

# **Territorial Cooperation in the EU: EU Strategy for the Baltic Sea Region**



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## **PREFACE**

The objective of this report is to analyse the EU Strategy for the Baltic Sea Region. Throughout it we examine its main features, its progress, and the challenges and unresolved issues encountered so far. Based on this examination, the report also offers a series of recommendations. Special attention is paid to the added value of the Strategy specifically for the Baltic Sea Region, as well as a policy tool to further the goals of the EU as a whole. By highlighting these elements, the transferability of the Strategy is also examined.

The methodology for the report has involved researching available information for the region and the Strategy, as well as fieldwork research in the form of interviews and participant observations methodology. Over the past six months, we have conducted trips to Brussels, Stockholm and Gdansk, in order to gather information from a diverse group of stakeholders, experts, and officials who are directly involved in the BSR Strategy from its early creation as an initiative, to the implementation phase. Of course the information we gathered is very limited compared to the huge amount of stakeholders and projects involved in the EUSBSR. Nevertheless, our fieldtrips gave the team a good sample of different positions and opinions about the Strategy, which, together with our research are reflected in the report.

## **EXECUTIVE SUMMARY**

After being in place for more than one year, the EU Strategy for the Baltic Sea Region (EUSBSR) marks an ideal, new and unique laboratory to investigate and study the territorial cooperation in the EU and develop it. Unresolved issues, lessons, the added value, and the transferability of the Strategy have been studied and analysed over the past year to produce this report. The key challenges facing the EU Baltic Sea Strategy were analysed with a critical approach, in order to contribute to the learning process promoted by the Strategy. In addition, the analysis seeks to raise questions and to provide insights for policymakers to improve the Strategy. For example, the notion of conditionality concerning the responsibility from each level (of multi-level governance) to achieve common and shared objectives is a particularly interesting one to examine. The importance of EUSBSR is accentuated by the fact that the EU is currently looking for better for better conditionality mechanisms that would allow the redefinition of both European Commission and Member States' roles without adding to the existing institutions and funds. The EUSBSR parts from the point that it seeks to utilise the resources and frameworks already in place, for the sake of regional development and cohesion.

### **Introduction**

The Baltic Sea is surrounded by Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland, Russia, and Sweden. With the accession of Poland, Lithuania Latvia and Estonia to the EU, the Baltic Sea became almost an internal EU sea. The Baltic Sea Region is unique in that some of the most developed EU member states and some of its newest members compose it, and in that it has a long history of cooperation. The heterogeneous group of countries surrounding the Baltic Sea share not only a common history, but also challenges and opportunities. For instance, the Baltic Sea has been recognised as not only a focal point of economic activity for the area, but also as a very fragile ecosystem. This and other shared challenges and opportunities prompted Member States in the region to look for a strategy that would look to integrate the objectives of the different cooperation networks and stakeholders in the area. These can be categorised under three main areas: The environment, economic and social development, and accessibility and security. The external dimension of the region is also of major importance, as it neighbours with Russia, a very important global player, and a key supplier of Energy to the EU.

**The EU Strategy for the Baltic Sea Region (EUSBSR)**

The EUSBSR builds on a long lasting cooperation in the region and a shared vision of its future. The pressing need to include all countries in the region, including non-member states, in order to achieve results, prompted the European Parliament to make a resolution asking the European Commission to start work in drawing a strategy that could facilitate cooperation and use the existing frameworks already in place in the area. The two main objectives were to include all actors and to involve national partners actively, and to exploit the existing institutions and finance. The strategy remains a guideline to better coordinate regional and domestic actions, and hence the results are largely dependent on the different actors: National and regional governmental bodies and private partners (universities, companies, NGOs), under the general coordination and monitoring of the EU. It is seen as a vehicle to better utilise EU funds, and align domestic policies to wider EU objectives, while respecting domestic sovereignty. It is also a means to provide incentives for states to look beyond their own borders.

The Baltic Sea macro-region is also interesting in that it remains an EU strategy, while at the same time being the responsibility of the Member States involved, and following a bottom-up approach in its implementation. The EUSBSR follows a very broad approach, with four pillars and 15 priority areas. The EUSBSR went beyond proposing a plan to strengthen the cooperation among EU partners and the Nordic Dimension, and has evolved into a model of governance for cross-border, transnational and regional cooperation and, furthermore, a new tool for European integration. It marked the birth of the concept of a macro-region and has great potential to be a vehicle for the achievement of the goals shared by the EU member states. In short, it is a new tool for regional development, which seeks to be inclusive (consultation process) and follows a multi-level governance approach (both top-down and bottom-up).

This concept is the basis for the establishment of an action-oriented framework, without creating new institutions, new funding or new legislation. Instead, the goals serve as a fitness criterion and the actions outlined a guide for stakeholders. The EU sees the EUSBSR as a strategy that could serve as an experiment to draw lessons from in order to build such macro-

regional strategies in other regions. Therefore, the experience gained and the lessons drawn from the strategy are very important for its transferability.

### **Governance**

Given the complex cooperation and coordination needed to encompass the variety of issues in the Baltic Sea Region, it is therefore not surprising that the EUSBSR follows a multi-level governance approach. The EUSBSR is organised in such a way that the European Commission exerts a “soft power” in the role of overall coordinator, external facilitator, and impartial honest broker while the strategy is drafted and implemented from within, i.e. by the national and sub-national governments and between them, and different stakeholders. The Lead Partners of the flagship projects, which are public institutions and a heterogeneous group of organisations, from banks to universities are also key actors in the implementation of the Strategy. Naturally linked to the governance of the EUSBSR and its effectiveness, are the issues of funding and project labelling. Understanding both is necessary to understand how the Strategy works. There is no lack of funding in the region, as there are a variety of sources for financing the EUSBSR. The main ones are the EU structural funds and other EU funding (e.g. rural development funds, fisheries, external action, research, and environment funds); national, regional and local funds; banks and international financial institutions; and NGOs and other private sources. The alignment process is complex, since different funding and labelling sources follow different approaches or criteria to finance and/or support projects as they are related to the EUSBSR. In addition, funding institutions also engage in other activities such as technical support.

The positions of various actors within the Strategy vary significantly. The EUSBSR was created at the EU level. As well, the European Council is the monitor of the strategy. The key position of the EU is to oversee the progress and challenges of the strategy rather than being involved too much in its operations. It should be noted that due to varying national interests, different countries have shown different degrees of commitment to the Strategy, and conceive it their own way. Nordic countries play active roles in the Strategy, among them Sweden being the leader. Finland as well has played a very active role, especially in the inception of the EUSBSR. The three Baltic countries are generally described as active followers in the strategy as they are eager to integrate themselves into Europe. Poland and Germany were sceptical at the beginning but are now increasing their commitment to the EUSBSR. Among the non-member states, committing Russia to the strategy is a tricky issue, since it is the

furthest from the EU, and yet is a key regional player. It is clear that many of the issues can only be addressed in constructive cooperation with Russia. While Russia recognises the importance of the Baltic Sea, and is interdependent with the EU in terms of energy and trade, it does not share common ground with EU in terms of four pillars mentioned in the strategy. Russia's interest, at present, is mainly about maritime transport.

Furthermore, in addition to the inception of the macro-region concept that the EUSBSR has brought about, the coexistence of top-down and bottom-up processes, cooperation between member states and non-member states, and public / private partnerships make it an example of multi-level governance. Of course there are some arguments about the limitations of multi-level governance, such as lack of communication and knowledge between different levels of actors, too many rules, and trade-offs between sectors approaches and complex territorial or cross-border approaches.

### **Implementation: Environment, Innovation & Competitiveness, Energy and Transport**

The implementation section reviews the progress made so far by the Strategy. It is not only important to understand the progress that has been made so far only in terms of the strategy, i.e. inputs and outputs, but also how the strategy impacts these policy areas as a whole.

Innovation and competitiveness, and environmental protection are the two most pressing priorities for the participating countries, and hence analysing the advances in these areas is a fundamental step towards assessing the value of the strategy. Transport and energy, on the other hand, are of interest in this report, since they relate to wider EU objectives and are strongly linked to structures that deal with the whole of the EU. Producing a thorough analysis of the progress made so far, especially when choosing so wide a focus, would require an immense amount of information and time, which is outside the possibilities of this project. Nevertheless, this section provides useful insights to the progress made by the strategy and throws light into one of our main concerns: Assessing the value of the Strategy.

### **Challenges**

The challenges section is divided into themes that are governance-related issues, since it is the focal object of the study. First, there is obvious lack of leadership in the Strategy. A leader is essential for an effective implementation of the Strategy as a gatekeeper to keep the pressure and push the process further. Second, there seems to be an inherent problem within the Strategy's definition. Not all actors and stakeholders in the strategy are able to understand

the structure, concept, and potential of the Strategy and use its frameworks and institutions to their benefit. Another dimension of this challenge is the Strategy's divide of 'four pillars' in terms of implementation and integration; this can work against the Strategy as there seems until now a lack of clear links between the different pillars and priority areas. There are four pillars, fifteen priority areas, and over eighty flagship projects. This separation of pillars and priorities creates a situation of missing links. A third challenge like any arrangement of such scope and size is communications. There is lack of a clear communication strategy that would be able to address the set of "communication gaps" and bridge the process of communication horizontally and vertically. Fourth, although there are certain evaluation methods on the project level, a global evaluation and measurement mechanism is missing. And the current measures and indicators can be misleading and inappropriate to "learn" and assess the Strategy's success or failure. Fifth, there is a lack of effective conditionality, incentives, or sanctions for the actors, and this is a pressing challenge in a multi-level governance approach. Sixth, on political aspects, there are challenges in keeping the momentum of the Strategy going on the highest political levels, and in working cooperatively towards "one entity" that could exercise political weight on matters concerning the European Union or with external actors like Russia. Finally, the challenge that faces the EUSBSR is to contribute and shape a "Baltic Identity" that will further help to respond collectively to issues of common interests. The Strategy is about the alignment of funding to policy areas, yet there could be specific challenges in the application of this concept to the Strategy. Also, funding is needed for technical assistance and to allocate appropriate resources for the European Commission – to take the gatekeeper role. There is a need to identify the Set of "coordination gaps", set of "administrative gaps", set of "policy gaps", set of "objectives' gaps", "accountability/responsibility gaps" in order to overcome the various governance-related challenges.

The central question is how to organise cooperation in a region that is managed together between public and private sectors with different arrangements in different countries? There is a need to have an institutional mapping of all the actors involved and examine how they are working together. In each region and/or country we will be able have more information and knowledge about the "gaps" and prioritise based on the place. Creating further capacity, and increasing the sharing of knowledge are important entry points to solve many problems.

**Added Value of the EUSBSR**

Since the Strategy did not come to replace previous actions and institutional frameworks, but rather to better utilise the existing structures and to bring new impulse to issues lagging behind in implementation, the Strategy can be seen as an energising tool and a framework to strengthen the common identity in the region. The EUSBSR can also serve as a means for increased cooperation in the region, and to address conflicting issues, and trade-offs. Furthermore, it has and can continue to raise awareness concerning diverse issues in the BSR. Finally, it can serve as a tool for identity creation and for regional development through multi-level governance.

**Transferability**

In order to give guidelines for the extrapolation of the Strategy, we highlight the elements that make the Strategy work then distinguish between those characteristics which are specific to the Baltic Sea Region, and those that can be replicated in other areas. The long tradition of cooperation that existed in the region cannot be transferrable, but valuable lessons on relationship and trust building can be drawn from it. Further, certain characteristics of the Strategy can be such as an awareness of common challenges, coordination from EU and its entities, and political commitment can be applicable to other regions.

**Recommendations**

After analysing the various challenges hindering the potential effectiveness of the BSR Strategy, the report concludes with a set of recommendations for addressing the challenges faced by the Strategy with particular attention given to issues of governance.

- Strengthen the role of the European Commission in the Strategy.
- Establish an evaluation mechanism of the Strategy with stronger incentives.
- Strengthen performance through conditionality (success factors) incentives.
- Maintain the momentum of political commitment.
- Strengthen external governance, especially in partnerships with Russia.
- Establish informal institutions that facilitate the inclusion of non-Member States and their stakeholders.
- Clearly define the Strategy.
- Establish a communications system between horizontal and vertical actors.
- Strengthen the notion of a common or regional identity.

