

Development of national and international financial mechanisms supporting sustainable development and cooperation in Arctic regions (Lead: Russia)

1. Project name: Development of national and international financial mechanisms supporting sustainable development in Arctic regions (project leader: Russia):

2. Initiator of the action -Russia.

3. Country and project leader - Russia.

4. Participating countries and permanent participants including names of institutions and intermediaries.

From the Russian Federation the project represent - the Ministry of regional development of the Russian Federation, Institute of World Economy and International relations (IMEMO), Institute of the USA and Canada of the Russian Academy of Sciences, experts of the Ministry of Finance of the Russian Federation, the Ministry of economic development and trade of the Russian Federation.

The project is supported and have confirmed officially participation in its realization Nordic Environment Financing Corporation (NEFCO) and chair the Arctic Contaminants Action Program (ACAP) of the Arctic Council.

Preliminary participation of following organizations is supposed:

- § The international organizations, including financial - (GEF), UNEP, the Scandinavian Investment bank, World bank.
- § USA- University of California;
- § Canada - Carleton university, Canadian Institute of International affairs; Canadian International Development Agency, International institute for sustainable development;
- § Norway – International peace research Institute, Institute of International Affairs;
- § Denmark- Danish Institute for International Studies;
- § Finland- Finnish Institute of International Affairs;
- § And leading experts from Sweden and Iceland

5. Project substantiation including its relation to priority subject area, working group activity and contribution to sustainable development.

Questions regarding the Arctic Council projects' financing are of enormous importance for practical realization of sustainable development concept and the Arctic Council priorities. Their significance and perspectives were considered practically at all ministerial sessions of the Arctic Council.

Following the results of the third ministerial meeting (INARI DECLARATION on the occasion of the Third Ministerial Meeting of THE ARCTIC COUNCIL, convening in Inari, Finland) the Arctic Council was defined as the partner in the international cooperation. The increase of international cooperation as well as interaction on expertise and projects' financing with Global Environment Facility (GEF), the United Nations Environment Programme

(UNEP), the Nordic Environment Finance Corporation (NEFCO), international financial institutions such as World Bank Group (WBG), the European Bank for Reconstruction and Development (EBRD) and the Nordic Investment Bank (NIB) was welcomed.

In the declaration following the results of the 4th ministerial meeting (REYKJAVÍK DECLARATION on the occasion of the Fourth Ministerial Meeting of the Arctic Council) the requirement for strengthening of efforts on financing of circumpolar cooperation is underlined.

It is noted that the Project Support Instrument (PSI) is supported as the mechanism for financing specific priority projects already approved by the Arctic Council. The decision is accepted to address to Council of senior officials to establish an experimental phase of this project and at the first stage of its realization to concentrate resources on financing of pilot projects against pollution in Arctic regions. The task was posed to estimate efficiency of its work and to improve mechanisms of its functioning, to develop a number of supervising principles on the organization of its work, to define priorities of its development (in close cooperation with NEFCO and ACAP for management of the pilot). The decision was made that it is voluntary tool which can use a wide range of measures of financing, including grants and other tools; in this connection it was noted that it is not exclusive mechanism of financing of priority projects of the Arctic Council.

It is offered to interested Arctic member states, observers and other participants of the Arctic Council to contribute to the Project Support Instrument (PSI). It is offered to working groups to organize active interaction with the constant countries-participants at early stages of new projects concerning their interests and possible participation in financing, management and realization of the projects.

In the declaration following the results of 5th ministerial meeting (SALEKHARD DECLARATION on the occasion of the tenth Anniversary of the Arctic Council, the Fifth AC Ministerial Meeting, 26 October 2006, Salekhard, Russia) it is noticed that it is necessary to invite interested Arctic member states, observers to participation in tool PSI financing. It is necessary to invite interested Arctic member states, observers and others, to participate in financing of this tool. Also the requirement for strengthening of efforts on financing of circumpolar cooperation has been underlined.

Necessity and requirement for strengthening of financing of the international cooperation for the Arctic Council was mentioned in the declaration of 6th ministerial meeting of the Arctic Council in April 2009 (Tromso, Norway). The requirement for improvement of financing of the Arctic cooperation was also mentioned in draft declaration on the occasion of the seventh meeting of ministers in Nuuk in May 2011.

