

# Chapter 18

## Prospects of International Cooperation in the Arctic Under the Russian Chairmanship of the Arctic Council in 2021–2023: Social Projects and ESG Financing



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### 18.1 Introduction

The Arctic region is extremely vulnerable to the problem of climate change, and most of the issues related to the indigenous populace of the Arctic remain highly acute. In 2021, the Chairmanship of the Arctic Council—the leading Arctic intergovernmental forum—passed to the Russian Federation, which proclaimed the sustainable development agenda as a key theme of the organization’s work. The comprehensive program of Russia’s Chairmanship in the Arctic Council assumes the strengthening of international cooperation in the Arctic region in four key areas. One of the key areas identified by Russia in the Chairmanship program is the social sphere, namely improving the quality of life, education, well-being, and the healthcare system of the Arctic population, including the numerically small indigenous groups of the North. In the course of the Chairmanship, the Russian Federation also intends to carry out significant work in the socio-economic area, which to some extent will balance the significant emphasis on the ecological and environmental vector of activities (Program of the chairmanship..., 2021a, b; Arctic Council, 2021a, b).

### 18.2 Methodology

In the study, interdisciplinary methods of analysis were used (statistical analysis, forecasting, statistical, and comparative legal analysis). A contextual analysis was

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used in the study of strategic national documents, news resources, and other sources of information.

### ***18.2.1 Well-Being of the Indigenous Peoples***

The correlation between environmental and social well-being is a long-standing concept of International law, fundamentally established in the 1972 Declaration of the United Nations Conference on the Human Environment (Declaration of the United Nations..., 1972). It is also part of the level of the national policy of the Arctic countries—for example, the concept is reflected within the 2015 “Announcement of U.S. Support for the United Nations Declaration on the Rights of Indigenous Peoples” (2011).

The concept of “well-being of indigenous peoples and local communities” correlates with most of the SDGs, including “Goal 3: good health and well-being,” “Goal 4: quality education,” “Goal 6: clean water and sanitation,” “Goal 11: make cities inclusive, safe, resilient and sustainable,” etc. The main challenge is to invest in the development of community strength in the Arctic, which includes a very wide range of issues, from education and medicine to the conservation of the traditional way of life of indigenous peoples (Zadorin, 2011), development of the most sound and eco-friendly technology, etc.

Today, the interests of organizations of indigenous peoples are widely represented within the Arctic Council (Zagorskiy, 2015). As part of the Chairmanship for this thematic block, a number of conferences are planned on education, attracting personnel to the Arctic, preserving health and providing a comfortable urban infrastructure. It is not surprising that it was Russia that put forward this direction as a priority, since it is in the Russian Arctic that the majority population of the Arctic lives, including 47 small indigenous groups of the North.

Today, Russia is actively involved in such projects of the Arctic Council as regards the education of indigenous children as “Children of the Arctic,” “Nomadic School,” “International Arctic School” (Arctic Council, 2021a, b), and others, advocating the fostering of international cooperation and exchange of experience in this area. Cooperation between states to improve the level of education of the population is seen as a necessary and promising direction, both by improving the quality of services provided and by ensuring universal access to educational services. In particular, the Russian Federation, within the Arctic Council, proposes to examine the possibility of using digitalization tools to preserve the customary way of life of the original inhabitants, including to preserve the cultural and linguistic heritage.

It seems expedient to introduce hybrid educational programs based on a multicultural educational approach and take into account the local conditions of the region. Such areas of personnel training as the provision of shipping and energy supply in the Arctic, international Arctic tourism, industry, and international trade are promising as educational priorities.

Moreover, the social dimension forms the second component of the concept of ecological, social, and corporate governance factors in investing (ESG). The stimulation of investment in projects that involve the inducing of human capital in the Arctic is a promising way for the development of the social component of the economic activity in the Arctic region.

### ***18.2.2 Sustainable Financing in the Arctic***

During the Chairmanship of the Arctic Council, the Russian Federation intends to carry out significant work in the socio-economic area, which to some extent will balance the significant emphasis on the ecological, nature conservation vector of activities. As noted in the document “Priorities of the Chairmanship of the Russian Federation in the Arctic Council”, the focus is on improving the investment climate, revitalizing investment activity, and implementing sustainable financing projects. Let us consider this aspect in greater detail (Priorities of the chairmanship..., 2021a, b).

Within the context of the worldwide energy transition, establishing of a fundraising system for Arctic projects that make contributions to the achievement of SDGs is becoming urgent for the Arctic states. In the course of preparation for the Russian Chairmanship of the Arctic Council, the proposal “Sustainable Arctic Financing” was put forward. The project is planned to be introduced to determine the financing model for “green” projects in the Arctic. Importantly, ESG is also a mechanism of investing in eco-friendly technology development, e.g., the projects of development of eco-sound marine technologies. It is expected that this will create a benchmark, a financial standard for development institutions and investors in the continuation of the Arctic Investment Protocol and the Northern Business Index (Zvorykina, 2020).

