that the level of maturity of this short co-operation tradition (i.e. quality and scope of existing legal instruments and nature and capacity of existing cross-border structures) is medium, as it scores 50 on both sub-indicators.

1 SI 1: Number of years the structured and visible cross-border / transnational / interregional co-operation exists within parts or all of the programme area. SI 2: Nature & quality of the directly applicable legal instrument that can be used for cross-border / transnational / interregional co-operation within parts or all of the programme area. SI 3: Nature & quality of existing permanent cross-border / transnational / interregional co-operation structures established between territorial authorities that operate in parts or all of the programme area.

2 See http://euregio.karelia.ru/article/51?lang=eng

3 34 points in comparison with the Component 1 average of 42. Other notable programmes in the same category are: S-FIN-N-RUS – Nord (38), Poland-Ukraine-Belarus (38), Hungary-Slovakia-Ukraine (38), FIN-EST - Finland-Estonia (37), Lithuania-Poland-Russia (35), UK-F Espace franco-britannique (35), A-SLK - Austria-Slovakia (35), Latvia - Lithuania - Belarus (35), D-DK - Sonderjylland-North Schleswig (33), FIN-RUS South-East Finland (29), Estonia - Latvia - Russia (29).
Nature and quality of the directly applicable legal instrument that can be used for cross-border co-operation within parts or all of the programme area (SI2).

The cooperation between Finland and Russia is governed by the provisions of national law\(^1\). According to the Constitution of Finland, the President of the Republic, in co-operation with the government, is responsible for the country’s foreign policy.

The basic competence to sign international agreements may only be delegated by the Head of State to other bodies under certain conditions and in specific fields (e.g. management of EU-programmes; trade agreements).\(^2\) Local authorities, as the directly elected level of autonomous self-government, do not have the power to conclude international agreements without prior authorisation of the central level. They may however establish informal contact with foreign partners, while official information must be channelled via the Ministry for Foreign Affairs. The domestic powers of local authorities are mainly derived from the “Local Government Act” and sector-specific laws. These sources allow, among other aspects, inter-municipal co-operation within Finland, which can take place on basis of public law\(^3\) as well as on the basis of private law\(^4\).

In the context of cross-border co-operation involving local authorities from neighbouring countries, Finnish local authorities can use the private law for legally structuring mutual co-operation. They are however prohibited from creating cross-border structures based on public law or from sharing decision-making responsibilities (see AEBR, 2004, page 12).

The legislative base for the Euregio Karelia as such is private law. However, national legislation remains applicable in each region within the Euregio.

Nevertheless, for decades inter-state agreements or treaties promoting generalised cross-border co-operation have been signed in the area. Already at an early stage, two multilateral agreements laid the foundations for the promotion of decentralised co-operation across the borders of the Nordic area. On the basis of the Treaty of Helsinki (1962), but especially with the Agreement between Denmark, Finland, Norway and Sweden concerning co-operation over Nordic national frontiers between local authorities (“Nordic Convention”, 1977), local authorities are entitled to establish border crossing contacts without the involvement of central state authorities and to launch co-operation initiatives in a wide range of fields of common interest. Cross-border co-operation can take place in the same manner as co-operation of local authorities within one specific country, but only on the basis of private law. This restriction can be explained by the specific legal framework conditions of Scandinavian states, which are not suitable for setting up

\(^1\) In accordance with the 2004 AEBR study “Towards a New Community Legal Instrument Facilitating Public Law Based Trans-European Co-Operation among Territorial Authorities in the European Union”, the legal framework for cooperation has three main elements: public domestic law, inter-states agreements, public law (AEBR 2004, page 7).

\(^2\) In Finland, there are 6 provinces (lääniit) that were established for the purpose of central government administration. At a lower level, 19 “regional councils” (maakunnan liitto)\(^2\) are a form of local authority association established by the “Regional Development Act” of 1994 that are responsible for overall regional development.

\(^3\) The most important form of co-operation is the local authority association (kuntayhtymä – fi, samkommun - se), which is a public law-based authority having an own legal personality, own administrative staff and own financial resources. There are a total 228 of such associations, usually organised with functions in health care (regional hospitals), social care or education,

\(^4\) Private law-based co-operation can take place in shareholder companies, co-operatives, associations and foundations. The most important form is the shareholder company.
public-law based inter-municipal co-operation entities across a border (see also AEBR, 2004, page 19).

In 1992 an Intergovernmental Agreement was set up on Cooperation in the Murmansk Region, the Republic of Karelia, St Petersburg and the Leningrad Region, coordinated by the Russian-Finnish Intergovernmental Group for Cooperation between Contiguous Regions under the two countries' Foreign Ministries. Consequently, Finland and the regions taking part in Euregio Karelia have been involved in cross-border and trans-national cooperation prior to 2000: under the Northern Dimension Policy, INTERREG II A Karelia, Regional Cross-border cooperation programme of the Karelian Republic (Russia); Finland’s Neighbouring Area Cooperation, Barents Cooperation (see the Karelia Neighbourhood Programme 2004-2006) (see also chapter 4.1.1. of this report).

Nature and quality of existing permanent cross-border interregional co-operation structures established between territorial authorities that operate in parts or all of the programme area (SI 3).

The programme management structure is partially decentralised, “one sided”, i.e. localised on the Finnish side of the border and falling under the Finnish national law, and to a certain extent, joint, i.e. only for the 20% "joint projects" financed under the programme beginning, in principle, with 2004 (see also AEBR, 2004, page 43). For the remaining projects the project appraisal and selection is carried out separately, by the Neighbourhood Programme MA/JTS, on one side, and the EC Delegation in Moscow, on the other. The Euregio Karelia political forum oversees all projects financed in the region and can make recommendations regarding the projects to be financed under the Neighbourhood Programme but it is not directly involved in approving the projects. Some of the projects under the Euregio Karelia programme, i.e. “Our common borders”, are financed by INTEREG/ Neighbourhood programme.

The activity of the Euregion also tried to avoid double financing; in accordance with the AIR 2007 page 27, Euregio Karelia has not however been very successful in this respect.

Among the other programmes in Category 6 of the Strand A typology, the Karelia Programme is positioned approximately in the middle of the cluster. Most programmes with an EU external border score 50 on both indicators while new internal borders programmes, e.g. Poland, Czech Republic and Slovakia generally score higher at SI 3. Programmes covering external borders with Morocco and Albania seem to have the lowest degree of maturity in respect of their cooperation. Most probably the higher score at SI 3 for the programmes on the new internal borders are due to the structures set up for INTERREG cooperation.

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1 During the 2nd executive committee meeting the programme "Our common border" was approved, according to which 9 priority projects were planned for realisation. Among them are projects in the spheres of ecology, energy, culture, health and tourism. By the end of 2001 almost all the projects had received financing from the EU. From the Tacis programme projects such as: "the creation of the cross-border point Kortesalmi-Suopera" (6 mil of Euro), "Sortavala sewage treatment works rehabilitation" (4,5 mil of Euro), "special industrial complex in Kostomuksha (PIK)" (0,2 mil of Euro), "prophylactics of drug addicts in Kostomuksha" (0,17 mil of Euro) received funding. Other priority projects are financed from the Interreg-III A-Karelia programme (see http://euregio.karelia.ru/article/51?lang=eng).
Table 3.5 Scores of the Category 6 for Historical Criterion and its sub—indicators

<table>
<thead>
<tr>
<th>Programme Identification</th>
<th>1. HistCrit</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>Programme Name</td>
</tr>
<tr>
<td>INTERREG IIIA programmes</td>
<td></td>
</tr>
<tr>
<td>A18</td>
<td>I-Slovenia</td>
</tr>
<tr>
<td>A23</td>
<td>D-CZ - Bavaria-Czech Rep.</td>
</tr>
<tr>
<td>A24</td>
<td>D-DK - Fyn-KERN</td>
</tr>
<tr>
<td>A30</td>
<td>E-MRC - Spain-Morocco</td>
</tr>
<tr>
<td>A37</td>
<td>D-PL - Mecklenburg-Poland</td>
</tr>
<tr>
<td>A39</td>
<td>FIN-RUS Karelia</td>
</tr>
<tr>
<td>A48</td>
<td>Gibraltar - Morocco (UK)</td>
</tr>
<tr>
<td>A50</td>
<td>I-Albania</td>
</tr>
<tr>
<td>A53</td>
<td>Italy-Adriatic</td>
</tr>
<tr>
<td>A54</td>
<td>Czech Republic-Poland</td>
</tr>
<tr>
<td>A55</td>
<td>Poland-Slovakia</td>
</tr>
<tr>
<td>A57</td>
<td>Poland-Ukraine-Belarus</td>
</tr>
<tr>
<td>A58</td>
<td>Lithuania-Poland-Russia</td>
</tr>
<tr>
<td>A59</td>
<td>Hungary-Slovakia-Ukraine</td>
</tr>
<tr>
<td>A60</td>
<td>Hungary-Romania-Serbia and Montenegro</td>
</tr>
<tr>
<td>A61</td>
<td>Slovenia-Hungary-Croatia</td>
</tr>
</tbody>
</table>

For the Karelia Programme, as for most Strand A programmes and all programmes in Category 6, the deviation between the real and expected rate of the synthetic indicators is moderate, between - and + 10; this means that the actual intensity and depth of cooperation is more or less close to what could have been expected if historical variables had been taken into account. In other words, the three historical factors do not have a disproportionate, positive or negative, impact on the depth and intensity of cooperation in the programme. This might lead to a general conclusion regarding the impact the lack of legislative instruments (SI2); it seems that in practice this did not hamper cooperation as much as discussed.