Furthermore, strategic and complex planning of activity of the Arctic Council and its working groups which, in particular, is carried out within the project SDWG Strategic Planning (Canada Co-leads w/SDWG Strategic Planning Task Force) will require to provide higher and predicted level of financing for realization of the long-term objectives, new adequate and effective financial

mechanisms of programmes' and projects' realization in the field of sustainable development coordinated on regional and international levels.

Problems of the organization and maintenance of the corresponding volume of financing of projects of the Arctic Council are rather actual.

The project purpose is the estimation of efficiency of national and international methods and tools of concentration of financial resources for realization of projects of the Arctic Council, including sustainable development projects; preparation of offers on mechanisms of integration of financing of projects of the Arctic Council at national, sub-regional, regional and international levels, mechanisms of interaction of the Arctic Council with the international financial organizations; studying of prospects of development of financial mechanisms (possibilities of development of the tool (PSI) will be considered and procedures of its functioning for transformation into the high-grade tool of financing of projects of the Arctic Council are specified) and other innovative approaches with a view of realization of projects of sustainable development.

Perfection of financial mechanisms will promote improvement of coordination of cooperation, interaction on the Arctic problems and sustainable development questions, will allow to provide the integrated and substantial approach to management and planning by activity on the basis of the coordinated priorities, will allow to take the measures directed on distribution of the advanced practice and lessons taken in the course of sustainable development financing.

Within the project will be carried out:

- 1) analysis of problems of financing of projects of the Arctic Council;
- 2) prognostic quantitative assessment of financial requirements for successful performance of decisions and recommendations of the Arctic Council is given;
- 3) consideration of traditional both innovative national and international methods and tools of mobilization of financial resources for realization of projects of the sustainable development, providing predictability of a stream of financial resources in the form of payments, and also conformity to the coordinated international purposes, priorities and plans in the field of development and ways of effective control behind their granting;
- 4) determination of possible unconventional sources of additional resources, possibility of use of new forms of redistribution and mobilization of additional and state and private financial resources, including voluntary payments on private channels and the non-governmental organizations, and also mechanisms of interaction with the international partners and the financial organizations;
- 5) preparation of proposals on interaction of the Arctic Council with the international financial organizations, proposals on integration of financial resources and tools for financing of projects of the Arctic Council. Mechanisms of interaction concerning financing of projects of the Arctic Council with the countries and the organizations having the status of observers of the Arctic Council are offered.
- 6) methods of integration of the international financial mechanisms of a sustainable development in the basic national budgetary processes, business processes and procedures and a policy of financial institutions are offered.

Recommendations about formation of financial systems and mechanisms of financing of projects of a sustainable development with use of the international experience.

7) At last stage of the project the analysis of prospects of development of the financial tool for projects of Arctic Council PSI, about which results Russia will be carried out will consider possibility of substantial growth of the contribution to its financing. Offers on technology of creation and functioning on the basis of its development of the high-grade mechanism of financing of projects of the Arctic Council are prepared.

Possibility will be studied, financial technologies and other innovative approaches with a view of realization of projects of a sustainable development are offered, which will have in the near future the best possibilities of to be the coordinated countries participants and to be the most effective for their interaction with a view of the decision of the problems confirmed by the Arctic Council, will provide access to financial assets and their allocation on the basis of the is mutual-coordinated criteria considering equation of interests of all participants.

The project is aimed at search of optimum ways of integration of existing national and international mechanisms in practice of national financial mechanisms and procedures.

6. Results of the project will be reflected in the Report of working group.

In the report measures on improvement of access and expansion of sources of financing, integration of the international-recognized procedures providing successful financing, mechanisms of interaction of the Arctic Council with the international financial organizations will be presented. Offers on interaction of the Arctic Council with the international financial organizations, offers on integration of financial resources and tools for financing of projects of the Arctic Council. Mechanisms of interaction concerning financing of projects of the Arctic Council with the countries and the organizations having the status of observers of the Arctic Council are offered.

Methods of integration of the international financial mechanisms of a sustainable development in the basic national budgetary processes business processes and procedures and a policy of financial institutions are offered.

As a result of realization of the given measures level of planned character and predictability of financial streams, concentration on the international priorities, a transparency, predictability and responsibility of procedures of decision-making will raise. The share of the qualitative projects corresponding to the strategic international purposes and interests will increase.

All these measures will allow to pass from financing of separate projects by the various countries before system financing on priority lines of activity of the Arctic Council. Offers on creation of an infrastructure of the international financial fund with inclusion of financial agencies on territories are prepared.