## INTRODUCTION

Regional policy in the European Union has been an essential part of development and the creation of a united Europe, encompassing the notions of a common identity, collective action, and shared strategies and objectives. Within this framework, cohesion policy became particularly important after the 2004 enlargement of the EU when ten states, all of them large recipients of structural funds became part of the Union. Furthermore, in order to achieve the goals set in the new European Strategy, “Europe 2020”, Member States have recognised that: “Cohesion Policy needs to play an essential role in enabling the Union to achieve the EU 2020 goals. As we pursue the road to recovery, we must ensure that growth is not just smart and sustainable; it must be inclusive too.”<sup>1</sup> In order to achieve integration and strengthen Europe as a whole, effective territorial cooperation is thus essential.

Cross-border, transnational and regional cooperation in the Baltic Sea Region took a leap during the 1990’s, as there was an important increase in the amount and scope of regional organisations. Nevertheless, many of these are parallel to the European Union and exclude certain countries in the area. The accession of Poland, Lithuania, Latvia, and Estonia marked another watershed for the Baltic Sea Region since the Baltic Sea became almost an internal EU sea, *a mare nostrum*.<sup>2</sup> The inclusion of these four countries into the EU gave the 2007-2013 cohesion policy specific and important tasks in the region for the objectives of convergence, competitiveness and employment, and territorial co-operation. Beyond cohesion policy, other EU and national policies are concerned with promoting sustainable development. At the same time, increasing challenges and a rich potential for development prompted Member States in the region to look for a strategy that would look to integrate the objectives of the different cooperation networks and stakeholders in the area. The first section of this report will present how the Strategy came to be, and analyse the regional characteristics that facilitated its existence.

The EU Strategy for the Baltic Sea Region, however, went beyond simply proposing a plan to strengthen the cooperation among EU partners and the Nordic Dimension, and has evolved

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<sup>1</sup> Staffan Nilsson 31<sup>st</sup> January, 2011, *Address at the 5<sup>th</sup> Cohesion Forum in Brussels*, available at: <http://www.eesc.europa.eu/?i=portal.fr.staffan-nilsson-speeches.14864>

<sup>2</sup> EU Parliament 18 October 2006, *Report on a Baltic Sea Region Strategy for the Northern Dimension*, available at: <http://www.europarl.europa.eu/sides/getDoc.do?language=EN&reference=A6-0367/2006>

instead into a model of governance for cross-border, transnational and regional cooperation and, furthermore, a new tool for European integration. It marked the birth of the concept of a macro-region. The European Commission defines it as: “an area including territory from a number of different countries or regions associated with one or more common features or challenges.”<sup>3</sup> This concept is the basis for the establishment of an action-oriented framework, without creating new institutions, new funding or new legislation. Instead, the goals serve as a fitness criterion and the actions outlined a guide for stakeholders. The Baltic Sea macro-region is also interesting in that it remains a state-oriented strategy, while at the same time following a bottom-up approach in its implementation. These governance characteristics and the different actors involved in the Strategy will be analysed in the second section of this report.

Another salient feature of the EUSBSR is that it follows a very broad approach, with four pillars and 15 priority areas. While it is clear that the environment, and innovation and competitiveness are paramount concerns for the countries engaged (even if at differing degrees), the report will also analyse the fields of transport and energy, since these play a key role in the accessibility and security of the region. A description of the Strategy and its goals, as well as the progress so far achieved in these four areas will make up the third section of the report.

After a little more than one year in place, the Strategy despite its achievements is naturally not free of challenges. Issues remain unresolved and there have been certain difficulties regarding implementation. The views of different stakeholders in regards to these, from government and EU officials, to priority area coordinators as well as research conducted by our team will examine these challenges in the fourth section of the report.

The EU Strategy for the Baltic Sea Region and the macro-regional concept have great potential as a vehicle to achieve the goals shared by the EU Member States. Hence, the fifth section of the report will set out to offer policy recommendations, as well as an assessment of the transferability of the Strategy to other regions, focusing on the added-value elements of the Strategy and how to exploit these.

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<sup>3</sup> EU Commission 2009, *Macro-regional strategies in the European Union*, p.1 available at: [http://ec.europa.eu/regional\\_policy/cooperation/baltic/pdf/macoregional\\_strategies\\_2009.pdf](http://ec.europa.eu/regional_policy/cooperation/baltic/pdf/macoregional_strategies_2009.pdf)

## SECTION I

### **The EU Strategy for the Baltic Sea Region: Background Information**

The Baltic Sea Region has on the one hand coalescing features facilitating regional integration, such as a rich history of cooperation, and on the other divisive elements, such as unequal levels of development. Political changes have had a deep impact shaping cooperation. The end of the Cold War changed the political arena and opened up the previous division in the region. This in turn led to a significant number of new inter-governmental, and interregional organisations in the 1990's. The democratisation of the Eastern Bloc and the advent of capitalism also gave rise to non-state actors, such as NGOs and private enterprises, which play an important role as agents of development and cooperation. EU enlargement in 2004 made the region an integral part of the European Union.

This heterogeneous group of countries share not only a common history, but also an important natural resource: The Baltic Sea. This has been recognised as not only a focal point of economic activity for the area, but also as a very fragile ecosystem. Economic, social and political development, and the degradation of the common sea have been the main drivers behind cooperation in the region. To this end, the various EU instruments, policies and frameworks for cooperation became an important vehicle for achieving the common goal of sustainable development, and yet were underutilised by Member States. This, together with the pressing need to include non-Member States in order to achieve results, prompted the European Parliament to make a resolution asking the European Commission to start work in drawing a strategy that could facilitate cooperation and use the existing frameworks already in place in the area.

#### **1.1 *The Baltic Sea***

This defining regional natural resource is surrounded by Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland, Russia, and Sweden. The sea also receives surface water drainage from five other countries: Belarus, Czech Republic, Slovak Republic, Norway, and Ukraine. Almost 80 million people live within the drainage area. The Baltic Sea is connected to the North Sea through narrow and shallow sounds between Denmark and Sweden.

Baltic Sea Region (Source: CIA)

Its total area is about 370,000 km<sup>2</sup>, and its volume about 21,000km<sup>3</sup>, making it the second largest brackish sea in the world. Then mean depth is only 55m, but the maximum depth reaches down to 459m.<sup>4</sup>

This inland sea receives an abundance of freshwater runoff from the surrounding territories, including about two hundred rivers.<sup>5</sup> The Baltic Sea is only connected to the North Sea by the narrow and shallow waters of the Sound and the Belt Sea. Due to its almost enclosed nature,

<sup>4</sup> “Baltic facts and figures.” Helsinki Commission: Baltic Marine Environment Protection Commission. 2 April 2011. [http://www.helcom.fi/environment2/nature/en\\_GB/facts/](http://www.helcom.fi/environment2/nature/en_GB/facts/)

<sup>5</sup> Andrushaitis, Andris and Jan Thulin 2003, “The Baltic Sea: Its Past, Present and Future.” *Religion, Science and the Environment Symposium V on the Baltic Sea*, available at: <http://www.ices.dk/projects/balticsea/baltic%20sea-rse%20thulin%20and%20andrusaitis.pdf>

the same water remains for up to 25 to 30 years, along with all the organic and inorganic matter.<sup>6</sup> Unfortunately, such features have greatly increased the sensitivity of the Sea to the accumulation of pollutants and other population related pressures.<sup>7</sup> With over 85 million people living within the Baltic catchment area, such pressures are high.<sup>8</sup>

Due to the mixture of fresh and salt water a salinity barrier exists between the surface and the seabed of the Baltic, at a depth of about 40-70 meters. Saline water, naturally heavier than fresh water, flows along the bottom of the sea. The stratification prevents the vertical mixing of the water and the transport of oxygen from the surface to the bottom. Bacteria growing in the bottom layer release hydrogen sulfide, a toxic gas. These two characteristics make the bottom of the Baltic Sea virtually lifeless. The size of the seabed with impaired conditions varies from year to year and may reach 1/4 of the Baltic Sea. The only way to get new, oxygen-rich water into the deeps of the Baltic Sea Proper is a sufficiently strong pulse of salty North Sea surface water into the Baltic Sea.<sup>9</sup> These inflows of oxygen-rich water are essential to an already susceptible ecosystem with low biodiversity.<sup>10</sup> Unfortunately, no major inflows have occurred since 1993, and since 1995 the conditions in the deep water have again started to stagnate.<sup>11</sup>

## **1.2 EU Member States**

Out of the nine states bordering the Baltic Sea, eight are EU Member States, and yet, regional integration has not been fully achieved. The region displays high levels of disparity in terms of economic activity, and other social indicators. On the other hand, however, the region is also home to a highly educated population, and the value added of industrial activities is high. The maps below serve to illustrate this.

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<sup>6</sup> “The nature of the Baltic Sea.” Helsinki Commission: Baltic Marine Environment Protection Commission. 2 April 2011. [http://www.helcom.fi/environment2/nature/en\\_GB/nature/](http://www.helcom.fi/environment2/nature/en_GB/nature/)

<sup>7</sup> Andrushaitis, Andris and Jan Thulin. “The Baltic Sea: Its Past, Present and Future.”

<sup>8</sup> “Baltic facts and figures.” Helsinki Commission: Baltic Marine Environment Protection Commission. 2 April 2011. [http://www.helcom.fi/environment2/nature/en\\_GB/facts/](http://www.helcom.fi/environment2/nature/en_GB/facts/)

<sup>9</sup> “The Baltic Sea Portal”. 15 March 2011.

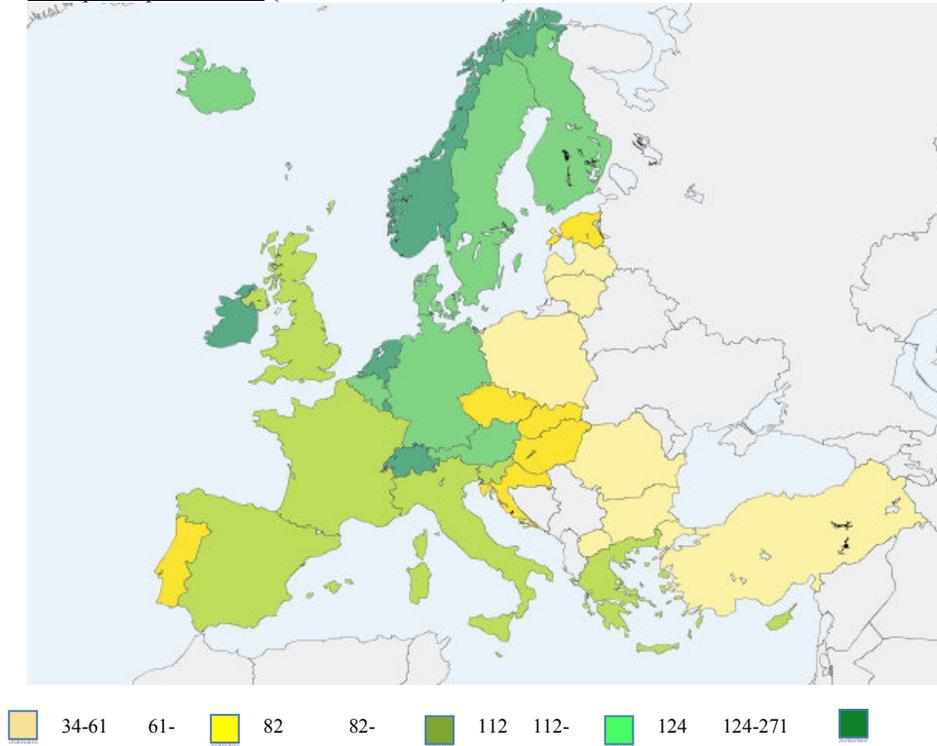
[http://www.itameriportaali.fi/en/tietoa/yleiskuvaus/en\\_GB/yleiskuvaus/](http://www.itameriportaali.fi/en/tietoa/yleiskuvaus/en_GB/yleiskuvaus/)

<sup>10</sup> Andrushaitis, Andris and Jan Thulin. “The Baltic Sea: Its Past, Present and Future.”