The above-reviewed historical factors provide an overview of the main characteristics of cross-border co-operation before the start of INTERREG III. Their in-depth assessment has shown that - despite a long common history in the Karelia region - the intensity of previous co-operation only increased at the beginning of INTERREG III programme. Very interesting here is the trigger effect INTERREG had; INTERREG II financed the underpinning work for the Euregio Karelia and INTERREG III also finances projects envisaged by Euregio Karelia.

The overall maturity of the cooperation in this cross-border area remains at a rather moderate level; nevertheless, in comparison with other cases, e.g. INTERREG III A Oresund, it is remarkable that the programme reached this level, considering the age of cooperation, the nature of the border (external) and cultural and linguistic barriers (see also chapter 4.1.2).

3.4.2 Strand A Typology, Criterion 1: Important contextual factors characterising the cross-border programme area

As noted previously, the Karelia Programme along with 15 other programmes is part of the Category 6 of Strand A programmes typology developed by the INTERREG III ex-post evaluation, respectively, “programmes with unfavourable cross-border framework conditions, a mostly very high and sometimes medium concentration of ERDF-support on INTERREG
"priority topics" and mostly a poor/very poor and sometimes a medium level of depth and intensity of co-operation (in accordance with the values of the weighted real rate of the synthetic indicator). The criteria used for the Strand A typology can be found in annex 2.

The scores for each of the 12 sub-criteria of the INTERREG III A Karelia are presented in the following table:

Table 3.6 Scores by sub-criterion

<table>
<thead>
<tr>
<th>1.1</th>
<th>1.2</th>
<th>1.3</th>
<th>1.4</th>
<th>1.5</th>
<th>2.1</th>
<th>2.2</th>
<th>3.1</th>
<th>4.1</th>
<th>4.2</th>
<th>4.3</th>
<th>4.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karelia</td>
<td>4.00</td>
<td>3.00</td>
<td>3.26</td>
<td>2.33</td>
<td>2.00</td>
<td>3.00</td>
<td>0.95</td>
<td>71.30</td>
<td>0.92</td>
<td>2.00</td>
<td>1.29</td>
</tr>
</tbody>
</table>

The unfavourable cross-border conditions are given mostly by the geographical character of the border, i.e. high and low mountain border area, but especially by the political-administrative nature of the common border, i.e. external border, the very low density of border crossing possibilities, i.e. 3.26 in comparison with the INTERREG average of 46.61 and the relatively few common historic ties, different cultural and linguistic settings (surprisingly, the cross-border economic disparities seem to be medium (i.e. 2.33 on a scale from 1 to 4).

All these elements have been identified by the Karelia Neighbourhood Programme:

- low density of border crossing possibilities
- few common historic ties, different cultural and linguistic settings

Connection networks in the region remain underdeveloped as the border was almost totally closed for 70 years, until 1990. For the moment there are two international border-crossing points on the border (Vartius-Lytya since 1992 and Niirala-Vartsila since 1995). In addition, there are a number of temporary border-crossing points along the border particularly for timber traffic. The road network is sparse and in poor condition in some places.

By rail there is no passenger traffic across the border (nevertheless, a remarkable amount of the Karelian Republic's timber as well as its industrial products are transported through the canals of the White Sea-Ääninen and Ääninen-Ladoga) and there is no air traffic between the Interreg Karelia area and the Karelian Republic.

In accordance with the CIP, the Euregio Karelia area on the border between Finland and Russia has changed place many times. Although the borders changed, relationships and trade relations remained strong on both sides of the border. During the period of Finnish autonomy (1809-1917) when the Grand Duchy of Finland was part of the Russian Empire, cooperation on both sides of the border was even more active than it is today. In practice the border did not really exist at that
INTERREG III ex-post evaluation. In-depth evaluation of the PROGRAMME: INTERREG III A KARELIA (Finland-Russia)

time. The border region was however closed from the outset of the Russian revolution (1917) until the fall of Communism and the end of the Soviet Union.

After its loss in the Second World War, Finland ceded a part of Karelia to the Soviet Union; the Interreg Karelia area borders partly on these ceded areas. After the Second World War however cross-border cooperation declined still further.

Small-scale border trade took place between the years 1969-1990, however, and Finnish companies took part in big building projects on the Soviet side (e.g. Kostamuksha). When the frontiers opened up in the beginning of the 1990s, cross-border cooperation re-started immediately.

Recent history has reenergised the ties between the two countries. Although connections in the area were kept alive to a certain extent during the Soviet era on the Russian side of the border a new system, culture and language undoubtedly developed in this period.

- cross-border economic disparities

In the regions on the Finnish side of the programme area the GNP level is below the Finnish national average. There are significant differences between the regions, however: based on the preliminary information of 2001 from Statistics Finland, the GNP of Oulu was 92.7 % of national GNP, whereas the GNP of North Karelia was 72.2 % and that of Kainuu only 68.1 % of national GNP. When examining the whole Russian Federation, the Karelian Republic is among the poorest regions. The GNP per capita in 1999 was clearly below (81%) the Federation average.

3.4.3. Strand A Typology, Criterion 2: The success of the programme in addressing the initial priority topics and concentration principles of the INTERREG Communication.

Table 3.7 Success of the programme in relation to priority topics

<table>
<thead>
<tr>
<th></th>
<th>A.2.1 Extent of ‘priority topics’</th>
<th>A.2.2 Concentration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karelia</td>
<td>3.00</td>
<td>0.95</td>
</tr>
<tr>
<td>Mean strand A</td>
<td>4.77</td>
<td>0.87</td>
</tr>
<tr>
<td>% deviation from the mean</td>
<td>63%</td>
<td>109%</td>
</tr>
</tbody>
</table>

The programme concentrated on three priority topics, as listed in the INTERREG III: communication respectively basic infrastructure of cross border importance, cooperation on research, technological development, education, culture, communication, health and civil protection and development of business spirit and small and medium sized firms (SMEs), tourism and local development and employment. Consequently, resources were also concentrated on the three priorities of the programme, reflecting these topics; in this respect, the programme scores above the average.
INTERREG III ex-post evaluation. In-depth evaluation of the PROGRAMME: INTERREG III A KARELIA (Finland-Russia)

3.4.4. Strand A Typology, Criterion 4: The effectiveness and efficiency of the programme’s overall implementation process

Chapters 3.1, 4.2.2, 3.2.1, analyse in depth the sub-indicators of the fourth criteria used for the Strand A typology. It seems that the sustainability of projects scored very poorly in Karelia, in comparison with INTERREG as such. This contradicts the findings of the project level analysis (see 3.3.4.) and of chapter 4.2.2.

Table 3.8 Performance of the programme in comparative terms

<table>
<thead>
<tr>
<th></th>
<th>A 4.1 - The overall &quot;financial performance of the programme&quot;</th>
<th>A 4.2 - The overall &quot;degree of programme sustainability&quot;</th>
<th>A 4.3 - The overall degree of achievement</th>
<th>A 4.4 - The overall &quot;degree of robustness / sustainability of projects&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karelia</td>
<td>0.92</td>
<td>2.00</td>
<td>1.29</td>
<td>1000</td>
</tr>
<tr>
<td>Mean strand A</td>
<td>0.82</td>
<td>2.33</td>
<td>1.51</td>
<td>50.78</td>
</tr>
<tr>
<td>% deviation from the mean</td>
<td>112%</td>
<td>86%</td>
<td>85%</td>
<td>20%</td>
</tr>
</tbody>
</table>

3.5 Re-considering the “depth and intensity of territorial co-operation” (Strand A Typology, Criterion 3)

Based upon the synthetic indicator concept developed in the Inception Report of this ex-post evaluation, the 1st Interim Report determined a level of depth and intensity of territorial co-operation for each of the INTERREG III programmes considered (i.e. the "Real Rate", measuring the programme-related co-operation performance) and realised an overall scale-placement of these programmes according to their Real Rate values achieved.

By taking as a point of departure the position of the INTERREG IIIA Karelia programme within the wider Stand-A typology, the following section will now re-consider its actual co-operation performance achieved.