Use of resources of the international fund would allow the countries to participants:

- To expand financial possibilities of realization of programs and projects;
- To create mechanisms of long-term partnership with the international organizations in interests of system work, to expand foreign economic relations,

- To raise quality of management of projects of the Arctic council at the expense of use of standards of world level.

- To involve the international financial innovations to expand access to technologies;

- To improve intraregional coordination and cooperation in the field of a sustainable development between the regional companies, funds, programs and establishments, regional banks of development.

Stages of realization of the project and report preparation - 2011-2013

The first stage - 2011-2012.

Preparation of the concept of the project.

- § Creation of the international expert working group on Report preparation.
- § Preparation of offers on interaction of Arctic Council with the international financial organizations, offers on integration of financial resources and tools for financing of projects of Arctic Council. Offers on mechanisms of interaction concerning financing of projects of Arctic Council with the countries and the organizations having the status of observers of Arctic Council.
- § The organization of Conference with participation of the states of the Arctic Council and the international financial institutions, the countries and the organizations of observers of the Arctic Council.
- § The organization of carrying out of round tables and meetings in the countries-participants and the countries of observers of the Arctic Council.
- § Preparation and discussion of the intermediate Report on Council of Senior officials SAO.
- § The publication of researches on financial mechanisms.

The second stage - 2013.

Preparation of offers on development and technology of functioning PSI, as mechanism of support of projects of the Arctic Council, offers on interaction of the Arctic Council with the international financial organizations, offers on integration of financial resources and tools for financing of projects of the Arctic Council. Mechanisms of interaction concerning financing of projects of the Arctic Council with the countries and the organizations having the status of observers of the Arctic Council are offered. The report on SAO and recommendations for a ministerial meeting in 2013г. In kingdom of Sweden.

The work organization.

Work on the organization and report preparation will be carried out by the international group of leading experts (supervising group), including representatives of Working group SDWG and other working groups (first of all ACAP), and also the countries and the organizations having the status of observers of the Arctic Council.

The leader of the project - Russia. Russia will take of a predominating position in questions connected with the project organization, the project secretariat will be located in Moscow.

From the Russian Federation the project represent - the Ministry of regional development of the Russian Federation, Institute of World Economy and

International relations (IMEMO), Institute of the USA and Canada of the Russian Academy of Sciences.

It is supposed that the report will be prepared under the aegis of Working group SDWG, but in cooperation with other corresponding groups.

7. The resume

During the period 2009-2011 by participants the Arctic council it is prepared and spent-68 projects, actions and reports, according to plans on 2011-2013 their quantity increases to 120.

Specificity of projects of the Arctic Council is that they are, as a rule, the projects of the international level demanding special and special control systems, coordination of activity, control, mobilization of financial resources of many participants and from many sources, and also definition priority directions of use of financial resources.

Financing sources - means of the Governments, the international financial institutions and banks, means of business and various organizations.

The tool of support of projects of the Arctic Council (PSI) only begins it's fully functioning. There are questions of its status, mechanisms of attraction of interested Arctic member states, observers and others, to participate in financing of this tool.

The project purpose is the estimation of efficiency of national and international methods and tools of mobilization of financial resources for realization of projects of the Arctic Council, including sustainable development projects. Preparation of offers on mechanisms of integration of financing of projects of the Arctic Council at national, subregional, regional and international levels, to mechanisms of interaction of the Arctic Council with the international financial organizations.

The task is to improve mechanisms of coordination of participants of financing of projects of the Arctic Council, to settle interaction and mechanisms of mobilization of resources of the international financial organizations, business, various organizations including governmental organizations on realization of priority projects of the Arctic Council. To prepare a number of supervising supervising principles on the organization of work PSI, to define priorities of its development.

Results of the project will be reflected in the Report of working group. The supervising working group will be created and before it there will be a summarizing task in view. The group can include representatives of all working groups of the Arctic Council, scientific community, public authorities of the countries of participants of the Arctic Council, associations and representatives of communities and the radical people in the Arctic Council, the countries and the organizations having the status of observers of the Arctic Council.