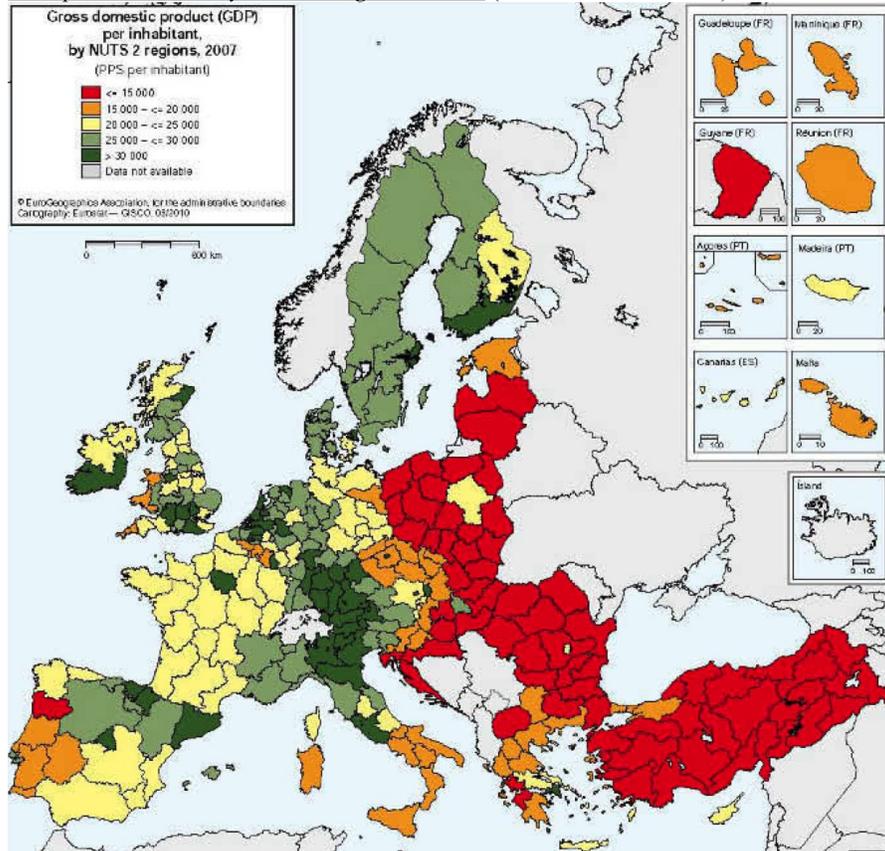
<sup>11</sup> Geography of the Baltic Sea. 15 March 2011.

<http://web.archive.org/web/20060421230004/http://www.envir.ee/baltics/geograph.htm>

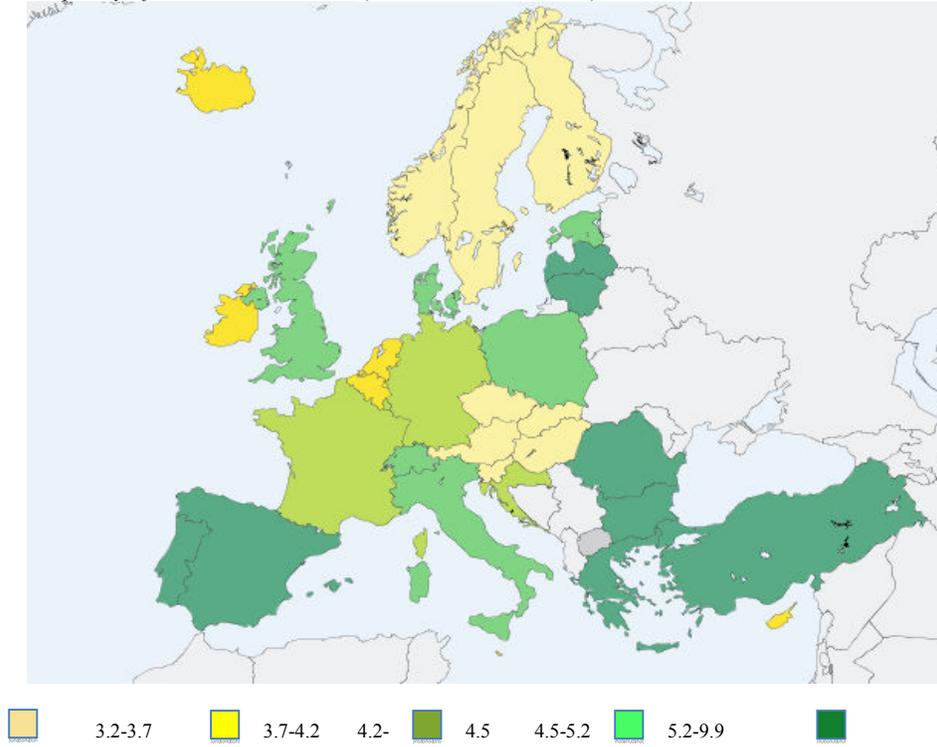
*GDP per capita in PPP* (Source: Eurostat 2009)



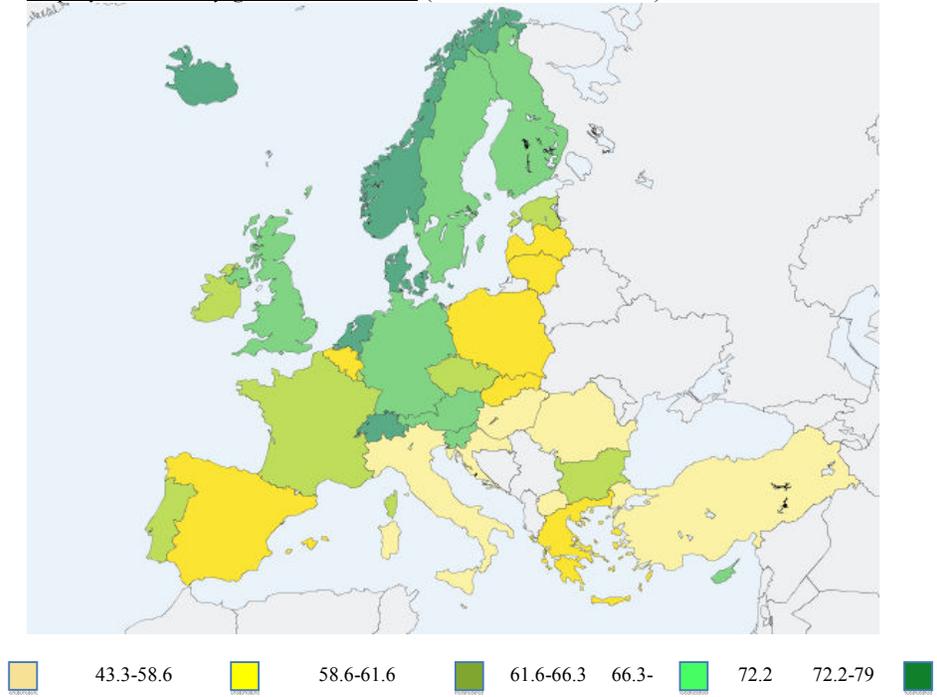
*GDP per inhabitant, by NUTS 2 regions in PPS* (Source: Eurostat 2007)



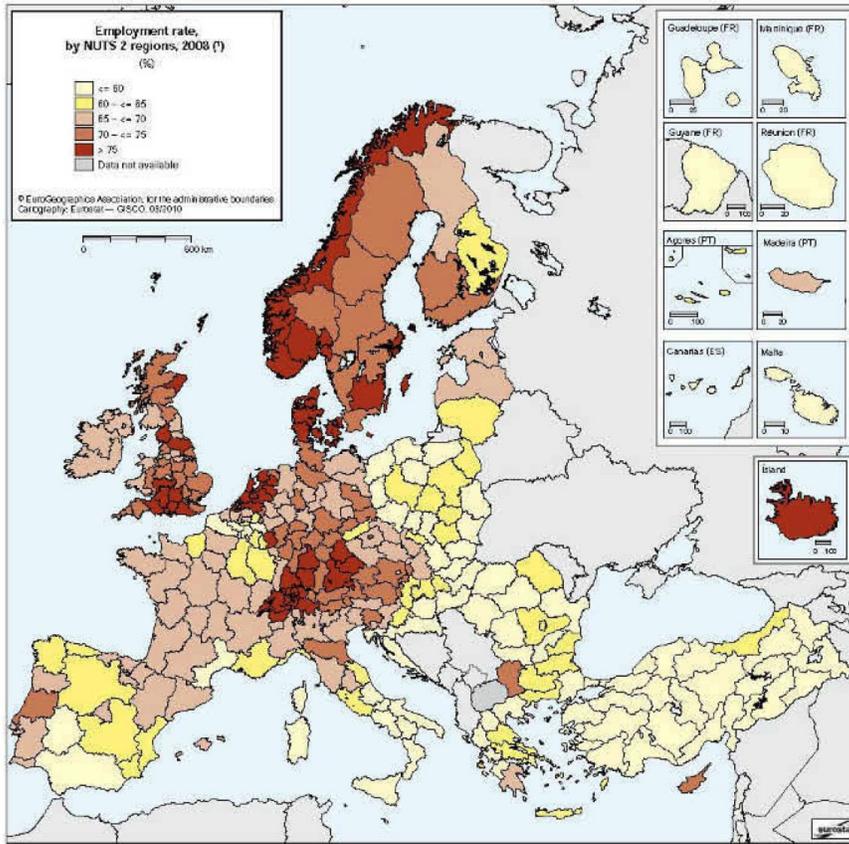
Inequality of income distribution (Source: Eurostat 2009)



Employment rate by gender - % - Total (Source: Eurostat 2009)

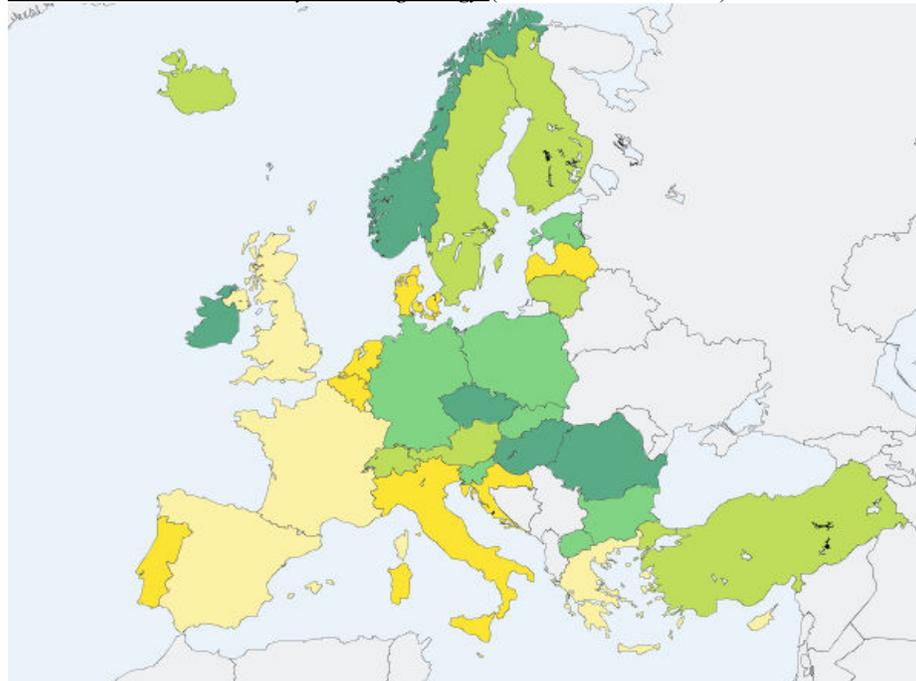


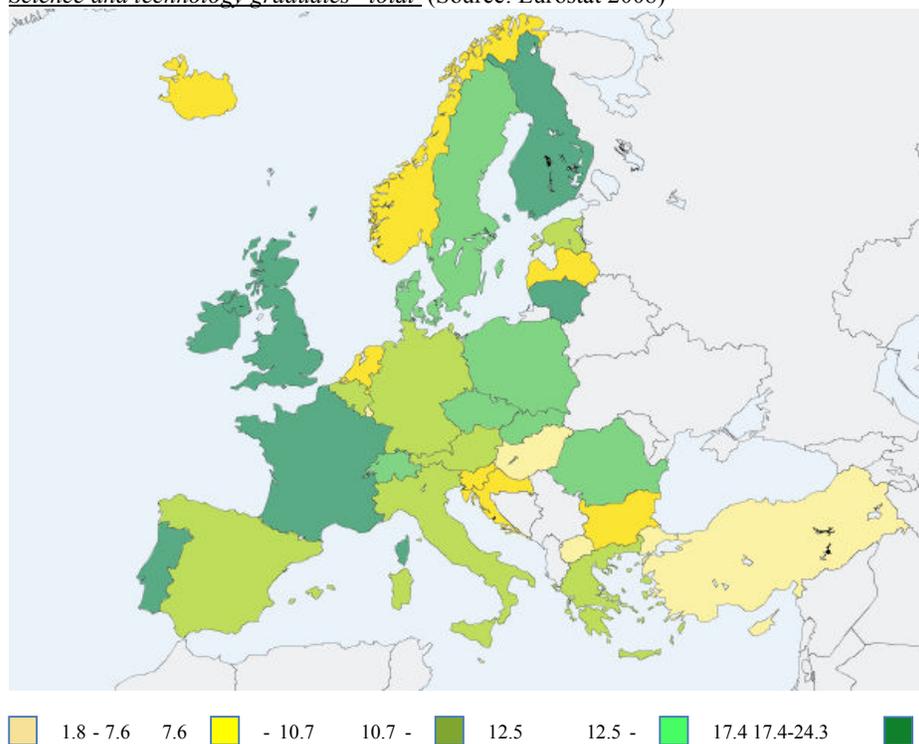
*Employment rate by NUTS 2 regions (Source: Eurostat 2008)*



(\*) Croatia, Iceland and Switzerland, 2007.