Table 3.9 The “depth and intensity of cooperation” under the INTERREG III Karelia programme

1 Labels of the sub-indicators are listed in the annex 4.1.
INTERREG III ex-post evaluation. In-depth evaluation of the PROGRAMME: INTERREG III A KARELIA (Finland-Russia)

<table>
<thead>
<tr>
<th>Density of common actions</th>
<th>si13</th>
<th>88</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>si14</td>
<td>84</td>
</tr>
<tr>
<td></td>
<td>si15</td>
<td>84</td>
</tr>
<tr>
<td></td>
<td>si16</td>
<td>87</td>
</tr>
<tr>
<td></td>
<td>si17</td>
<td>87</td>
</tr>
<tr>
<td>Σ</td>
<td></td>
<td>449</td>
</tr>
</tbody>
</table>

6. Criterion Impact of projects

| si18 | 50 |
| Σ    | 50 |

Gross Score SI 4-S 118 1070

Real Rate (RR) 71.31

In accordance with this Real Rate, the Karelia Programme is at the lower limit of the group of programmes having achieved a medium depth and intensity level of territorial co-operation (Real Rate values equal or > 70 and < 80). 2/3rds of the 16 programmes in the 6th category of the Strand-A typology achieved a poor or very poor level of depth and intensity of co-operation. Actually all four programmes which attain only a poor level of cooperation are in Category 6 of the typology (see overview table below).

Table 3.10 Levels of territorial co-operation

<table>
<thead>
<tr>
<th>No</th>
<th>Programme Name</th>
<th>Real Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A23</td>
<td>D-CZ - Bavaria-Czech Rep.</td>
<td>81.20</td>
</tr>
<tr>
<td>MEDIUM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A37</td>
<td>D-PL - Mecklenburg-Poland</td>
<td>77.69</td>
</tr>
<tr>
<td>A39</td>
<td>FIN-RUS Karelia</td>
<td>71.31</td>
</tr>
<tr>
<td>A48</td>
<td>Gibraltar - Morocco (UK)</td>
<td>73.07</td>
</tr>
<tr>
<td>A50</td>
<td>I-Albania</td>
<td>76.56</td>
</tr>
<tr>
<td>POOR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A53</td>
<td>Italy-Adriatic</td>
<td>69.85</td>
</tr>
<tr>
<td>A54</td>
<td>Czech Republic-Poland</td>
<td>59.34</td>
</tr>
<tr>
<td>A57</td>
<td>Poland-Ukraine-Belarus</td>
<td>59.93</td>
</tr>
<tr>
<td>A58</td>
<td>Lithuania-Poland-Russia</td>
<td>58.48</td>
</tr>
<tr>
<td>A59</td>
<td>Hungary-Slovakia-Ukraine</td>
<td>53.05</td>
</tr>
<tr>
<td>A61</td>
<td>Slovenia-Hungary-Croatia</td>
<td>49.23</td>
</tr>
<tr>
<td>VERY POOR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A18</td>
<td>I-Slovenia</td>
<td>32.91</td>
</tr>
<tr>
<td>A30</td>
<td>E-MRC - Spain-Morocco</td>
<td>33.46</td>
</tr>
<tr>
<td>A55</td>
<td>Poland-Slovakia</td>
<td>31.82</td>
</tr>
<tr>
<td>A50</td>
<td>Hungary-Romania-Serbia and Montenegro</td>
<td>35.03</td>
</tr>
</tbody>
</table>

The aspects connected with Component 2 have been analysed in greater depth in chapter 3.2.2 while the values of the sub-criteria of Component 3 are analysed in chapter 4.2.1.

The values of component 4 and especially components 3 and 5 need however to be accepted with some caution due to the specific construction of the programme, i.e. two sources of financing (ERDF/Tacis) which were managed separately (except the common appraisal and decision of the joint project proposals – where the 39 joint projects amount to approximately 20% of the total projects). Figures are not however available for the financial allocation/absorption of these projects).
For Component 5, SI 13-17, average values were used, clearly higher than in the case of Karelia; this distorted significantly the RR calculation (in accordance with the AIR 2007, 19% of the action financed under the Karelia Programme were common; a further 60% are “coordinated actions”). The programme did not fill in the data on these sub-indicators; the data presented in the programme fiche reflected the total values and not the funds allocated to the 39 common projects (which are financed from both ERDF and Tacis).

3.6 The main factors fostering or hampering cross-border co-operation under INTERREG III

Based upon the previous analytical results (see: 3.4 & 3.5), we will now briefly summarise in an aggregated way which factors were most decisive in fostering or hampering cross-border co-operation in the Karelia area during the 2000-2006 funding period.

The apparently less-favourable framework conditions for cross-border territorial integration prevailing in the Karelia area have not at all hampered cross-border co-operation under the INTERREG IIIA Programme (and Euregio Karelia). The factors which seem to have the most impact in this respect remain the cultural and language differences and the limited possibilities to cross the border.

The combination between INTERREG and the European Neighbourhood Policy (ERDF plus TACIS/ENPI) and the necessity to accommodate their different management and implementation procedures is however the factor which most hampered the setting up of authentic joint, Finnish-Russian cooperation.

<table>
<thead>
<tr>
<th>Determining Factor</th>
<th>Effects on INTERREG III co-operation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Context factors characterising the cross-border programme area</strong></td>
<td></td>
</tr>
<tr>
<td>Topographic / geographic nature of the common border</td>
<td>The high and low mountainous nature of the cross-border area did not hamper (directly) cooperation between the two sides. Indirectly it might have had an impact on the density of border crossings: in such a territory it might be more difficult to construct roads and railways.</td>
</tr>
<tr>
<td>Political / administrative nature of the common border</td>
<td>Although the border covered by the Karelia programme is external to the EU, ways were found to foster cooperation. The top-down understanding and will to cooperate seem to offset the political-administrative differences.</td>
</tr>
<tr>
<td>Density of border crossing possibilities</td>
<td>Although the density of border crossing possibilities is very low in Karelia the number of crossings (e.g. AIR 2007, page 35, 1 373 137 at the end of 2007) is significant (although in a decreasing trend due to economic conditions and the timber custom duties introduced).</td>
</tr>
<tr>
<td>Cross-border income-level disparities</td>
<td>In accordance with ESPON data, there are medium economic disparities between the two areas; nevertheless, this again has not been a major hampering factor in terms of cooperation.</td>
</tr>
<tr>
<td>Existence of historic ties &amp; converging cultural / linguistic circumstances</td>
<td>Closing the border between 1917 and 1990, and the emergence of a fundamentally different socio-economic system in the Republic of Karelia (Russia) had a major impact on the propensity for cooperation between the two areas. Nevertheless, especially after Euregio Karelia was set up, the situation evolved significantly. Nevertheless, the different cultures and languages and the scarcity of possibilities to travel from one country to the other remain the factors affecting cooperation most under Karelia programme.</td>
</tr>
<tr>
<td><strong>Historic factors determining cross-border co-operation</strong></td>
<td></td>
</tr>
<tr>
<td>Previous co-operation tradition</td>
<td>The co-operation tradition in the Karelia region is relatively young. After 1990, but especially after 2000 co-operation has become very intense in the Euregio Karelia area. The common history, economic interest and understanding of the importance of cooperation do play a role in the current relatively mature cooperation settings and intensity. The previous INTERREG II programme and the cross-border and cooperation that took place under other frameworks, e.g. Northern Dimension, Barents Sea, also contributed to this general understanding of the benefits of cooperation.</td>
</tr>
<tr>
<td>Prior existence of specific legal instruments</td>
<td>Bilateral cooperation with a legal base has existed since the establishment of the economic commission in 1992.</td>
</tr>
<tr>
<td>Prior existence of permanent co-operation structures</td>
<td>The setting up of Euregio Karelia brought added value to cross-border cooperation and, consequently, to INTERREG III, through the increased political support and the fostering of “integrated” regional development it represents. Nevertheless, one of the major factors encouraging genuine cooperation in this area, for setting up joint projects, is the combination of ERDF-Tacis.</td>
</tr>
</tbody>
</table>
4 In-depth analysis of results and impacts in terms of utility and efficiency

4.1 The external coherence of the programme

Policy coherence as defined here refers to the level of interaction and co-ordination with other regionally and spatially relevant policies, be it on the Community, national or regional level. Equally it relates to the degree to which the programme has been systematically embedded into the overall regulatory framework. A high level of policy coherence can contribute to enhanced policy synergy and can thus be a major factor in determining programme efficiency and effectiveness. This section relies mostly on the findings of the mid-term evaluation and its update, as well as on the actual operational programme document, where strategic links to other policies are explicitly made. The views have been verified with the Head of the Secretariat of the Euregio Karelia Neighbourhood Programme.

4.1.1 Regulatory compliance and interaction / co-ordination with other Structural Funds programmes

As the mid-term evaluation stated, the starting point for the new programme period 2000-2006 was a good one, at least in legislative terms. The Act on the National Management of Structural Fund Programmes (1353/1999) entered into force 1.1.2000, with the modifications directly related to the Agenda 2000 debate that had been actively pursued in Finland as well as in other Member States. The principle questions that guided the Agenda 2000 process, such as finding new ways of strengthening and reforming the Union's policies so that they can deal with enlargement and deliver sustainable growth, higher employment and improved living conditions for Europe's citizens; how to negotiate enlargement while at the same time vigorously preparing all applicant countries for the moment of accession; and how to finance enlargement and the development of the Union's internal policies were also strongly present. This debate was subsequently followed by the growth agenda as embodied in the Lisbon Agenda, accepted by the European Council in Lisbon in March 2000, when the Heads of State or Government launched a "Lisbon Strategy" aiming at making the European Union the most competitive economy in the world and achieving full employment by 2010. The influence of the macro / European level policy strategies was however clearly an indirect one, as these issues were not directly discussed and did not explicitly have an influence on programme formulation which was very much based on local and regional needs. Naturally the regional strategies and plans that influenced the programme formulation were taken into consideration in drafting the programme and thus the influence of the EU level strategies was more implied or indirect.