According to a number of experts, the idea of Arctic Development Bank can become an efficient option for organizing the accumulation of funds for financing sustainable development projects. Similar financial institutions are already operating, for example, within the BRICS (e.g., New Development Bank BRICS) (Rakov, 2017); an example of a national development bank is the UK Green Investment Bank (GIB) (Rakov, 2017). The establishment of such an international institution will make it possible to organize financing in projects aimed at achieving sustainable development more clearly, as well as could increase the transparency of the accumulation and distribution of funds and, subsequently, attract international investors (Rakov, 2017).

Also, some researchers propose the idea of creating compensation funds that can be accumulated in regional budgets when implementing programs for the socio-economic progress of territories. This mechanism, for example, is already working in the Republic of Sakha (Yakutia). According to the authors, as an initial step in this direction, the formation of a separate “taxonomy” (categorization) of ESG factors (ecological, social and corporate governance factors in investing, ESG) should be carried out—taking into account the characteristics of the Arctic region, including the peculiarities of the climate and social structure.

The fact that the existing taxonomies are not sufficient for the correct evaluation of projects carried out in the Arctic region can be proven on the example of the S-dimension, which is very particular in the Arctic.

During the research, major international ESG taxonomies were compared, including UN PRI, UN Financial Initiative, UN Global Compact, OSCD, World Bank, CFA, GRI, etc. The S-dimension of non-financial performance largely correlates with the issue of infrastructure, and namely the importance of infrastructure development for the quality of life of indigenous peoples. In the Arctic, poor transport infrastructure is a crucial issue, and the situation is exacerbated by the fact that the main industrial areas and production bases are long distances away. For this reason, a set of measures, such as the Northern Delivery, is being implemented in the Russian Arctic in order to provide the Arctic areas with vital goods in preparation for the winter period.

This is a specific problem for the region since the lack of transport connectivity endangers the accessibility of food, medicine, and other vital supplies. In this regard, major corporations implement their corporate social responsibility in the form of setting up individual projects related to the improvement of transport accessibility—as an example, the socially oriented activities in the transportation sector of the Norilsk Nickel company can be examined. This company, for instance, is engaged in the reconstruction of a civilian sector of the airport in Norilsk, as well as offers regular assistance in response to specific requests from Taimyr municipalities and provides sponsorship support for economic and social development of indigenous peoples of the North, majorly through arranging air transportation (PJSC “MMC “Norilsk Nickel” report, 2019).

Potravnaya (2021) in the research “Social Problems of Industrial Development of the Arctic Territories” highlights priority social problems in the region identified through conducting a sociological survey among the local population (the rural localities of Olenyok and Kharyyalakh, August–September 2020, 130 respondents). The issues of major concern identified by residents include an increase in food prices (32.2%), low income (20%), and a lack of employment opportunities (18.0%), transportation problems (17.6%), and low level of health care (11.5%). As follows from the research, the most acute and Arctic-specific social issues may be grouped into three categories: supplies and products accessibility, income and employment, and access to medical care. In the Arctic region, big corporations should be considered community-forming enterprises and therefore are expected to invest in infrastructure and healthcare projects.

To recap, the named factors are not only crucial to the social well-being of the Arctic but also are highly determined by the geographical and climatic specifics of the region. They are worth being taken into consideration in developing and implementing various industrial projects in the region, and one of the efficient steps on the way to ensure this development, according to the authors, could be the inclusion of those factors into an Arctic-specific ESG taxonomy.

### 18.3 Results

The Chairmanship of the Arctic Council opens up an opportunity for Russia to contribute both to the achievement of the strategic objectives of the forum and to raise awareness of the participating States of the Arctic region to problems that are crucial for the Arctic zone of the Russian Federation. In 2021, under the Russian Chairmanship, the Arctic Council Strategic Plan which sets out a strategic vision for the sustainable development of the Arctic and the Arctic Council was developed for the next ten years.

Based on the executed analysis, it is possible to define the following recommendations on the considered priority area of the Russian Chairmanship in the Arctic Council:

1. To consider in more detail, the social factors when evaluating industrial projects in the Arctic—along with the issues of ecology and carbon footprint;
2. To elaborate practical instruments of preservation of traditional knowledge and develop human capital in the Arctic, including opportunities for digitalization and integration of knowledge and skills of indigenous peoples;
3. To develop institutions for sustainable financing in the Arctic—starting from the formation of a separate taxonomy of ESG factors, taking into account the distinguishing traits of the Arctic region.

### 18.4 Conclusion

The consequences of global warming in the Arctic are most noticeable, and it threatens the usual way of life of indigenous peoples. In addition to working to prevent further changes in the environment, the opportunities for community development should not be overlooked, namely the opportunities for digitalization and the integration of the knowledge and skills of indigenous peoples.

There is a lot of work to be done for the Arctic states in the direction of improving the educational level of the population of the Arctic. The key point on this issue is taking into consideration the multiculturalism of the region, the traditional “northern” skills of young people and the needs of the Arctic economy for the formation of educational programs and infrastructure.

One of the promising ways to attract more capital into ecologically and socially oriented projects in the Arctic is the development of specific institutions aimed at the promotion of sustainable financing, where the first step could be the elaboration of an Arctic-specific ESG taxonomy.

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