*Gross value added in industry including energy (Source: Eurostat 2010)*



*Science and technology graduates –total* (Source: Eurostat 2008)

### 1.3 Non-Member States

The two most important non-member states in the Baltic Sea Region are Norway and Russia. Norway, although not bordering the Sea has strong ties to the Region and neighbours, as well as the EU in general. The history of cooperation and shared sense of identity, particularly with the other Scandinavian countries make Norway a very willing participant in the EUSBSR. Russia's interests in the Region are also considerable, but she does not share Norway's ideological attachment to its neighbours. Although Russia does not reject cooperation, its relationship to the Region is more centrally controlled, tending to obey Moscow's interests. As a result sometimes there is eagerness to cooperate, as the North Stream pipe<sup>12</sup> illustrates, and sometimes there isn't, as its opposition to granting PSSA (particularly sensitive sea area) status under the IMO (International Maritime Organisation) shows<sup>13</sup>.

<sup>12</sup> The North Stream pipe is a natural gas pipe through the Baltic Sea, connecting Russia with Germany. For more information visit: <http://www.nord-stream.com/en/>

<sup>13</sup> For more information visit: [http://www5.imo.org/SharePoint/mainframe.asp?topic\\_id=1357](http://www5.imo.org/SharePoint/mainframe.asp?topic_id=1357)

These two states make up the external dimension to the Baltic Sea Region from the EU point of view. As it will be shown below, cooperation between all states, both EU and non-EU Members has been taking place, especially since the 1990's. The EUSBSR has taken note of this and was in fact first conceived also as a means to strengthen the Northern Dimension. Russia and Norway are central to the Strategy, and the EUSBSR can be a useful tool to strengthen the ties between the EU and its neighbours.

#### ***1.4 Cooperation in the Region***

There are a significant number of organisations and institutions of various types that promote cooperation in the region in order to address common challenges, most of which were established in the 1990's. The table below summarises the mission and membership of the ones most involved in the EUSBSR.

<b>Name</b>	<b>Type of Organisation</b>	<b>Date of Establishment</b>	<b>Members</b>	<b>Mission</b>
Nordic Council and Nordic Council of Ministers	Inter-parliamentary/ Inter-governmental	1952 1971	87 elected members from parliaments of Denmark, Finland, Iceland, Norway and Sweden, and Faroe Islands, Greenland and Aland  Prime ministers from member countries	Official Nordic cooperation organisation. Make decisions on issues for implementation by member governments. Activities cover a wide range of areas for cooperation, including the economy, environment, social policy and welfare
HELCOM: Helsinki Commission <sup>i</sup>	Inter-governmental/ Transnational	1979, entry into force 3 <sup>rd</sup> May 1980 1992, entry into force 17 <sup>th</sup> January 2000	Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland, Russia, Sweden, The EU	To protect the Baltic Sea from all sources of pollution, with the view to have a healthy Baltic Sea with a good ecological status that supports a wide range of sustainable economic and social activities
CBSS: Council of Baltic Sea States	Inter-governmental	March 1992	Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, Norway, Poland, Russia, Sweden, The EC	To identify political goals, create action-plans, initiate projects and serve as a forum for the exchange of ideas concerning regional issues of common interest. The CBSS is responsible for overall co-ordination of intergovernmental cooperation in the Baltic Sea Region
VASAB:	Inter-	August 1992	Denmark, Estonia, Finland, Germany, Iceland, Latvia,	To outline a spatial development perspective for the BSR to strengthen and harmonize national and regional

Vision and Strategies Around the Baltic	governmental		Lithuania, Norway, Poland, Russia, Sweden	spatial planning policies, and give guidelines for further common works on projects development
The ND: The Northern Dimension	Inter-governmental/ and part of the EU external policy	1999	The EU, Norway, Iceland, Russia	To provide a common framework for the promotion of dialogue and cooperation, to strengthen stability and well-being, intensify economic cooperation and integration, competitiveness and sustainable development in Northern Europe
ERB: Euroregion Baltic	Interregional	1998	Eight regions of Denmark, Lithuania, Poland, Russia, Sweden, Local regional authorities and private actors	To improve life conditions for its inhabitants, promoting bonds and contacts among local communities, and providing measures for a more sustainable development within the region
UBC: Union of Baltic Cities	Interregional/ Inter-city	1991	Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland, Russia, Sweden	To create a voluntary and proactive network mobilizing the shared potential of over 100 member cities for democratic, economic, social, cultural and environmentally sustainable development of the Baltic Sea Region
BaltMet: Baltic Metropoles Network	Interregional/Inter-city	2002	Berlin, Helsinki, Malmo, Oslo, Riga, Stockholm, St. Petersburg, Tallinn, Vilnius, Warsaw	To co-ordinate viewpoints and initiatives between the metropolises and to communicate joint views to political decision-makers. Baltic Metropolises are also interested in providing substantial contribution into the Northern Dimension actions.

BDR: Baltic Development Forum	NGO	1998	Large companies, major cities, institutional investors and business associations from all over the Baltic Sea Region.	To create a network and provide a platform for high-level members from different sectors in the region to exchange information and innovative ideas, and to initiate and facilitate strategies and projects.
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As the table illustrates, the functions of these organisations cover a wide range of issues, from the environment to spatial planning. Similarly, their structure and roles vary significantly. For instance, HELCOM is an intergovernmental and transnational organisation that includes the EU as a member. It has an advisory role, producing information and guidelines to for its members. CBBS on the other hand, includes the European Commission as a member, but remains strongly intergovernmental. Although it also serves advisory functions its role as a forum and a coordinator for governments as well as other organisations in the region is just as relevant. The Northern Dimension, also an intergovernmental organisation that includes the EU as a member might be similar in its mission to the CBBS in terms of creating common ground for cooperation, but its broader membership and wider mandate make it a dominant institution in the Baltic Sea Region. All of these together with a plethora of other organisations make a rich network of cooperative structures. It serves to note, however, that although sometimes working closely with each other, these institutions remain for the most part unconnected. Ties and information sharing are done on an ad hoc basis.

### ***1.5 Common Challenges and Opportunities***

All these organisations were the result of the states in the Baltic Sea region recognising the need for cooperation, in order to address their common challenges and take advantage of their shared opportunities. These can be categorised under three main headings: The environment, economic and social development, and security.

The environment of the Baltic Sea has been a source of concern to varying degrees for states in the region since the 1970's, as the establishment of HELCOM testifies. Nevertheless, progress in this area has been slow, and the sea has continued to be degraded in spite of having HELCOM in place. The fragility of the ecosystem, as explained in the first part of this section, and the multiple sources of pollution affecting the sea, make reaching solutions difficult.

Regarding economic and social development, the disparities in the region are recognised by more developed states, such as Sweden, Denmark and Finland, who favour convergence and the spread of innovation. Integration and cohesion are also an integral part of EU policies, and yet, big disparities between West and East remain. Furthermore, making the region more competitive and attractive can benefit all states. Wealth creation also means larger internal markets, which so far have remained of a relatively small size, hampering competition. There

is large regional potential in terms of economic development through innovation and clusters, tourism, shipping and transport, fisheries, and other industries, which needs to be exploited to guarantee the prosperity of the region.

In terms of safety and security, it is clear that stability and security in neighbouring states is necessary for internal stability. The external relations of the Member States, particularly with Russia, are also a source of challenges and opportunities that need to be well managed, in order to surpass the former and take full advantage of the latter. Russia represents not only a major economy and market, but also a major supplier of energy for the region and the EU at large. The need to strengthen the relations with Russia by creating common platforms and including it in cooperative schemes is a major priority for Member States in the region. Cooperation and coordination from all littoral states is also necessary to guarantee a safe and accident free Baltic Sea. Organised crime, which operates transnationally, can also only be tackled through cooperative action.

### **1.6 Why a New Strategy?**

With the recognition of common challenges and opportunities, the already existing organisations, as well as the activity of the European Union, one can question the need for a new strategy. Nevertheless, it is precisely the well-established cooperation in the region that can facilitate its implementation. The rationale behind implementing a new strategy is clearly explained in the background and analysis document published by the European Union Regional Policy.<sup>14</sup> In their own words: “opportunities that EU membership provides has not yet been taken and the challenges facing the region have not yet been adequately addressed.”<sup>15</sup> Furthermore, the heterogeneity and interdependence of the region make cooperation and coordination essential but countries were following disparate economic paths.<sup>16</sup> Finally, a visible deterioration in the environment of the Baltic Sea made action imperative.<sup>17</sup>

In order to address this, high-level officials of Member States and members of the European Parliament started the process that would lead to the EUSBSR and its Action Plan. This is to

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<sup>14</sup> European Union Regional Policy May 2010, *The European Union Strategy for the Baltic Sea Region: Background and Analysis*, p.6

<sup>15</sup> Ibid

<sup>16</sup> Ibid

<sup>17</sup> Ibid

be reviewed in the next section of the report. Given the challenges in the region, the European Parliament published a report calling for a strategy for the Baltic Sea Region.<sup>18</sup>

### **1.7 The Characteristics of the EUSBSR**

It was agreed by Member States that the Strategy would consist of an action plan, and that there would be no new funding, institutions or legislation. The two main objectives were to include all actors and to involve national partners actively, and to exploit the existing institutions and finance. The Strategy remains a guideline to better coordinate regional and domestic actions, and hence the results are largely dependent on the different actors: National and regional governmental bodies, and private partners (universities, companies, NGOs), under the general coordination and monitoring of the EU.

The Action Plan for the Strategy is divided into four pillars, whose objectives are to make the region:

1. Environmentally sustainable
2. Prosperous
3. Accessible and attractive
4. Safe and secure

Within these four thematic pillars, there are 15 priority areas (PAs):

1. To reduce nutrient inputs to the sea to acceptable levels
2. To preserve natural zones and biodiversity, including fisheries
3. To reduce the use and impact of hazardous substances
4. To become a model region for clean shipping
5. To mitigate and adapt to climate change
6. To remove hindrances to the Internal Market in the BSR, including to improve cooperation in the customs and tax area
7. To exploit the full potential of the region in research and innovation
8. Implementing the Small Business Act: to promote entrepreneurship, strengthen SMEs and increase the efficient use of human resources
9. To reinforce sustainability of agriculture, forestry and fisheries

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<sup>18</sup> EU Parliament 18 October 2006, *Report on a Baltic Sea Region Strategy for the Northern Dimension*, available at: <http://www.europarl.europa.eu/sides/getDoc.do?language=EN&reference=A6-0367/2006>

10. To improve the access to, and the efficiency and security of the energy markets
11. To improve internal and external transport links
12. To maintain and reinforce the attractiveness of the Baltic Sea Region in particular through education and youth, tourism, culture and health
13. To become a leading region in maritime safety and in security
14. To reinforce maritime accident response capacity protection from major emergencies
15. Decrease the volume of, and harm done by, cross-border crime

Within these priority areas, there are strategic or cooperative actions. The former are designed to address specific and important issues for its regions, citizens and enterprises. The latter are based on the benefits brought about by improving cooperation. In some cases, actions might require a change in the policy orientation, or in rare cases national legislation, of the Member States in the Baltic Sea Region. Currently the Strategy counts with over 80 flagship projects, in order to carry out the Action Plan. Some flagship projects may be launched and implemented relatively rapidly and are thus labelled ‘fast track’.