The Act on the National Management of Structural Fund Programmes (1353/1999) was applied to all the regional programmes and the instruments of the objectives 1, 2 and 3 and of fisheries. In 2000 the Act was modified in such a way that the regulations concerning management, control and inspection of Community Initiatives (including Interreg) and innovative actions were now included. The modifications entered into force 1.1.2001. The regulations concerning the management of Community Initiative programmes, the position and duties of the Selection Committee, Monitoring Committee, control and inspection of Community Initiative programmes
are included in the Structural Fund Act. A unified, decentralised administrative model is applied for the part of the programmes related to the Interreg Community Initiative. According to this document the Regional Council serving as a regional development authority and nominated in the programme will be the managing and paying authority of the Interreg programme.

The ex ante evaluation had already stated that the choices made in the programme were in line with, and supportive of, the Objective programmes implemented in the area (regions of Northern Ostrobothnia/Oulu, Kainuu and Lapland) (Ex ante evaluation, p 15).

Actually it is the very local and regional embedding and the cross-border value added that most clearly comes through in the programme document and the various reports. As has been stated in the Mid-term evaluation report, there is no one “de jure” definition of what constitutes the “cross-border character” and the “de facto definition” that was to emerge from the programme preparation process and the Karelian INTERREG IIIA Programme itself through decision-making and preparation is difficult to put into the form of an unambiguous guideline. Furthermore, influence can be observed from very different angles in different activities. One common definition of the criteria of the cross-border character would most probably be a very general one, which would not give any additional value to the decision-making. As one single unified definition does not exist however views can sometimes differ from each other. Also the large number of national financing authorities contributed to the existence of different opinions even if the broader strategic starting points and emphases were shared ones.

On the EU level the coherence between the Karelian programme and Northern Dimension is considered, as well as EU policies in areas of particular interest to the topics of the Karelian programme (e.g. e-Europe, transport and the environment). Community Initiatives (Leader+, Equal, European policy for the rural areas) are also considered on the basis of explicit references made in the Operational programme.

Equal and INTERREG are seen as complementary in many respects, in particular in promoting equality of opportunities and gender equality in the external border region. Equal has also been used for training and education projects with immigrants from the border region, which has been seen as a complementary factor in cross-border cooperation.

Leader+ on the other hand funds local rural policy initiatives, implemented through 58 local action groups (LAG) across the country. In the Euregio Karelia programme area, 8 action groups have been in operation. Rural policy issues, including technology transfer, economic development and tourism have been areas where coordination and common measures have been a possibility. The project flora being as multifaceted as it has been the degree of activity is clear though a more focused and coordinated effort may have been called for. This would probably be unrealistic however due to the diversity of the stakeholders involved.

Close cooperation has been pursued between the Karelian INTERREG / Euregio Karelia and the other INTERREG-programmes in which Finland participates, namely, Kolarctic, South-Eastern Finland-Russia and Finland-Estonia. The technical secretariats have regular meetings annually, where both technical and substantive issues are discussed. In addition, the ministries have established networks for cross-border programmes where the central administration and
managing authorities can share information and discuss experiences with the programme secretariats. INTERACT cooperation has been active in bringing around the same table the various programmes with countries at the external border (e.g. Russia, Poland, Hungary). In the programme preparation the guidelines and strategic project approach provided by the INTERACT secretariat was seen as particularly useful. There has not however been direct cooperation between the programme and ESPON.

One of the macro level strategic discourses and processes that very much influenced the national policy agenda and indirectly also the Karelia programme undoubtedly included the “Northern Dimension” (ND) policy, which was originally elaborated in 1999 with the participation of Norway, Iceland, EU Member States and the Russian Federation. Geographically the ND focused on northwest Russia, Kaliningrad, the Baltic and the Barents Seas, the Arctic and Sub-Arctic areas. The main objectives of the policy are to provide a common framework for the promotion of dialogue and concrete cooperation, strengthen stability and well-being, intensify economic cooperation, and promote economic integration, competitiveness and sustainable development in Northern Europe. It provided a framework for the political dialogue and practical co-operation on the governmental level, though it was also intended to build on local and regional initiatives. The first Action Plan of 2000-2004 and second Action Plan from 2004-2006 defined the focus areas for cooperation and the Neighbourhood Programmes were made an important implementation tool in their respective geographical areas.

On the regional level, coherence is assessed between the Karelina IIIA Programme and the region bordering the Karelia Republic, i.e. Regions of Kainuu, Northern Karelia and Northern Ostrobothnia / Oulu in Finland. The coherence is first of all assessed on the level between the Karelia INTERREG IIIA and ENPI. Here it is stated in the OP that the cooperation between the regions of Northern Karelia, Oulu Region and the Karelia Republic stem from the year 2000 and that the initial objective of creating better preconditions for pursuing cooperation across the EU's external borders has remained the main guiding principle. The importance of the local and regional levels is emphasized and the role of the monitoring and management committees is emphasized as a link to the national level (and by extension as a means of coordination). The political issues of relevance for programme implementation are discussed in political negotiations outside the programme management and here the role of regional politicians is also important.

On the level of national coherence, the main instrument considered is that of the Finnish government with the neighbouring areas. Here it can be stated that the two instruments are well in tune with each other and both aim at supporting societal and economic stability in the border area. The stated aim has been to bring the two instruments closer together and by so doing ensure a working distribution of labour and also that there is no overlap that would lead to inefficiency in the use of the funds, rather a positive synergy between the policies. The coordination of instruments and a well functioning distribution of tasks and responsibilities between the national instruments for cooperation in the neighbouring areas and the EU instruments were seen as particularly important, in light of preparing for the post-2006 situation. (OP, p. 22; FROM SUPPORT TO PARTNERSHIP - FINLAND'S STRATEGY FOR COOPERATION IN ITS NEIGHBOURING AREAS, from 22.4.2004; ACTION PLAN FOR FINNISH-RUSSIAN NEIGHBOURING AREA COOPERATION UP TO THE YEAR 2006, where co-operation fields range from the

In addition to these policy instruments and strategies cooperation in the framework of the Barents Euroarctic Council (BEAR) is considered as relevant and here the coherence has been seen to be well functioning. Barents –cooperation is first and foremost multilateral cooperation where cooperation areas of relevance for the overall well-being and comprehensive development needs are central. The regional level cooperation is not provided with resources from within the BEAR framework and for the regional level participation the INTERREG instrument has been the financial resource of choice. The distribution of responsibility is thus also clearly stated in the operational Programme, where it is said that Euregio Karelia is intended as the cooperation instrument for the area outside the geographical scope of Barents cooperation. The region of Northern Karelia from Finland is included in the Karelian INTERREG, but not in Barents. For all of these instruments and strategic cooperation areas Euregio Karelia provides a means of pursuing concrete objectives on the project level.

The most concrete means of ensuring coordination and coherence is through the Finnish regional planning and programming system where each Regional Council drafts a Regional development Programme with annual economic and action plans. These programmes are intended to coordinate the various development interventions ranging from the regional to the EU level.

The mid-term evaluation strongly emphasised the need to better reconcile the flow of information and coordination of funding between the Interreg and Tacis programmes though these were seen to be improving. In future efforts shall also be taken to increase the use of other financing channels in border region co-operation. For the part of the neighbouring area co-operation administered by the Ministry for Foreign Affairs, little linkage with the Interreg projects could be registered. In addition, the MTE argued that the possibilities to utilise funding from international financing institutions (e.g. EIB, EBRD) to create broader, more effective projects should be examined. The work to render Interreg and Tacis financial instruments compatible proceeded and the first application for both Interreg and Tacis financing was opened in autumn 2005. During the programming period 2007-2013, the ENPI regulation combines these financial instruments and all external border project activities will be financed through the same channel. However, coordination between EU programmes promoting cross-border cooperation (Neighbourhood Programmes) and national financing for neighbouring area cooperation had not advanced by the MTE update (2005).

4.1.2 Intermediate conclusions

It can be generally stated that the programme as such has been systematically embedded in the overall regulatory framework and in particular is firmly embedded in the local and regional strategies which in turn have been developed with the EU and national level strategies in mind. The deviations, if they can be so termed, mostly relate to the difficulties in implementing and coordinating INTERREG and Tacis funding, which was seen as a challenge. The coordination as such has functioned well in substantive terms and particularly through locally and regionally based
coordination. Policy dialogue between Finnish and Russian representatives in Selection Committee turned out to be very satisfactory.

Interaction has been ensured through regional programming and coordination efforts. Most instruments worked towards similar strategic goals that are embedded in the networks working with regional development. In some cases receiving funding through INTERREG may have been easier than through Objective 1, 2 and 3, due to the fact that there were many less applicants.

Inter-organisation networking and co-ordination has functioned fairly well between all relevant parties. During the programming period improvements were achieved in coordinating the INTERREG / Euregio actions and measures with the Ministry for Foreign Affairs (local area priorities). The role of NGOs could however have been stronger during the planning phase. Civic organisations were more active in implementing the programme.