8. The project description, including methods which will be used also the work plan.

Actions	Terms	the Executive
Preparation of the concept of the project	August December 2011	The leader of the project
Formation of supervising group, the statement of structure, the work regulations, plan.	May 2012	The leader of the project together with SDWG
Conference with participation of the states and the international financial institutions	2012	supervising group
Working meetings, meetings, sessions of working group in the countries-participants (according to plan)	2012-2013	supervising group
Publications of researches on financial mechanisms	2012-2013	supervising group
Preparation and report discussion on SAO (according to plan)	At autumn session of the senior officials 2012	supervising group
Estimation of prospects of development and the offer on technology of functioning PSI.	2012-2013	supervising group
Report completion	2012-2013	supervising group
Preparation and report representation on a meeting of ministers	2013	supervising group

9. 10. The estimate and the budget, sources of financing.

The basic expenses under the project will make expenses on the organization and carrying out of the international conference and on the organization of carrying out of working meetings, payment of research workings out under the project. Financing sources - means of the Ministry of Regional Development of the Russian Federation.

It is expected that experts of the participating countries of the Arctic project provide the participation in the project independently.



10 февраля 2012 года

Помощнику Министра
регионального развития
Российской Федерации

В.В.Власовой

Уважаемая Виктория Валерьевна,

координация работы финансовых механизмов, обеспечивающих устойчивое развитие российского Севера, в том числе и при выполнении международных обязательств России, принятых страной при присоединении к ОЭСР и ВТО, становится особенно актуальной в условиях активизации иностранных (включая неарктических) государств в российской Арктике, интенсификации хозяйственного освоения арктических морей.

Со своей стороны готов принять участие в намечаемой Вами работе по линии Экспертного Совета с учетом институциональных возможностей АКАП, СБЕР, ИПП и других международных организаций.

С уважением

Председатель АКАП,
Заслуженный эколог Российской Федерации

А.С.Пешков



On February, 10th, 2012

to the Aide to the Minister for
Regional Development
of the Russian Federation

V.V.Vlasova

Dear Victoria Valerevna,

Coordination of work of the financial mechanisms providing a sustainable development of the Russian North including at performance of the international obligations of Russia accepted by the country at joining to Organization for Economic Co-operation and Development, OECD and the WTO, becomes especially actual in the conditions of activization foreign (including not Arctic) the states in the Russian Arctic regions, an intensification of economic development of the Arctic seas.

It is from its part ready to take part in work planned by you in the area of Advisory council taking into account institutional possibilities ACAP, Council Barentseva/Evroarktichesky / of the Euroarctic region (СБЕР), IPP(ИПП) and other international organizations.

Yours faithfully

Chairman ACAP,
The deserved ecologist of the Russian Federation A.S.Peshkov

Helsinki 2012.02.09

Ministry of Regional Development of the Russian Federation
Attn: Mrs. Viktoria Vlasova, Aide to Minister

Dear Mrs. Vlasova,

Subject: Preparation of a Report on Development of National and International Financial
Mechanism of Support to Sustainable Development of the Arctic Regions

(Your reference: Letter 27.01.2012 No 1499-VV/005)

Thank you for the invitation to participate in an Expert Working Group, headed by Russia, to help prepare a Report on a Financial Mechanism supporting sustainable development in the Arctic. The preparation work is envisaged to be under the aegis of the Arctic Council's Sustainable Development Working Group (SDWG) and in cooperation with other corresponding groups of the Arctic Council. The Project includes holding conference with Arctic Council stakeholders and presentation of a report at the Arctic Council Ministerial in 2013.

Your Project Concept Note takes up a number of important issues in the context of Arctic cooperation such as Arctic Council's priorities, outreach, criteria for selection of sustainable projects, governance and relevant matters that are associated with financing including that of the Arctic Council's Project Support Instrument (PSI) which has been tasked to Nordic Environment Finance Cooperation (NEFCO) to administer.

As you know, the Russian Federation signed the Cooperation Agreement regarding the PSI with NEFCO on the 4th of October 2011. The PSI will, however, be operational once some prerequisites are in place, including the nomination of the Russian Execution Agency (REA) by Russia and deposition of the Russian Federation contribution. REA is to help facilitate PSI projects in the territory of the Russian Federation.

Many of the important matters you take up in your communication of 27th of January 2012 need decision of the PSI Committee that will be called once the PSI becomes operational, hopefully as soon as possible.

NEFCO looks forward to engaging constructively with you in cooperation and help of decisions of the concerned bodies of the Arctic Council, the PSI and the Russian Federation. In the meantime, please maintain us in your communication loop so that we can interact optimally.

The NEFCO contacts are:

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I look forward to remaining in touch.

Kind regards



Husamuddin Ahmadzai, Tekn dr, CE 2012.02.09
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cc.

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