In addition to the priority areas, the EUSBSR includes horizontal actions:

1. Align available funding and policies to the priorities and actions of the EU Strategy for the Baltic Sea Region
2. Cooperate on the transposition of EU Directives
3. Develop integrated maritime governance structures in the Baltic Sea region
4. Become a pilot project in implementing the Marine Strategy Framework Directive
5. Encourage the use of Maritime Spatial Planning in all Member States around the Baltic Sea and develop a common approach for cross-border cooperation
6. Develop and complete Land-based Spatial Planning
7. Strengthen multi-level governance, place-based planning and sustainable development
8. Transform successful pilot and demonstration projects into full-scale actions
9. Use research as a base for policy decisions
10. Ensure fast broadband connection for rural areas
11. Define and implement the Baltic Sea basin component of the European Marine Observation Data Network (EMODNET) and improve socio-economic data

12. Build a regional identity

13. Support for sustainable development of the fisheries areas

These seek to integrate the Strategy and give it cohesion as a whole; create the necessary conditions for the other actions in the Strategy to be effective; and connect regional priorities to wider EU policy objectives.

### ***1.8 The Importance of the Strategy for the EU***

The EUSBSR is the first macro-regional strategy, and is thus the first example of a new approach that the EU is keen to apply to other regions. The EUSBSR is also seen as a vehicle to better utilise EU funds, and align domestic policies to wider EU objectives, while respecting domestic sovereignty. It is also a means to incentivise states to look beyond their own borders. By including the various priorities of Member States, a *quid pro quo* system is created, where cross-border and regional cooperation are easier to achieve. In short, it is a new tool for regional development, which seeks to be integrative, inclusive (consultation process) and follows a multi-level governance approach (both top-down and bottom-up dynamics).

Within the region, the Strategy is seen as injecting new blood into already existing frameworks and a means to create and strengthen the shared identity of the Member States surrounding the Baltic Sea. The EUSBSR is also a framework, which on the one hand can strengthen outside EU borders, while at the same time including non-Member States.

### ***1.9 Conclusion***

There are many reasons for the creation of the EUSBSR. There are many reasons why its success is important. Nevertheless, the key take away is that cooperation is sometimes difficult to achieve and yet essential for the challenges that the countries in the region are facing, be it environmental, economic or social. It is only natural that the Strategy seeks to make use of and strengthen the history of cooperation in the region. The BSR not only shares a very important resource, the Baltic Sea but, is also home to some of the most developed EU Member States as well as some of its newest members. Furthermore, it neighbours with Russia, a very important global player, and a key supplier of Energy to the EU. The question is: will this strategy provide the solutions that the states in the region seek? Furthermore, is

the new concept of macro-region a meaningful tool for regional development that can help other areas in the EU solve common challenges and exploit their potential for development? In order to answer, if only tentatively, these questions, it is necessary to first analyse the governance structure of the Strategy.

## SECTION II

### Governance

The EU is in itself a multi-level governance concept, and many of its policies, including cohesion policy involve stakeholders at various levels. Multi-level governance (MLG) can be defined as “a system of continuous negotiation among nested governments at several territorial tiers – supranational, national, regional and local.”<sup>19</sup> Adding to this, it is “a system by which the responsibility for policy design and implementation is distributed among different levels of government and special purpose local institutions (private associations, pacts among several local public authorities, districts and cooperation projects within national borders or across national borders, public-private partnership).”<sup>20</sup> The main argument supporting MLG is that central governments or centralised control are inadequate when dealing with highly diverse or complex issues, since these are too differentiated and varied and hence need to be addressed by a variety of actors belonging to different tiers.<sup>21</sup> Given the intricate level of cooperation and coordination needed to encompass the variety of issues in the Baltic Sea Region, it is therefore not surprising that the EUSBSR follows this approach.

From its inception, the EUSBSR is a top-down initiative, followed by a bottom-up consultation process. Another striking feature of the Strategy is the principle of the “three NOs”, namely no new institutions, no new funding, and no new legislation. The architecture of the EUSBSR provides the operational umbrella through which implementation and monitoring take place. The various stakeholders play different roles, and following its flexible structure, countries approach funding and project labelling in diverse manners. National positions also vary according to the heterogeneous geography, national priorities and identities that make up the region. Overall, the aim of the governance structure of the EUSBSR is to provide an innovative and comprehensive cross-sectoral framework that commits all stakeholders including member and non-Member States, intergovernmental organisations, regional and sub-regional governments, NGOs, and other private actors, to work in the same direction.

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<sup>19</sup> Bache, I. & Flinders, M. 2005, *Multi-level Governance*, Oxford: Oxford Univ. Press

<sup>20</sup> Sabel, C. F., Zeitlin, J. May 2008, “Learning from Differences: the New Architecture of Experimentalist Governance in the EU”, *European Law Journal*

<sup>21</sup> Bache, I. & Flinders, M. 2005, *Multi-level Governance*, Oxford: Oxford Univ. Press

The EUSBSR however, is more than a strategy for the Baltic Sea Region; it has also become a new policy tool that the EU hopes can be replicated successfully in other areas and that will impulse cohesion policy and help achieve the goals set in Europe 2020. The concept of a macro-regional strategy, with the characteristics that the EUSBSR displays seeks to become an example of an action-based, integrated approach that can effectively match priorities to measures. Furthermore, it also seeks to include as many stakeholders in the region as possible, which can be seen from the consultation process and the encouragement given to potential partners to participate in the Strategy. Nevertheless, there remain challenges in order to fully capitalise on the potential of the macro-regional approach, which will be further explored in Section IV and V.

Another important aspect of the Strategy is its reach beyond EU borders. The external dimension of the strategy is seen as an essential component, not only for its effective implementation, but also as a political tool for the EU to strengthen and improve relationships with its neighbours. One of the concerns when conceiving the strategy was that it could be seen as too EU-centred. Engaging Norway, Russia and Belarus in the process, and emphasising operations within the Northern Dimension's framework are two key aspects of the foundations laid for the governance structure, which seeks to be transnational and inclusive of the whole region, in addition to cross-sectoral and multi-level.

### ***2.1 A Top-down Initiative and Bottom-up Process***

Informal talks between high-level officials in the region, particularly between Swedish and Finnish foreign ministers, initiated the idea of creating a strategy for the Baltic Sea Region. In 2006 the Baltic Intergroup of the European Parliament, created a working group of seven MEPs<sup>22</sup>, who produced, "Europe's Strategy for the Baltic Sea Region."<sup>23</sup> This was followed by a report from the European Parliament calling for a strategy for the Baltic Sea Region.<sup>24</sup> This regional focus was in line with a move towards placing more emphasis in territorial issues regarding cohesion policy. The signing of the Lisbon Treaty helped accelerate the

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<sup>22</sup> Baltic Strategy Working Group of 7 MEPs: Christopher Beazley, Michael Gahler, Satu Hassi, Toomas Hendrik Ilves, Girts Valdis Kristovskis, Henrik Lax and Alexander Stubb.

<sup>23</sup> Baltic Europe Intergroup in European Parliament 2005, *Europe's Strategy for the Baltic Sea Region*, available at: [http://www.cespi.it/GOVMED/Europes\\_Strategy\\_for\\_the\\_Baltic\\_Sea\\_Region.pdf](http://www.cespi.it/GOVMED/Europes_Strategy_for_the_Baltic_Sea_Region.pdf)

<sup>24</sup> European Parliament 18 October 2006, *Report on a Baltic Sea Region Strategy for the Northern Dimension*, available at: <http://www.europarl.europa.eu/sides/getDoc.do?language=EN&reference=A6-0367/2006>

agenda-setting process. On 14 December 2007, the European Council stated in its conclusions: "without prejudice to the integrated maritime policy, the European Council invites the Commission to present an EU strategy for the Baltic Sea region at the latest by June 2009. This strategy should inter alia help to address the urgent environmental challenges related to the Baltic Sea. The Northern Dimension framework provides the basis for the external aspects of cooperation in the Baltic Sea region."<sup>25</sup>

This high-level initiative was followed by a bottom-up consultation process headed by the EC, from 3 November 2008 to 31 December 2008. The objective of the consultation was to gather ideas from different stakeholders, in order to guarantee that the new strategy for the Baltic Sea Region was realistic in its starting point, ambitious in its objectives, and responsive to the needs of the inhabitants of the region. In total, 109 authorities, institutions and individuals responded to the consultation and presented their views. Out of these, eight were Member States (every Member State presented a position paper), three non- EU Member States (Russia, Belarus, Norway), 31 were regional and local authorities, 48 were inter-governmental and non-governmental bodies, 19 were representatives from the private sector out of which two were experts/ researchers and three were individuals.<sup>26</sup>

The information and positions from the consultation process were analysed by the European Commission and in general were taken into consideration. On 10 June 2009, the EC then proposed a Communication on the EU Strategy for the Baltic Sea Region.<sup>27</sup> Later that year, from October 29 to 30, the European Council endorsed the EUSBSR under the Swedish EU Presidency and called on all relevant actors to act speedily and ensure the full implementation of the Strategy.

Hence the Strategy, although envisaged by high-level officials, is an endogenous bottom-up process: contrary to policies that descend from a communitarian strategic approach, the macro-region establishes its strategy through the involvement of local actors.

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<sup>25</sup> European Council 14<sup>th</sup> December 2007, *Presidency Conclusions*, p.17 available at: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/97669.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/97669.pdf)

<sup>26</sup> European Commission 2009, *EU Strategy for the Baltic Sea Region: Report on the Public Consultation*, available at: [http://ec.europa.eu/regional\\_policy/consultation/baltic/doc/summary\\_baltic\\_consultation.pdf](http://ec.europa.eu/regional_policy/consultation/baltic/doc/summary_baltic_consultation.pdf)

<sup>27</sup> European Commission 2009, *European Union Strategy for the Baltic Sea Region*, available at: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/communic/baltic/com\\_baltic\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/baltic/com_baltic_en.pdf)

## 2.2 The “Three No’s”

From the beginning of the Strategy, there was the idea that the Strategy should not result in new institutions, legislation or funding. These views were then reinforced during the consultation process, as most stakeholders agreed with this position.

### **No new institutions**

The European Council has clearly stated that “no new institutions” should be involved in the implementation of the Strategy. The logic behind this is that creating new institutions in the case of the EUSBSR “would be superfluous and perhaps wasteful.” A new institutional body would only lead to an institutional overload, while at the same time bringing no extra benefit. Instead, the EUSBSR is seen as an “integrated approach,”<sup>28</sup> which means that the macro-regional strategy is both cross-sectoral and multi-level. Furthermore, the existing institutions in the Baltic Sea region have provided a solid foundation for cooperation over various issues. Therefore, the Strategy is seen as a means to reorient all these towards the same goals.

As well, the EU is pushing for Member States to take more responsibility over the EUSBSR. Member States are entrusted a leading role in the implementation and monitoring of the Strategy and participate in a 'high-level group' with the Commission. Their political commitment and participation are essential for the success of the Strategy. If there were a new institutional body, however, Member States would be able to distance themselves from the Strategy and be in a better position to safeguard their national interests, instead of thinking in regional terms.

In short, the “no new institutions” approach is inline with the idea of multi-level governance, since the EUSBSR seeks to organise and engage the various levels of government, as well as other actors, without providing an overarching institution with centralised control over it or its activities.

### **No new funding**

As stated in the Communication from the EC, no new funding was provided at the outset for the implementation of the EUSBSR.<sup>29</sup> Instead, it was envisaged that existing funding opportunities be better utilised for the purpose of the Strategy. The main reason behind this is

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<sup>28</sup> European Commission 2009, *Macro-regional Strategy in the European Union*, available at: [http://ec.europa.eu/regional\\_policy/cooperation/baltic/pdf/macoregional\\_strategies\\_2009.pdf](http://ec.europa.eu/regional_policy/cooperation/baltic/pdf/macoregional_strategies_2009.pdf)

<sup>29</sup> European Commission 2009, *European Union Strategy for the Baltic Sea Region*, available at: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/communic/baltic/com\\_baltic\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/baltic/com_baltic_en.pdf)

that other Member States outside the Baltic Sea Region would probably be opposed to providing extra funding for the Strategy. Since all Member States finance the EU budget, it would be unjust for a specific region to benefit while others do not.

Furthermore, there is no lack of funding in the region. On the contrary, there is sometimes a surplus and it is clear to key stakeholders that the main issue is of how to use the existing funding in a more efficient way. The EUSBSR is therefore an opportunity to achieve this, by providing a new common direction for Member States to realign EU and national funding. The idea is that by channelling funds into a coherent strategy, the benefits obtained are multiplied and mutually reinforcing, thus enlarging the impact of the projects and programmes across the region.