Interreg / Euregio Karelia were very positively perceived among local actors. It has given to the municipalities, educational institutions and NGOs in particular a new international dimension to their activities and also an opportunity to “export” their knowledge and ‘know-how’ as well as providing learning opportunities with Russian colleagues and similar organisations on the Russian side of the border. This has been confirmed in the interviews undertaken in connection with the project analysis which formed a part of this ex post exercise.

4.2 The intrinsic performance of the programme

4.2.1 The overall governance and management system of the programme

The monitoring committee consisted of approximately twenty members representing the managing authority, the national ministries (with responsibilities for regional development, e.g. Employment and the Economy, Education, Agriculture, Social Affairs and health), regional authorities, Chambers of Commerce, business associations and trade unions. Despite the focus on connections and infrastructure, the original monitoring committee did not in fact include representation from the ministry of communications and transport, nor form the regional road authorities.

The role of the monitoring committee in preparing the new programme was central and the committee set a specific taskforce to oversee and support the preparation. This working group met twice during the preparatory phase. Members of the task force included representatives of the regional councils, representatives from the Karelian Republic (Ministry for Economic Development), representatives from the Ministry of Interior and Ministry for Foreign Affairs and from Finnish central government, as well as a Commission representative. A representative from the Russian Federations’ Ministry of Economic Development also attended the meetings as did a representative of the Tacis ‘local support office’ (LSO) as an observer.

The role of the monitoring committee in the actual implementation was discussed in the Mid-term evaluation where it was suggested that the role of the Monitoring Committee should be developed to ensure that it can truly take a stand on the programme’s contents, orientation and success. This requires verification of the fact that the Monitoring Committee members have updated information about the programme’s progress. Also the possibility to increase the strategic capacity
of the members of the Monitoring Committees in the EU-funded programmes to a broader extent for example through training and the general distribution of information should be considered. This helps in linking different programmes more closely to regional and local development strategies. This was indeed followed up and the update stated that the structure of the Monitoring Committee did change after the mid-term evaluation was carried out in 2003. The members of the Selection Committee were also, after the restructuring, represented in the Monitoring Committee so the latter now has a more concrete impression on the implementation of the Programme. One of the positive consequences of the transition to a Neighbourhood Programme is that the decision-making bodies, the Monitoring Committee (MC) and Selection Committee (SC) have Russian members, who are now able attend these meetings and participate in decision-making (with a right to vote). The monitoring committee originally had quite a distant role in terms of actual programme implementation, while the selection committee was closer to the actual concrete substance of the project. The view of the EU-delegation on the Tacis side was that the selection committee was to be a purely expert body but this was not entirely in line with either Interreg or Finnish practice where the principle of representative democracy is connected to such programme bodies. The distribution of tasks and responsibilities worked quite well in the end and the lessons are directly applicable to the new programming period. The selection committee was made part of the monitoring committee and the regional representation was maintained.

Programme management was the responsibility of the managing authority in this case the regional Council of Northern Ostrobothnia / Oulu region. The management structure was therefore decentralised though cooperation with the national level was close, the regionally decentralised model was seen to be in tune with the bottom-up nature of the programme.

The overall cost of the programme management system can be seen to correspond to the Technical Assistance share, which took up 5.8 % of the programme’s ERDF funding framework. Of the total sum of TACIS funding allocated to the Neighbourhood Programme, a reservation will be made to cover the costs incurred by administrative support measures and the distribution of information in the Karelian Republic during the period 2004 – 2007. Technical Assistance concerning Tacis funding was to be agreed upon separately with the Commission. Total eligible funding available for the TA was 3 294 4003 EUR, which was absorbed almost to 100%. Thus it could also be said that the administrative costs were well adjusted to the programme context and were in line with the planned costs. The fact that cross-border cooperation entails certain costs not incurred in other programme and project activity should be taken into account. Travel costs, translation and interpretation are prevalent here while cooperation is likely to be less cost-effective and efficient in the early stages of the project/programme simply because more face-to-face contact is required. This was very much felt in the Karelia Interreg / Euregio Karelia case.
The programme structure thus entails separated management, implementation and control functions. When moving from the INTERREG IIA structure to the new context of the ENPI programme management practice also subsequently underwent significant changes. This was as important partly also due to the need to involve the Russian partners fully in the work and to ensure that the practical experiences gained were brought to bear on EU and national level policies and strategies whenever possible. Euroregio’s role in the EU’s Russian policy and in developing the Northern Dimension concept and agenda was seen as an important opportunity to be tapped.

The Commission naturally had a clear interest in better coordination of the financial instruments and after a difficult start the number of joint projects gradually increased. In 2003 a Commission communication was published (“Paving the Way for a New Neighbourhood Instrument”), where the new Neighbourhood Programme instrument was introduced, with the aim of bringing together and better integrating the process of application and project selection. Applicants drafted one financing application, which was to cover funding for both Russian and Finnish sides of the border, and also the project-decisions would be taken in a uniform manner. Once the decision was made, the project was then launched as two separate sub-projects, where the decision on funding for the Finnish share of funding was to be made in Finland and the decision for the Russian share in the EU delegation in Russia. The actual implementation was naturally then undertaken as a unified process. The challenge of pursuing a dual management and monitoring strategy was seen as structurally challenging and required governance innovation, even though the actual project activity and its implementation was seen as a fruitful one (as indeed it was in most cases).

In some cases INTERREG projects are seen as more time-consuming and administratively burdensome than nationally funded projects e.g. ones funded through policy instruments for the neighbouring areas financed by the Finnish Ministry for Foreign Affairs). In some cases the supervision of the individual projects was seen as being unnecessarily burdened by controllers of the reports and activities. The need to answer too numerous and detailed questions on implementation and project activities may also be seen as requiring a considerable amount of time and may at times also contribute to ‘project exhaustion’ (especially in organisations with little experience of cross-border projects). This may even result in a decreasing level of interest in applying for funding in the future and in so doing also lessen the sustainability of project activities.
over time. In most cases the support of the JTS and managing authority were seen as positive in supporting the project application and implementation as well as in overcoming potential bottlenecks.

The monitoring system was however a source of some concern in the programme as it was not seen as being particularly suited to the management of cross-border projects. The Finnish Monitoring System (FIMOS) was developed to provide an integrated system for monitoring all ERDF projects. Various regional Final Beneficiaries were required to collect monitoring information and submit these vertically to their relevant Ministries. Each Ministry was then responsible for forwarding the information from their own registers (including project decisions, funding and indicator data) to the centralised FIMOS2000 monitoring system operated by the Ministry of the Interior. The Fimos system was not seen as fully serving the practical needs of the programme administration through developing the system in an interactive and learning-inducing direction.

Application rounds were organized by the JTS and the secretariat was also responsible for the implementation of the communications and information activities deemed necessary for better absorption and awareness of the opportunities provided by the programme. They also drafted a guide for the applicants, as well as providing information support to potential applicants. The process of applications required that each was accompanied by a partnership with one of the members/applicants from the EU area. If a joint Tacis and INTERREG application is submitted these were to be in a uniform form. Decisions on funding are drafted by the managing authority according to criteria set out by the selection committee. For the Tacis share, decisions are drafted by the EU delegation in Russia. Certification and auditing functions are stipulated in the applicable Finnish legislation.

The challenge of pursuing cross-border activities across the EU’s external border has been acknowledged in the evaluations undertaken. The need to achieve balance and mutually beneficial cooperation is always challenging while the communication and working practices are likely to be even more so where the external border is concerned. The mid-term evaluation addressed this issue and adjudged that the role and activity of the Russian partner in the Selection Committee and its Secretariat has varied to some extent due to the organisational changes on the Russian side of the border, which has also shown that the co-operation networks are often also person-dependent and thus vulnerable, leading to less organisational networking and learning than would ideally be the case. Changes in staff and personnel, as well as contact persons in decision-making bodies at times created a “silent” phase in terms of programme participation, though the work rhythm was subsequently re-established. Efforts were also made to develop the role of the Russian party within the framework of the Interreg Karelia programme away from that of a simple observer towards a more active direction. The representative of the Karelian Republic should have as good information as possible about the Russian project partners, which would benefit the work of the Selection Committee by improving the projects’ facilities for operation and evaluation of the suitability of the project partners’ expertise. The level of commitment among the Russian project partners was seen to vary considerably. It is natural then to seek to further develop the role of the Russian party during the preparation and decision-making stages to enable a fuller evaluation to take place of the willingness and commitment of Russian project partners. In addition, the evaluation of the need and final value added should also be promoted in a more systematic fashion. Competence and commitment grew across time however, thus ensuring that fruitful
INTERREG III ex-post evaluation. In-depth evaluation of the PROGRAMME: INTERREG III A KARELIA (Finland-Russia)

cooporation could be pursued over time within the ENPI framework. More recently the economic downturn naturally stifled the ability to cooperate somewhat.

Concrete methods and working practices to promote and embed cross-border cooperation were limited by the poor contacts and by the fact that in many cases on the Russian side the organisations participating only had one shared institutional e-mail address for instance, thereby making direct person-to-person contact difficult. Though the Internet and electronic communications are constantly developing in Russia this is an area that still requires more work in order to allow for more efficient and less costly forms of organising meetings and maintaining contacts. In some cases the culture of cooperation is also different and the face-to-face personal contacts cannot be replaced by electronic forms of communication, as may be the case in Finland. (This was visible for instance in cases where decisions were to be made through a written procedure, which was a largely unfamiliar process among the Russian partners.)

In terms of the project “life-cycle” and its management the programme seemed to work quite smoothly once the bottlenecks identified and referred to elsewhere in this report were addressed. (The life-cycle in terms of project applications is described in annex 3). Evaluation information was readily available and utilized and the support role of the JTS was also important.

The selection criteria were selected in order to support project preparation and guide programme implementation to support the objectives set. The same selection criteria were applied to both traditional Interreg projects and Interreg-Tacis joint projects.

The project applications have been evaluated based on the following selection criteria:

Applicability of the project:
• applicability of the project to the Neighbourhood Programme Euregio Karelia
• applicability of the project to the measure concerned

Feasibility of the project:
• the main applicant has sufficient skills and resources to be in charge of the management and implementation of the project
• the cooperation partner(s) has (/have) sufficient skills and resources to accomplish its (/their) share of the project described in the project plan
• whether the project plan describes the concrete results and cross-border solutions to be accomplished through the project (realism of the project)
• whether the measures to be realised and the results to be achieved through the project are in proportion to the planned budget (cost-effectiveness of the project)

Influence of the project
• whether the cross-border cooperation will continue after the end of the project (long-term influence)
• whether the project results can be applied on a larger scale (public utility of the project)
• whether the visibility of the results and activities has been taken into consideration in the project (dissemination of results, distribution of information)
• whether the project promotes, in addition to cross-border cooperation, wider cooperation between different sectors, different levels of activities and/or on the Finnish side trans-regional cooperation and in the Karelian Republic cooperation between different districts (networking)
• whether the project has positive impacts on employment
• whether the project generates new enterprises

Consideration of the programme’s horizontal principles
• whether the project promotes information society development in cross-border cooperation
• whether the project promotes citizens’ welfare or equality between the sexes or between different age groups in cross-border cooperation
• whether the project has positive environmental impacts in cross-border cooperation
• according to the nature of neighbourhood programmes, special emphasis in project evaluation will be placed on the following factors connected to cross-border cooperation

Level of cross-border cooperation:
• the project’s influence on both sides of the border (visibility of cross-border cooperation in planning, preparation and implementation of the project)
• if the project has appropriate cooperation partners on both sides of the border
• whether the cooperation partners on both sides of the border have committed themselves to the project through their own funding
• whether the benefits from the project are directed to both sides of the border
• the contribution of the project to cooperation and the development of connections across the border between Finland and Russia
• whether the project provides new information and/or expertise in terms of cooperation (innovativeness of the project)
• the impact of the project on ‘know-how’ connected to cross-border cooperation (increases the ‘know-how’ of cooperation partners and/or of other parties)

Each measure also has a group of selection criteria helping to evaluate the project’s applicability to the contents of the measure and through that also to the programme document. These selection criteria have been defined in connection with the description of each measure. The focus areas utilised particularly when prioritising projects competing for the resources that remained for the 2004 – 2006 included the following, which in themselves reflect the attempt to focus in particular on cross-border value added (i.e. that, which makes these project particularly useful and beneficial for this programme, rather than being implemented in a mainstream programme context or through bilateral means):

Promotion of economic cooperation
- forest and wood sector, bio-energy
- nature and cultural tourism
- women’s entrepreneurship

Development of information society
- telecommunication connections
- information society for citizens
- electric libraries
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- telemedicine

Support for civil society
- exchange of experiences
- cooperation between the young
- role of the mass media

Improvement of connections
- development of public transport
- more flexible activities in international border-crossing points
- widening of the use of temporary border-crossing points

The challenges of finding and developing selection criteria and in particular indicators suitable for grasping the cross-border value added was one of the main challenges of the programme and this is still an area where information exchange and benchmarking is actively pursued. Interact has been a useful instrument in this regard and EUROPE-Aid has also brought new perspectives and flexibility into developing this issue for the 2007-2013 programming period.

4.2.2 The Community added value and the sustainability / durability of the programme

The programme exhibits a considerable number of sustainable effects, as many of the project partners and programme stakeholders have continued their cooperation, either in the cross-border programme context or via other means. The level of contact between civil servants and local authorities has become firmly embedded and indeed is now independent of the programme. One of the main impacts of the programme has been the lowering of barriers and the threshold for cross-border cooperation across the Finnish-Russian border. Institutional and organisational contacts and learning has become more active. These issues however remain extremely difficult to measure and do not easily lend themselves to quantification.

The dissemination of EU concepts across the EU but also to Russia, as an external partner, are important in terms of the whole methodology of cross-border co-operation and the governance issues related to it. The “soft” issues of mutual understanding and cultural change cannot be over-emphasised. Through concrete projects on culture, tourism, energy etc, the latest European thinking and R&D on these topics can be shared and concrete cases piloted and ideas tested across the border.

The programme was stable in its structure, though some changes in governance and decision-making structures were made along the way to allow for a more balanced distribution of responsibilities and tasks, as well as ownership of the programme. In the future the coordination of projects will be further promoted and the role of the programme in general and the JTS in particular (as an integrative factor though inter-linking thematic project entities) will be pursued. The programme will be organised in a more thematic manner and the calls will also be thematic to ensure more coherent programme implementation and the better exploitation of synergies between the projects.
4.2.3 Intermediate conclusions

Formal co-operation between Finland and Russia has a long lineage in terms of political negotiation, bi-lateral trade and partnership. Cross-border co-operation in relation to civil society and local government has, however, only really developed over the last decade. Therefore Interreg / Neighbourhood Programme instruments have been important tools in accelerating the process of collaboration and mutual learning between the two neighbouring countries. It has also given a new boost to business communities on both sides of the border enabling them to increase collaboration and business relations in spite of the regulatory and customs problems. In addition, tourism has also been further activated on both sides of the border. This is likely to increase mutual trust and promote further civil society-based relations over time. Therefore, the Community Added Value with a particular emphasis on co-operation has been rather high – most of the projects were started only because of the availability of EU co-financing. Although, sustainable outcomes are difficult to trace in some areas (e.g. culture and infrastructure) Interreg projects did help to initiate numerous long-term partnership frameworks.

When it comes to new instruments and communication channels video conferencing emerged as a novel possibility, though it could only be used to a limited extent on the Russian side of the border. As such, face-to-face contacts remained important and meetings which require travel cannot be replaced by “virtual” or “e-contacts”, as the infrastructure and culture is not yet fully developed on the Russian side.

The quality and usability of monitoring data remained rather limited due to problems relating to the Fimos monitoring system. This also caused problems for evaluators throughout the process. Evaluation recommendations were widely discussed and some corrective actions were also made based on these actions. The indicator questions were widely debated and lessons learned for the new programming period. The project selection criteria could however have been more specific. Under some priorities not enough applications met the selection criteria. The difficulty in grasping the specific cross-border value added through (easily quantifiable) indicators, moreover, remains a constant challenge, though considerable development was achieved during the programming period. There were also certain problems in defining the roles and responsibilities to be assigned to the management and selection committees. This was however subsequently clarified by legislative means.

On sustainability: the co-operation ties created have in most cases been maintained though not necessarily through the same instruments. A majority of the projects in the project sample continued cooperation in some context and impacts on learning and networking (e.g. increasing mutual understanding and knowledge transfer) were seen as positive factors contributing to this sustainability. Currently there are very few such forms of sustainable co-operation, as the global economic downturn has influenced both the Finnish and Russian markets quite negatively. The most sustainable activities emerge through genuinely value-added creating knowledge transfer activities or through innovative cutting-edge business ideas where a PPP solution is a facilitating factor (i.e. where the market is not a clear-cut open / private market, rather where public procurement necessarily plays a role (e.g. though regulatory requirements).
5 Overall final conclusions and policy recommendations

5.1 Short- and medium-term policy recommendations

Strategic scope and policy coherence

Euregio Karelia was founded in 2000 to deepen this programme and project-based cooperation in order to bring better strategic and political guidance to the cooperation. Previous evaluations have stated that despite its strategic role and jointly agreed prioritized projects the implementation of the Interreg III A Karelia and Euregio Karelia Neighbourhood Programme in 2001-2006 was based more on the bottom-up approach than on strategic guidance. This means that project initiatives mainly stemmed from the grass-roots level with most of the new project ideas fitting into the programme framework even though active top-down strategic guidance was not used.

In stage I (INTERREG, prior to the ENPI) it was not possible to finance operations on the Russian side of the border. Interreg-Tacis instruments could not therefore be used as complementary tools. This issue has now been addressed and cooperation should now be smoother in this regard.

The overall evaluation and the selected project sample investigated in greater detail here indicate that there are currently very few forms of sustainable co-operation remaining, as the downturn has influenced both the Finnish and Russian markets quite negatively. The most sustainable activities emerge through genuinely value-added knowledge transfer activities or through innovative cutting-edge business ideas where a PPP solution is a facilitating factor (i.e. where the market is not a clear-cut open / private market, rather where public procurement necessarily plays a role (e.g. though regulatory requirements).