### **No new legislation**

The EUSBSR requires no new ad hoc legislation. The Communication from the European Commission clearly states: “within the existing financial and legal framework, there are great opportunities for effective action through closer cooperation and co-ordination.”<sup>30</sup> Hence, the idea from the beginning was to prepare and implement an action plan that would lead to better coordination. Similarly, the stakeholders in the region deemed it more important to better implement the existing EU legislation than to create new laws. For instance, Member States should adjust national legislations when necessary to comply with the Strategy.

### ***2.3 Alignment of Funding and Project Labelling***

Inherently linked to the governance of the EUSBSR, and its effectiveness, are the issues of funding and project labelling. Understanding both is necessary to understand how the Strategy works.

As previously discussed, there is no lack of funding in the region as there are a variety of sources for financing the EUSBSR. The main funding sources are from the EU structural funds and other EU funds (e.g. rural development fund, fisheries, external action, research and environment funds); national, regional and local funds; banks and international financial institutions; and NGOs and other private sources. The alignment process is complex, since different funding and labelling sources follow different approaches or criteria to finance

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<sup>30</sup> European Commission 2009, *European Union Strategy for the Baltic Sea Region*, available at: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/communic/baltic/com\\_baltic\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/baltic/com_baltic_en.pdf)

and/or support projects as they are related to the EUSBSR. In addition, funding institutions also engage in other activities, such as technical support.

The EU labels projects as belonging to the EUSBSR whose activities either fall under the Operational Programs supported by EU Structural Funds; or have a territoriality aspect, i.e. the geographic area to be covered is relevant; or are considered good practice; or are innovative; or involve international cooperation; and/or have high visibility in their preparation and/or implementation.

National governments adopt different criteria for funding alignment. Most countries have conducted an inventory of already funded projects to estimate how many are supporting the implementation of the Strategy, i.e. labelling. In addition, most of the Member States either have modified, or plan to modify, their programmes to include a reference to the Strategy. Sweden is so far the only Member State that has introduced new selection criteria giving priority to projects that are directly linked to the Strategy. Lithuania is planning an evaluation with the aim to assess the possibility of channelling structural funds to implement the Strategy. In addition, national, regional and local governments also serve as sources of funding. For example, the Swedish International Development Agency (SIDA) has provided seed money to several projects in the start-up phase.

The European Regional Development Fund Program (ERDF) represents a significant portion of the Strategy funding. Various projects and actions included in EUSBSR Action Plan operate inline with the Operational Program of the ERDF. The ERDF is also involved in fund alignment by supporting joint activities where practitioners from different Member States come together to develop best practice in terms of aligning the programmes to the Strategy, and bilateral discussions between the Commission and individual countries/programmes. As well, all European Regional Development Fund Programmes in the Baltic Sea Region have been asked to describe in their annual implementation report (AIR) how they have contributed to the implementation of the Strategy.

Regarding international financial institutions, the two most important actors are the European Investment Bank (EIB) and the Nordic Investment Bank (NIB). The EIB conducts lending activities in EU Member States, EFTA (European Free Trade Association) and Eastern Partner countries. In addition, it helps with project preparation, funding and policy advice together with partner institutions through JASPERS (Joint Assistance in Supporting Projects

in European Regions), JESSICA (Joint European Support for Sustainable Investment in City Areas), and JEREMIE (Joint European Resources for Micro to medium Enterprises). It is also in close cooperation with DG Regional Policy, and other international financial institutions in its lending activities, technical assistance and policy formulation. As well, it participates in the Financial Expert Group (FEG) for the EUSBSR, and in relevant Northern Dimension fora.

Other EU funding sources include: LIFE+, which has co-funded several initiatives within the Environment pillar; TEN-T, which has funded a study on the present and future transport situation in the Baltic Sea Region; DG Maritime Affairs and Fisheries, which has financed a pilot project on integration of maritime surveillance in the Northern European Sea basins that provides important input to several of the Priority Areas; NCM (The Nordic Council of Ministers) has mostly funded projects that they can contribute to directly.

Funding alignment could be an important part of the Strategy as a tool to promote conditionality so that both Member and non-Member States (excluding Russia) and stakeholders within the region make their actions, plans, and projects fall in line with the Strategy. As it will be discussed in the following sections, this has not been fully achieved, since there are still issues to consider regarding alignment. As well, this is not enough to achieve full cooperation from stakeholders. Nevertheless, there has been emphasis placed on facilitating funding for those projects that work within the Strategy's objectives.

#### ***2.4 An Example of Multi-level Governance and Cooperation***

The EUSBSR is organised in such a way that the European Commission exerts a “soft power” in the role of “overall coordinator,” “external facilitator,” and “impartial honest broker,” while the Strategy is drafted and implemented “from within,” i.e. by the national together with sub-national governments, and different stakeholders. The Lead Partners of the flagship projects, which are a heterogeneous group of organisations, from banks to universities are also key actors in the implementation of the Strategy.<sup>31</sup>

As well, the European Commission elaborates the Strategy together with the National Contact Points, and the Coordinators for Priority Areas. The former, in turn, act under the Prime Ministers or the Foreign Affairs Ministries of the Member States, while the latter can

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<sup>31</sup> European Commission 2009, *Macro-regional strategies in the European Union*, available at: [http://ec.europa.eu/regional\\_policy/cooperation/baltic/pdf/macroeconomic\\_strategies\\_2009.pdf](http://ec.europa.eu/regional_policy/cooperation/baltic/pdf/macroeconomic_strategies_2009.pdf)

be central administrations or “exceptionally regions or inter-governmental bodies.” The Commission also convenes a High Level Group from all Member States that periodically reports to the European Council.<sup>32</sup>

This governance structure spreads responsibilities and power across the board. Its aim is to engage the different actors whose cooperation is essential for the success of the Strategy. The multiplicity of actors and actions can sometimes result confusing, as it will be discussed in Section IV of the report. Nevertheless, the flexibility of the system and the constant review process that takes place makes the Strategy adaptable to the nature of the challenges facing the region.

As explained previously, many actors are involved in the EUSBSR, the table below summarises their mandates. In reality, different actors and their roles, although somewhat defined, are evolving as the Strategy progresses. Similarly, the participants make up a highly heterogeneous group of institutions, which operate at all levels, from transnational to local.

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<sup>32</sup> European Commission 2009, *European Union Strategy for the Baltic Sea Region*, available at: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/communic/baltic/com\\_baltic\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/baltic/com_baltic_en.pdf)

<b>Actors</b>	<b>Roles</b>	<b>Mandate</b>
European Council	Policy initiator and monitor	Oversees the comprehensive progress of the Strategy. Reviews periodic reports and proposals for recommendations from the Commission.
European Commission	Overall coordinator, facilitator and monitor	Prepares regular progress reports. Uses its power of initiative to make proposals for adaptation of the Strategy and action plan as required. Reviews the use of funds, so that these contribute to the priorities of the Strategy.
Member States	Main Strategy stakeholders. Leader of various projects, Priority Area coordinators, contact point	Implement and plan the Strategy. Organise forums and seminars to enhance information exchange. Report progress and difficulties in the implementation of the Strategy. Make decisions on funding alignment.
Regional and sub-regional actors, Transnational programming bodies and International organizations; International financing institutions	Project partners/ owners/priority coordinator	Practice and cooperate to execute various projects. Provide financial as well as consultative support to specific projects.
Russia, Norway, Belarus	Partners (External Governance)	Cooperate among different levels in terms of projects under the guidance of Northern Dimension.

### ***2.5 Positions of Various Actors***

Multi-level governance is characteristic of the EUSBSR, however, understanding its structure is not sufficient to grasp its dynamics. For this, an analysis of the different positions of the various actors is needed. Furthermore, the voluntary nature of the Strategy makes its success highly dependent on the willingness of those involved to fully participate in it. Conditionality in this sense cannot be coercive. Hence, an understanding of the different positions, however limited, can serve to illuminate how to profit from the governance structure in place, and guarantee the involvement of key stakeholders.

#### **EU institutions**

The EUSBSR was created at the EU level. As well, the European Council is the monitor of the Strategy. While other stakeholders, particularly some national governments would like to entrust the Commission a strong role in the implementation of the Strategy, the Commission sees its own role as a ‘facilitator’ rather than a ‘leader’ of the Strategy. The idea underpinning this is that Member States should hold the ownership of the Strategy. The reluctance of the European Commission to take the responsibility of being a leader is also due to the mounting complexity and challenges facing cohesion policy. The EU sees the involvement of other actors in high-responsibility roles as essential, in order to address the complexities involved effectively. Hence, the EU is very interested in creating a multi-level governance approach, by mobilising actors in the region. This was exemplified during the consultation process for the EUSBSR. The EU knows well that these actors know the region best.

As well, through the EUSBSR, the EU is reassessing public-private partnerships. The EU deems that the Strategy cannot succeed without the active participation from private actors. New forms of cooperation with NGOs and private banks can be established and furthered by creating a multi-level governance framework. This gives them more responsibility, and pushes them to cooperate with each other, as opposed to only establish vertical connections between the EU and them.

Lastly, but also importantly, the EU sees the EUSBSR as a strategy that could be (and has been) replicated in other regions. Therefore, the experience gained and the lessons drawn from the Strategy are very important for its transferability. To oversee the progress and challenges of the Strategy rather than being involved too much in its operations is the key position of the EU.

**National positions of Member States**

It should be noted that due to varying national interests, different countries have shown different degrees of commitment to the Strategy, and conceive it their own way. Nordic countries play very active roles in the Strategy, among them Sweden being the leader. Finland as well has played a very active role, especially in the inception of the EUSBSR. The three Baltic countries are generally described as active followers in the Strategy as they are eager to integrate themselves into Europe. Poland and Germany were sceptical at the beginning but are now increasing their commitment to the EUSBSR.

The reasons for the varying degrees of commitment can be explained by territorial and geopolitical factors, national priorities and different identities. Regarding territorial significance, while the Baltic Sea serves as the coalescing point for the EUSBSR, it does not hold the same degree of importance for all countries. For instance, the Baltic Sea is of high territorial importance for Sweden, Finland, Estonia, Latvia, Lithuania, and Denmark. While in Poland, only the northern part of the country has access to the Sea and is connected to the region. Germany has an even smaller part of its territory connected to the sea, and its main port, Hamburg, does not even belong to the Baltic Sea. In terms of geopolitical importance, Poland is economically more inclined to Germany and France. Similarly, Germany is a key player in Europe, and its focus is far beyond the Baltic Sea Region.

In terms of national priorities, it is easy to observe stark differences between the participating countries. The environment is the key concern of the Nordic countries. For example, Sweden is well aware of the fact that without cooperation of other countries, its efforts towards environmental protection in the Baltic Sea would be in vain. That is one of the reasons for Sweden to play a leading role in the Strategy. The Baltic States on the other hand are more interested in improving transport in the region. Poland, especially its northern part, is mostly concerned with economic development.

Finally, regional identity also plays a large role in explaining commitment. The Nordic countries have established a strong shared identity. The Baltic States do not share this 'northern neighbourhood' identity, but are eager to integrate and develop their European identity. Poland and Germany, on the other hand, are more western-Europe-oriented.

**Russia's position**

Among the non-Member States, committing Russia to the Strategy is a thorny issue, since it is the furthest from the EU, and yet is a key regional player. It is clear that many of the issues can only be addressed in constructive cooperation with Russia. While Russia recognises the importance of the Baltic Sea, and is interdependent with the EU in terms of energy, it does not share much common ground with EU in terms of four pillars mentioned in the Strategy. Russia's interest, at present, is mainly about maritime security. Hence, there exists some political commitment from Russia to the EUSBSR, but the degree and extent are rather limited.

Russia considers itself a leading maritime power bordered by three oceans, among which Baltic Sea is one of its main doors and hence an important part of Russia's national security. As well, Russia's main economic pillar, the export of oil and gas, is heavily dependent on the Baltic Sea. Oil transportation by sea and gas pipelines across the Baltic Sea could be called the lifeline of the Russian economy. Safety and security in the Baltic Sea are the priorities of Russia's Baltic Sea Strategy. In the maritime doctrine, the Baltic Sea is first and foremost defined as a transport route, and special emphasis is placed on the development of port infrastructures. Over the past decade, Russia has constructed numerous new ports at the easternmost end of the Gulf of Finland, renovated old ones and constructed infrastructure to support maritime traffic. However, besides national defence, energy and security concerns, Russia does not have much involvement in the region. In addition, Russia has always been sceptical about European policies. Russia has been pursuing an independent stance at global level, especially since the rule of former President Putin.

**Other actors' positions**

Local actors, as well as NGOs and private actors welcome the Strategy, as the EUSBSR helps to establish an integrated approach between national state and local authorities. It should be noted that the EUSBSR has brought new momentum for the national state to work with regional and sub-regional actors. Some regional and local authorities wish the EU, in particular the European Commission, played a leading role in the Strategy, in order to push for more cooperation from national governments. However, as discussed before, the EC chooses to act only as coordinator and facilitator.

## 2.6 Conclusion

The benefit of multi-level governance lies on its resilience and flexibility. “Multi-level governance allows jurisdiction to be customer-designed in response to externalities.”<sup>33</sup> The EUSBSR follows this approach and provides a detailed action plan, in order to establish an integrated framework where the EU, Member States and local actors act towards common goals but can evolve in their roles. As the Commission Staff Working Document on the impact assessment points out:

The key problem in the region is not a lack of existing initiatives or governance structures. It is rather the failure of largely fragmented existing governance structures to provide a sufficiently robust framework in which the priority issues of the BSR can be addressed in an integrated manner, which addresses potential policy conflicts and trade-offs between sectors.<sup>34</sup>

So the question is: can the EUSBSR help to address the problem of fragmentation and provide a solid ground for enhanced cooperation? It is maybe too early to tell, but progress has been made along the action plan, as the next section illustrates.

Furthermore, in addition to the inception of the macro-regional concept that the EUSBSR has brought about, it has also provided EU with a good learning opportunity regarding conditionality and incentive mechanisms in the EU, the coexistence of top-down and bottom-up processes, cooperation between Member States and non-Member States, and public / private partnerships. Of course, there are some arguments about the limitations of multi-level governance. Such limitations include lack of communication and knowledge between different levels of actors, too many rules, trade-offs between sectoral approaches and complex territorial or cross-border approaches. In the case of EUSBSR, under the principle of “3 ‘No’s”, is it possible to overcome these limitations? Would the “3 ‘No’s” facilitate multi-level governance? As well, it should be noted that although the Strategy seeks to be a policy tool that follows an integrated approach, at this point it seems a juxtaposition of thematic fields instead. Hence, there are also issues to consider regarding its ability or inability to be cohesively integrated. These questions will be addressed in Sections IV and V.

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<sup>33</sup> Ian Bache, Matthew V. Flinders, Matthew Flinder 2005, *Multi-level Governance*, Oxford University Press

<sup>34</sup> European Commission 10 June 2009, *Commission staff working document: Impact Assessment. SEC(2009) 702*.

## **SECTION III**

### **Implementation of the EUSBSR: Environment, Innovation & Competitiveness, Energy and Transport**

The aim of this section is to review the progress made so far by the Strategy. However, instead of focusing on each priority area or pillar, this section will be divided into four policy areas: the environment, innovation and competitiveness, transport, and energy. The reasons for choosing this focus are that the European Commission has already published an extensive review of the Strategy's progress in its priority areas, which would make a similar approach redundant. Furthermore, this report seeks to link the EUSBSR to wider policy areas' objectives, both in the region and for the whole of the EU. In this sense, it is not only important to understand the progress that has been made so far only in terms of the Strategy, i.e. inputs and outputs, but also how the EUSBSR impacts these policy areas as a whole.

As it was mentioned earlier, innovation and competitiveness, and environmental protection are the two most pressing priorities for the participating countries, and hence analysing the advances in these areas is a fundamental step towards assessing the value of the Strategy. Transport and energy, on the other hand, are of interest in this report, since they relate to wider EU objectives and are strongly linked to structures that deal with the whole of the EU.

Producing a thorough analysis of the progress made so far, especially when choosing so wide a focus, would require an immense amount of information and time, which is outside the possibilities of this project. Nevertheless, this section will seek to provide a useful framework of analysis that throws light into two of our main concerns: Assessing the value of the Strategy and its transferability.

#### **3.1 *Environment***

In the Sixth Environmental Action Programme (6 EAP), the European Union clearly identified environmental security areas to be addressed within the European Union. The objective of the EAP can be described as: “ensuring that the consumption of resources and their associated impacts do not exceed the carrying capacity of the environment and breaking

the linkages between economic growth and resource use.”<sup>35</sup> From about eleven environmental policy areas, four have been selected as main priorities for the current Action Plan: climate change, nature and biodiversity, environment and health, and natural resources and waste.<sup>36</sup> These priority areas are not only important for the overall well-being of the environment but also integral to the sustainable development of the European Union. Since the 1990s, environmental concerns mobilised attention in the region, culminating in the creation of policy initiatives like the Helsinki Commission (HELCOM). Environmental damage to the Baltic Sea has the potential to hinder the economic and social development of at least eight EU Member States. Thus, within the context of the Baltic Sea Region, environmental issues are of the upmost concern to the European Council. One of the EUSBSR’s key challenges identified for urgent attention focuses solely on the environment: “To enable a sustainable environment.”<sup>37</sup> The European Council has recognised that without a healthy and thriving ecosystem, their main objective, which is “to make the Baltic Sea Region an attractive place to invest, work and live in,” will not be attainable.<sup>38</sup>

### **Environmental Challenges in the Baltic Sea Region: Eutrophication, Hazardous Substances, and Climate Change**

Currently, the Baltic Sea Region is faced with many environmental challenges with both social and economic implications. Pollution, ecological unbalances, and climate change are among the many threats to the prosperity, accessibility, and safety in the region. In addition, no environmental policy will be very effective without the full cooperation of all the countries in the region. Heavy nutrient loads (phosphorus and nitrogen) enrich the waters, stimulating the growth of aquatic plant life (algae).<sup>39</sup> Dissolved oxygen is depleted as a result, which in turn diminishes biodiversity. This process is called eutrophication.<sup>40</sup> While the algae bloom is in part a natural occurring event, the fertilizers that have been washed into the Sea by the surrounding agricultural lands have exacerbated the problem. The image, taken by

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<sup>35</sup> “Sustainable use of natural resources.” European Commission: Environment. 28 March 2011.

<http://ec.europa.eu/environment/natres/index.htm>

<sup>36</sup> “The Sixth Environment Action Programme of the European Community 2002-2012.” European Commission: Environment. 28 March 2011. <http://ec.europa.eu/environment/newprg/intro.htm>

<sup>37</sup> Center for Regional Policy May 2010, *The European Union Strategy for the Baltic Sea Region*, p. 6

<sup>38</sup> “EU Regional Policy.” Baltic Sea Region Programme 2007-2013. 28 March 2011.

[http://eu.baltic.net/EU\\_regional\\_policy\\_2007\\_2013.1207.html](http://eu.baltic.net/EU_regional_policy_2007_2013.1207.html)

<sup>39</sup> US Geological Survey. “Eutrophication.” 12 October 2010.

<http://toxics.usgs.gov/definitions/eutrophication.html>

<sup>40</sup> US Geological Survey. “Eutrophication.”

European Space Agency's Envisat satellite, below illustrates the scale of the algal bloom in the Baltic Sea.

**Image 1: Algae Bloom** (Source: ESA 11 July via BBC.com)



Eutrophication not only threatens the stability of the marine ecosystems but also poses a risk to human health.<sup>41</sup> Algal toxins contaminate the ecosystem, infiltrating the food supply. Eutrophication poses other challenges to the region in economic and social terms. Aside from possible health risks to local populations, there are implications to the fishing and farming industries.

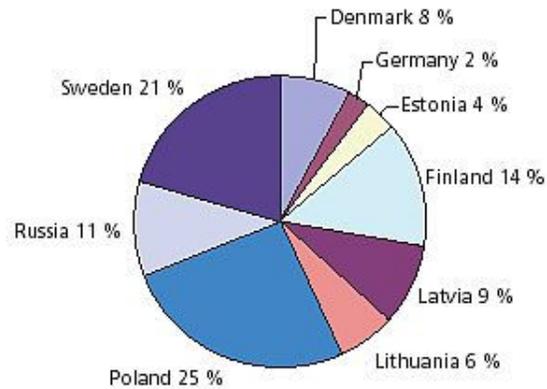
Nitrogen enters the Baltic Sea by both water and air. In 2000, the Baltic Sea received 75 per cent of the nitrogen from water sources and the rest by air.<sup>42</sup> “Agriculture and managed forestry contributed almost 60 per cent of the waterborne nitrogen inputs to the sea...”<sup>43</sup> These excess pollutants pose policy implications for various sectors, including the fishing industry. Business practices must change to minimise the hazardous substances and pollutants released into the Sea and adapt to the new conditions created by climate change.

<sup>41</sup> “Satellite spies vast algal bloom in Baltic Sea.” BBC.com: 23 July 2010. Available online at <http://www.bbc.co.uk/news/science-environment-10740097>

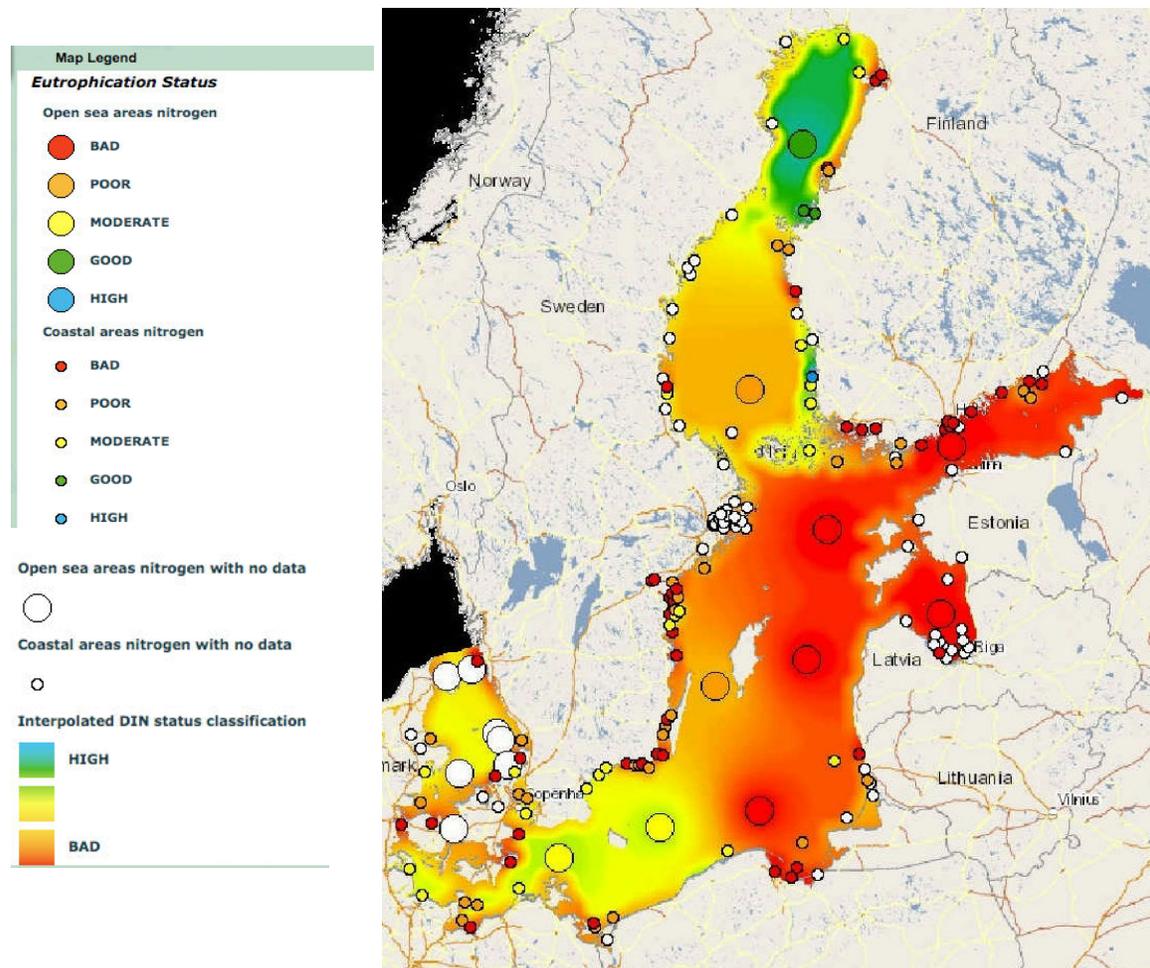
<sup>42</sup> “Pathways and sources of nutrient inputs.” Helsinki Commission: Baltic Marine Environment Protection Commission. 2 April 2011. [http://www.helcom.fi/environment2/eutrophication/en\\_GB/inputs/](http://www.helcom.fi/environment2/eutrophication/en_GB/inputs/)

<sup>43</sup> “Pathways and sources of nutrient inputs.” Helsinki Commission: Baltic Marine Environment Protection Commission.