Otherwise (outside the Interreg / ENPI programme context) co-operation between Finland and Russia is very active both among civil servants and the business communities of these two neighbouring countries. Tourism is also now increasingly active. The very nature of these new linkages however makes it difficult to judge the added value of these particular measures and activities.

The selection criteria could have been made more specific in the previous programming period. Under some priorities not enough applications met the selection criteria. The difficulty in grasping the specific cross-border value added through (easily quantifiable) indicators thus remains a constant challenge, though considerable advances were made during the programming period.

As to the types of projects implemented the majority were so-called co-ordinated projects (planned in cross-border co-operation, but implemented only on the Finnish side). Genuine Joint Projects were however few and far between. This was due to the unavailability of sufficient levels of Tacis funding especially at the beginning of the period. While the regulative and financial changes put in place are likely to address these problems the importance of working towards joint projects cannot be over-emphasized. Well-functioning and motivated national partnerships representing parties with hands-on experience from cross-border co-operation should be actively pursued and built in order to ensure the emergence of more joint projects.
Added value has been identified in creating and identifying best practice and new methods for information exchange and knowledge transfer (e.g. video conferencing and peer communities, though this could only be used to a limited extent on the Russian side of the border, face-to-face contacts remained important and meetings that require travel cannot be replaced by “virtual” or “e-contacts”, as the infrastructure and culture is not yet fully developed on the Russian side of the border). These types of limitations and bottlenecks to further cooperation need however to be addressed as they may be decisive in determining the success rate of future cooperation.

Recommendations:

Strategic steering and the communication of expectations in respect of the strategy-driven project portfolio need to be enhanced. In addition, project selection criteria need to be further elaborated to ensure the ideal match between programme goals and project objectives.

Particular attention needs to be paid to the question of absorption and situations where such potential problems emerge need to be addressed immediately.

Peer-learning and comparative studies into this area (e.g. INTERACT and ESPON, as referred to above) are among the best ways of improving the knowledge transfer and indirectly over time also the quality of the system. Project partners’ experience and insights should also be used more actively in this regard, as they are in many cases the most knowledgeable in respect of identifying the best indicators to grasp the essential aspects of project activity.

Greater focus should be placed on enabling and capacity-building effects, as well as on the infrastructure (not only technical or physical, but also knowledge-and human infrastructure), which can best address the question of bottlenecks while helping to create new and innovative projects. More business sector actors should also be engaged in the programme work, including the steering group work on the project level.

More expertise from the business sector should also be brought in to scope the needs and absorption capacity of the market and to ensure that the programme measures are not diluted into small individual business advisory activities but rather are pursued in a more strategic and effective fashion.

More systematic foresight activities should also be engaged in possibly in cooperation with the regions involved (utilising existing networks to avoid the duplication of effort in this regard).

Implementation of the Programme

Financial absorption has been good and the only areas with serious allocation problems were border crossings and planning (priority 3.1), where national co-financing was problematic at the beginning of the programming period and in respect of some areas of Technical Assistance. As stated by the MTE update, coordination between EU programmes promoting cross-border cooperation (Neighbourhood Programmes) and national financing for neighbouring area
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cooperation has not however advanced significantly. The coordination of European and bilateral activities is clearly the key issue here.

In the period analysed, the total amount of private funding was 6.2 million euros which equates to approximately 11% of the overall funding. Measures 1.1 (Increasing cross-border cooperation of enterprises) and 1.2 (Promotion of the preconditions for business life in cross-border cooperation) are above average in their share of private funding whereas measures 2.1 (cross-border cooperation in the sectors of education and culture) and 3.1 (Border-crossings and regional planning) performed rather poorly in terms of mobilising private funding. This was partly due to the eligibility rules, as well as to the above-mentioned lack of coordination. Eligibility issues will have to be considered in a more systematic fashion and potential project co-financers educated and informed of all the possibilities (e.g. attribution of the 10% and 20% rules in accordance with Article 21 of Regulation (EC) No 1080/2006).

Recommendations:

Investigate the possibility for using 10% / 20% rules. Identify new sources of funding (to make up for local co-financing under pressure). There is an increasing need for private funding and therefore targeted information campaigns vis-à-vis businesses and the voluntary sector will need to be actively pursued.

Measure 3.1 in particular faced major difficulties at the beginning of the period. The main reason for these problems were the difficulties in getting national co-finance for the projects planned, which in turn is connected to the centralised budget and planning framework of national ministries (especially the Ministry of Transport and Communications). This shortcoming has subsequently been addressed through national legislation and the Regional development Act currently under preparation (finalized most likely in early 2010) will address this further. Important national level priorities need to be better coordinated with regional needs and with regional planning and strategy work to have a stronger role in this regard. This will ensure better coordination on the national level. Recommendations here include the swift implementation of a more comprehensive and less sector-driven planning procedure.

Recommendations:

Investigate and actively use the opportunities provided by the new Regional Development Act.

Seek to identify and promote innovation, find concrete examples of such practices that dilute traditional sector-driven working practices.

Promote projects where cross-sector innovation is promoted in concrete terms.

Relating to the previous point and in terms of cross-border cooperation a genuinely bottom-up and open process of preparing and implementing the strategies remains fundamentally important. If the programme is expected to have a major impact on the transport infrastructure it is important that the actors responsible for this sector are also involved and heard in the
preparatory stages of the programme. The partnerships on each side of the border need to be built based on regional needs rather than on national administrative structures.

Recommendations:

Identify the opinion leaders and success stories that bring in innovation and promote experimental methods and “thinking outside the box”.

Use well-functioning administrative cooperation and stable structures as platforms upon which new methods can be tested.

Absorption has been good, which is illustrative of the fact that the programme has been implemented in an efficient manner and the strategic choices have been timely and well founded. Those areas where absorption could be improved (e.g. evaluation on the Russian side) should receive a targeted boost through additional capacity-building efforts.

Recommendations:

Ensure that the good absorption rate is maintained by maintaining well-functioning practice from the programme management (active role of JTS, utilization of steering groups etc).

Improve the absorption rate on the Russian side by capacity-building efforts (exchange and mobility schemes for project leaders for instance).

As indicated by the MTE and its update the role of guidance and information exchange through Steering Groups is essential. Such groups were not however put in place for all projects at the beginning of the programming period even though it has been discovered that, in practise, project implementation can be better monitored and technical problems better addressed in projects where such a group has been set up. In addition, the project analysis undertaken here suggested that Steering Groups provide an essential support structure for the projects. Steering Groups with members from both sides of the border should therefore be even more actively used as a means of improving quality, relevance, and the flow of information.

Recommendation:

All projects are to have a Steering Group and in some cases Steering Groups could be responsible for more than one project to ensure better knowledge transfer and information flow between them.

Effectiveness of the Programme

The lack of commitment of the Russian partners to some project activities has been identified as a shortcoming to be further addressed. As the MTE update states the threat remains that the Russian party is only nominally committed to pursuing the projects. Efforts have been made to address this particular issue in relation to project evaluation, at the same time investigating the role of the Russian partner and its concrete actions in the project. Joint projects and Tacis financing lend a new dimension to this, and the role of the representatives of the Republic of
Karelia, who attend the programme administration will, in evaluating the actors, inevitably become even more prominent. The evaluation work is also facilitated by the Programme Office established in Petrozavodsk and the contributions of its staff to preparing and evaluating projects. Ensuring the smooth running of this work and the active role of the Russian partners in this regard is essential. Another issue to be addressed here is that of information activities, which could be further boosted, though already improvements have been made, as indicated by the MTE update. One recommendation here could also be the activation of at least some Russian Lead Partners, as this could boost confidence and improve the information flow about the programme and its resources on the Russian side of the border.

The fact that cross-border cooperation entails certain costs that are not present in other programmes and project activity should also be taken into account. Travel costs, translation and interpretation are prominent among such costs, and the cooperation culture is likely to be less cost-effective and efficient in the early stages of project/programme cooperation for the simple reason that more face-to-face contacts are required to overcome suspicion and promote knowledge. The particular nature of cross border cooperation needs to be taken into consideration here. The 10% and 20% rules in terms of eligibility allow for some leeway in this regard in 2007-2013 period. The nature of cooperation is such that costs are incurred outside the region even, sometimes, outside the country in question. The exchange of experience and peer-learning should thus be promoted even more actively in this area. This is also important because the programme administration is often small and resources scarce; all forms of external support and knowledge transfer are thus very welcome as an additional organisational and knowledge resource.

Recommendation:

Identify best practice from the Russian side at an early stage to provide for concrete examples to be tested and information exchange promoted.

Identify and engage national good practice which could then be tested across the border.

Use peer-learning systematically in annual planning and capacity-building as well as in self evaluation as an additional asset in monitoring and development.

The measures exceeded the objectives in terms of the cross-border cooperation of enterprises (average realisation 269.5 %), promotion of preconditions for business life in cross-border cooperation (average realisation 1030.1 %) as well as in cross-border cooperation in the sectors of education and culture (average realisation 506.3 %). In proportion, measures in welfare and civil society (average realisation 48.3 %), transport and communication (65.9%) and traffic and telecommunication connections (35.0 %) did however significantly lag behind the objectives set. In terms of the measure on border-crossings and regional planning (achievement rate 87.2 %), the hypothesis was close to the original objectives set. This is partly indicative of the degree of control and predictability: those areas where external, private and third sector partners are needed to achieve effectiveness are more difficult to predict and to steer. This is another illustration of the fact that attitudinal changes are extremely slow and thus that expectations should not be over-ambitious in this regard. In some cases, the level of effectiveness has been improved more due to improvements in coordination and inter-organisational dialogue within one
of the countries, rather than across the border however. The fact that businesses have such an interest in the area needs to be utilized as an asset. It is particularly important here to involve actors with solid experience and information from this area and region. Cluster-based third sector actors, business mentors and project sparring partners should be organised and better utilized as asset as those with experience of hands-on cooperation outside the realm of public administration can provide important knowledge and information to less experienced project partners.

The horizontal themes of equality and environment remained under addressed throughout the programming period. The objective was reached only in the area of the number of information society projects supported through programme measures (achievement rate 113%). The number of environmental projects (achievement rate 86.4 %) as well as equality supportive projects (achievement rate 43.3 %) was smaller than expected. In addition, it has also been noted that on the grounds of other indicators the programme was substantially deficient in promoting equality between the sexes. This is another area where using experts (not necessarily academic experts but rather experienced and committed peers, perhaps with an academic expert as a facilitator of information exchange) to boost awareness of these issues on the project level should be actively promoted.

Recommendations:

Identify opinion leaders and mentors within the core clusters to boost innovation and promote experimental methods and “thinking outside the box”.

Actively engage thematic project rounds to identify best project ideas in horizontal themes.

Bring in external expertise to train and provide "sparring partners" for these projects.

5.2 Long-term policy recommendations

INTERREG and the ENPI are useful in many respects and can provide an important asset and resource in addressing the most pressing societal challenges faced on the EU’s borders. The need to promote wellbeing on both sides of the border and to diminish the gaps across the border has been an area where progress has been relatively slow. It should be noted however that when the programme strategy and content is assessed, there are very few instruments that are likely to be able to impact these more “macro-level” needs. This should be taken into consideration when setting out the indicators and selection criteria for projects. The ENPI is more about creating the preconditions to achieve concrete results in selected areas and boosting mutual understanding and information exchange rather than achieving societal change per se. The distribution of tasks and the strategic focus of the ENPI as compared to bilateral and other cooperation arrangements should be clear and while the information exchange should be active and unhindered the more concrete and tangible enabling effects of the ENPI should be clearly distinguished from the broader political and societal objectives of diplomatic efforts.

The sustainability of the project activity should be accessed through monitoring, i.e. what are the preconditions for sustainability and how actively are these promoted at the various stages of the
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programming period. As the project analysis (though only a small sample) indicated, the cooperation ties have in most cases been maintained though not necessarily through the same instruments. A majority of the projects in the project sample continued cooperating in some context and impacts in respect of learning and networking (e.g. increasing mutual understanding and knowledge transfer) were seen as positive factors contributing to this sustainability. Currently there are few remaining forms of sustainable co-operation as the global economic downturn has influenced both the Finnish and Russian markets quite negatively. The most sustainable activities emerge through genuinely value-added knowledge transfer activities or through innovative cutting-edge business ideas where a PPP solution is a facilitating factor (i.e. where the market is not a clear-cut open / private market, rather where public procurement necessarily plays a role (e.g. through regulatory requirements).

Recommendations:

The Programme Selection and Monitoring Committee need to be particularly engaged in the issue of coordination between national and EU policy and ENPI activity.

ENPI’s indicators and strategic objectives need to be restricted to genuine cross-border effects, e.g. creating preconditions and achieving new smaller-scale inputs into national or European level policy rather than engaging in sweeping societal change that requires national-level action (from the Russian side).

The needs of the market should also be taken into account and strategic foresight pursued for instance through the utilization of business experts and steering group members in ongoing information gathering and monitoring (of the environment).
Annex 1 Finland-Russia (Karelia): Relative weight of codes and absorption compared

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## Annex 2 Criteria used for the Strand A Typology

### Criteria used for the Strand A Typology

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<th>A.1. Important contextual features characterising the cross-border programme area</th>
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| **A 1.1 - geographic type of land**  
(1) very high (a green border); (2) high (a river border); (3) medium (a mixed mountain-river-green border); (4) low (a high & low mountain border); (5) very low (sea border) |
| **A 1.2 - The political administrative nature of the common border**  
(1) very high (internal EU-border); (2) medium (mixed external & internal EU-border); (3) low (external EU-border) |
| **A 1.3 - The “density of border crossing possibilities”**  
ESPON identified (rail & road) per 100 km per NUTS 3 region, We identified all the NUTS 3 region in programme area and calculated a score calculated by summing up the values of all these NUTS 3 region |
| **A 1.4 - The “level of cross-border economic disparities existing in a given programme area”**  
programme areas with no significant disparities (1); with low levels of disparities (2); with high levels of disparities (3) with very high levels of disparities (4). ESPON provides a classification per NUT 3 region. We identified all NUTS 3 regions in the programme area and we calculated an average score for the programme. |
| **A 1.5 - The “existence of common historic ties & converging cultural / linguistic settings in a given programme area”**  
Strong common historic ties, a shared culture and a common language (1); few common historic ties, different cultural and linguistic settings (2) absence of common historic ties, of a shared culture and of a common language (3). |

### A.2. The success of the programme in addressing the initial priority topics & concentration principles of the INTERREG Communication.

| A 2.1 - Extent to which the programme addressed the "priority topics" as listed in the INTERREG III Communication  
determined by the number of priority topics covered by all measures of the programme. We labelled every measure to one of the priority topics. |
| A 2.2 - Extent to which the programme has actually concentrated its financial resources on a limited number of "priority topics" as listed in the INTERREG III Communication,  
determined by the percentage of ERDF-support allocated to the 6 measures with the largest budget (quantitative). |

### A.3. The depth / intensity of programme- and project-level cross-border co-operation

| A 3.1 - The depth / intensity of programme- and project-level cross-border co-operation  
Weighted "expected rate" achieved by an A-Strand programme across the 5 INTERREG III-related Criteria & the Historical Criterion |
|---|

### A.4. The effectiveness and efficiency of the programme’s overall implementation process

| A 4.1 - The overall “financial performance of the programme”  
Determined by comparing initial expenditure forecast with actual expenditure realised. |
| A 4.2 - The overall “degree of programme sustainability”,  
determined by the effect that all content-related & financial re-programming activities had on the initial intervention strategy of the INTERREG programme (score 1-4). V007 (1) not at all; (2) Very little; (3) Somewhat; (4) To a great extent |
| A 4.3 - The overall “degree of achievement for all quantifiable outputs & results at programme level”  
determined by comparing the initial target values with the most recent values actually realised under each priority and by calculating an average achievement ratio across all programme priorities. |
| A4.4 - The overall “degree of robustness / durability of projects”  
determined by the percentage of projects continuing to operate 2 or more years after the end of ERDF-support among all approved projects. |
Annex 3 Implementation of project activities: the flow of project through the life cycle, as summarised in the programme complement

1. PREPARATION OF THE APPLICATION: The Joint Technical Secretariat (JTS) organises the calls for proposals for the programme and is responsible for sufficient dissemination of information concerning submitting an application and measures related to publicity. The Joint Technical Secretariat is responsible for compiling guidelines for the applicants and giving them advice on submitting an application.

2. SUBMITTING AN APPLICATION: Applications are addressed to the Joint Technical Secretariat of the programme. The project must include one leading partner/applicant from the EU area. In joint projects, the durations of the Interreg and Tacis sections must be equal in principle. The durations of the Interreg and Tacis sections of a project can differ for justified reasons.

3. ASSESSMENT OF APPLICATIONS AND PREPARATION FOR THE JOINT SELECTION COMMITTEE (JSC): JTS, in cooperation with the national financing authorities of the projects, is responsible for organising the assessment of the projects and making decision proposals for the Joint Selection Committee. The Joint Technical Secretariat is responsible for checking the eligibility criteria of the joint projects before they are discussed in the Joint Selection Committee. JTS submits copies of the applications that include a Tacis funded part to the Delegation of the European Commission to Russia.

4. PROCESS IN THE JOINT SELECTION COMMITTEE: JTC selects the projects to be funded from the applications submitted, and the 5. PROJECT DECISION STAGE involves the Managing Authority (Council of Oulu Region) of the programme issuing grant letters concerning the INTERREG funding of the projects in compliance with the decisions of the Joint Selection Committee. The Delegation of the European Commission to Russia will issue contracts concerning the Tacis funded operations in compliance with the decisions of the Joint Selection Committee. Where the Delegation of the EC to Russia does not follow the decision of the Joint Selection Committee such deviations must be justified.

5. MONITORING THE PROJECTS: Guidelines related to the implementation, reporting and payment procedures are defined in a separate Application Pack document. Reporting internal and external measures of the EU is carried out with one set of forms, but in order to organise effective monitoring, measures are differentiated.