*Waterborne inputs of nitrogen by HELCOM countries in 2010. (Source: HELCOM)<sup>44</sup>*



*Eutrophication Status-Nitrogen (Source: HELCOM Maps)*



<sup>44</sup> “Pathways and sources of nutrient inputs.” Helsinki Commission: Baltic Marine Environment Protection Commission.

--> The graph illustrates the “proportion of waterborne inputs of nitrogen into the Baltic Sea by HELCOM countries in 2000. These inputs include inputs from natural background sources as well as anthropogenic sources.”

These concerns all relate back to the Strategy's focus on improving economic development. The Sea is a source of profitability, for instance in the case of fisheries, but also closely related to sectors like agriculture and forestry. Therefore, in order to remain a source of economic productivity, measures must be in place to address environmental problems. As previously mentioned, agricultural activity is responsible for many of the nitrogen inputs into the Baltic Sea. As agricultural activity grows, so does environmental threat it poses. The Common Agricultural Policy (CAP) was previously linked to problems of over-production<sup>45</sup> that had a negative impact on the environment. New reforms to the Policy, however, place a greater emphasis on conservation and the environment. As farmers seek to improve their competitiveness, they must do so while improving the environment, countryside and overall quality of life in rural areas. By providing monetary incentives no longer linked to production, the Commission aims to better support farmers follow environmental standards. In the Communication of the Commission on the Baltic Sea Region the Commission states: "the Common Agricultural Policy, in particular through rural development, contributes to the objectives of making the Baltic Sea Region an environmentally sustainable and prosperous place."<sup>46</sup> The importance of agricultural and rural development is hence tightly linked to the environment and to the overall wellbeing of the population of the EUSBSR. Stakeholders in the EUSBSR recognise the natural trade-off between increased agricultural productivity and environmental conservation, and are trying to address it through increasing cooperation between these two sectors.

## **Implementation**

### **Pillar I, "To Make The Baltic Sea Region An Environmentally Sustainable Place."**

As mentioned before, the EUSBSR consists of four pillars, which address the areas of importance for the European Union: sustainability, prosperity (innovation), accessibility, and security. While multiple projects throughout the pillars address environmental security concerns, projects found under Pillar I most directly tackle environmental sustainability

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<sup>45</sup> BBC.com (2008). "Q&A: Common Agricultural Policy." 20 November 2008.  
<http://news.bbc.co.uk/2/hi/4407792.stm>

<sup>46</sup> Commission of the European Communities (2009). "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions concerning the European Union Strategy For The Baltic Sea Region."  
[http://ec.europa.eu/regional\\_policy/sources/docoffic/official/communic/baltic/com\\_baltic\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/baltic/com_baltic_en.pdf)

issues. Five of the fifteen priority areas of the EU's strategy for the BSR are found within Pillar I; the most found under any pillar. The priority areas were created to narrow the focus of challenges to be addressed under each pillar.

*Priority areas under Pillar 1*

<b>Priority Area</b>	<b>Lead Coordinator</b>
To reduce nutrient inputs to the sea to acceptable levels	Poland and Finland
To preserve natural zones and biodiversity, including fisheries	Germany
To reduce the use and impact of hazardous substances	Sweden
To become a model region for clean shipping	Denmark
To mitigate and adapt climate	Denmark

An institution within the lead country coordinates activities in each priority area. Coordinators range from ministry members, to universities, to independent research institutions. Coalitions and partnerships form under each project area to create projects ranging in scope from research to coordination of on-going efforts to clean the Baltic Sea. Some projects have been more successful than others in tackling environmental challenges specific to the region. As no new financial resources are available from the EU, project coordination is important to avoid unnecessary duplication of efforts. To date, the priority areas have been effective overall in increasing cooperation between actors across sectors in the region, which is in line with EU objectives for the BSR.

According to the Baltic Sea Region Programme website, there are approximately 39 projects specific to the environment.<sup>47</sup> However, considering hundreds of projects exist to address all fifteen priority areas under the Strategy, with just roughly over 80 considered to be flagship projects, it is safe to assume 39 is a low estimate.<sup>48</sup> A few projects tackling environmental related challenges are listed below, including a couple of flagship projects. Meetings with

<sup>47</sup> "Approved Projects." Baltic Sea Region Programme 2007-2013. 28 March 2011.

<http://eu.baltic.net/index.php?&id=5308&contentid=>

<sup>48</sup> "EU Strategy for the Baltic Se Region." Regional Policy — Inforegio. 28 March 2011.

[http://ec.europa.eu/regional\\_policy/cooperation/baltic/index\\_en.htm](http://ec.europa.eu/regional_policy/cooperation/baltic/index_en.htm)

some project representatives provided further insight into the challenges they have encountered as they pursue their objectives.

*Transnational Projects under Pillar I, “To Make The Baltic Sea Region An Environmentally Sustainable Place.”<sup>49</sup>*

<b>Project</b>	<b>(Priority Area) Objectives</b>	<b>Funding</b>	<b>Leader</b>	<b>Deadline</b>	<b>Tasks</b>
Pure	(1) Urban reduction of Eutrophication	ENPI, ERDF	Finland-Union of the Baltic Cities on Environmental Secretariat	42 months January 2009- 2012	Implements particular actions to reduce eutrophication and to improve the environmental state of the Sea by developing and implementing tools to reduce phosphorus discharges
COHIBA	(3) Controlling hazardous substances in the Baltic Sea	ERDF	Finnish Environment Institute (SYKE)	42 months January 2009- 2012	Seeks to control hazardous substances by identifying the sources and analysing the flow patterns of eleven target hazardous substances
SMOCS	(3) Sustainable Management of Contaminated Sediments in the Baltic Sea	ERDF	Sweden-Statens Geotekniska Institut	42 months January 2009- 2012	Manages contaminated sediments by producing guidelines and toolboxes on treatment technologies.
Baltic Master II	(4) Maritime safety - Transport and Environment	ERDF	Region of Blekinge Sweden	42 months January 2009- 2012	Flagship. Improve response capacity to oil spills in coastal communities by developing contingency plans and testing them.
BaltCICA	(5) Climate Change:	ERDF,	Geological	42 months	Flagship. Assesses and adapts measures

<sup>49</sup> Baltic Sea Region Programme 2007-2013. “Power of Cooperation, 46 transnational projects.” Available at [http://ec.europa.eu/regional\\_policy/cooperation/baltic/pdf/46\\_project\\_brochure.pdf](http://ec.europa.eu/regional_policy/cooperation/baltic/pdf/46_project_brochure.pdf)

	Impacts, Costs and Adaptation	Norwegian	Survey of Finland	January 2009- 2012	abating effects of climate change by focusing on cooperation over alternatives and best practices
Baltic COMPASS	(9) <sup>50</sup> Comprehensive Policy Actions and Investments in Sustainable Solutions in Agriculture in the Baltic Sea Region	ERDF, ENPI	Swedish University of Agricultural Sciences	42 months January 2009- 2012	Strategic Project. Introduce win-win solutions to the agro-environmental sector and facilitate the reduction of nutrient levels in the Baltic Sea by strengthening the adoption of agroenvironmental policies.

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<sup>50</sup> Priority Area 9 is part of the Pillar II, “To Make the Baltic Sea Region A Prosperous Place.” However, due to its focus on sustainable development, the Baltic COMPASS is also considered to be part of Priority Area 1 and has therefore been included.

### **Project Analysis: *Baltic COMPASS***

#### Project Summary: Baltic COMPASS

The Baltic COMPASS project "...is a response to the need for a transnational approach to reduce eutrophication of the Baltic Sea and contribute in adaption and implementation of the HELCOM Baltic Sea Action Plan (BSAP)."<sup>51</sup> The project aims to reduce gaps between stakeholders' capacity and resources to address eutrophication and lack of trust between environmental and agricultural sectors. The goal is to find win-win solutions for agriculture, environment and business sectors throughout the EUSBSR. Led by Sweden, Baltic COMPASS consists of 23 partners from authorities, interest organizations and research institutes in Finland, Russia\*, Belarus, Estonia, Latvia, Lithuania, Poland, Germany, and Denmark.<sup>52</sup>

Focused primarily on land use policy in the Baltic, members of the project work to "...boost utilization of best practices, accelerate investments in environmental technologies, strengthen governance and policy adaption; and to promote the Baltic Sea Region as a pilot region for innovative solutions related to combating eutrophication..." by targeting governments, authorities, interest organizations and entrepreneurs.<sup>53</sup> Climate change and increases in global demands for food are expected to intensify the agricultural demands of the BSR. Therefore, a transnational issue must have a transnational approach. The Strategic Project status allows Baltic COMPASS to focus on activities it deems will add value to on-going projects, actions, and policies.<sup>54</sup> Project members expect that with close cooperation with key actors and investments in "...renewable energy utilization, improved nutrient management and small-scale climate change mitigation on farm level," the region will become sustainable.<sup>55</sup> Baltic COMPASS does not just promote cooperation with actors within its project area, but also seeks cooperation with other projects. The project is expected to run for 42 months, receiving

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<sup>51</sup> Baltic COMPASS. "Approved Projects." Baltic Sea Region Programme 2007-2013. 28 March 2011. [http://eu.baltic.net/Project\\_Database.5308.html?&&contentid=42&contentaction=single](http://eu.baltic.net/Project_Database.5308.html?&&contentid=42&contentaction=single)

<sup>52</sup> Federation of Swedish Farms and Baltic Compass. Onsite Interview. Stockholm: 3 February 2011.

\*Per an informal interview with members of Baltic COMPASS, Russia is not formally part of the project, however, it does participate through collaborate efforts with another project member, Swedish International Development Cooperation Agency (SIDCA).

<sup>53</sup> Baltic COMPASS. "Approved Projects."

<sup>54</sup> Baltic COMPASS. "Approved Projects."

<sup>55</sup> Baltic COMPASS. "Approved Projects."

funding from the European Regional Development Fund (ERDF) and the European Neighbourhood and Partnership Instrument (ENPI).

### Achievements

Currently operating as a partner within Priority Area 9 (“to reinforce sustainability of agriculture, forestry and fisheries”), Baltic COMPASS is seeking to form an operative relationship with Priority Area 1 as well.<sup>56</sup> More detailed task specific work plans for periods 1 and 2 are to be produced for all six-work packages.<sup>57</sup> A website was created and is running, [www.balticcompass.org](http://www.balticcompass.org). Their website provides the project’s clearly defined objectives and expected results; as well as information on the work packages.

### **Overall Progress**

As the programme period for the Strategy comes to an end, and the implementation period for many projects enters the second half, evaluation processes are underway to determine the effectiveness and worth of many on-going projects as well as the coordination efforts between Priority Area Coordinators (PACs) and Project leaders. Within Pillar 1, new projects have been created in response to the needs identified in the Action Plan. Among these are:

- “BalticDEAL that works with farmers across the Region to reduce eutrophication;
- BALTADAPT that paves the way for the first regional climate change adaptation plan;
- InnoShip, which uses knowledge- and innovation-based approaches to reduce ship and port emissions;
- CleanShip, which rewards clean ships in the shape of a 'Clean Baltic Sea Shipping' flag;
- Ecovillages, which develops ways of supporting sustainable rural living.”<sup>58</sup>

More projects should be expected in the near future to further complement and support on-going efforts to address environmental security concerns.

While an abundance of projects exist to address the various priority areas under the environmental pillar, clear leadership and effective coordination seems to be lacking. Projects members have expressed concerns over uncertainty over their roles and those of the coordinating bodies. On the other hand, many Priority Area Coordinators have expressed

<sup>56</sup> Baltic COMPASS. “Approved Projects.” Baltic Sea Region Programme 2007-2013.

<sup>57</sup> Baltic COMPASS. “Approved Projects.” Baltic Sea Region Programme 2007-2013.

<sup>58</sup> “Report from the European Commission: The Implementation of the EU strategy for the Baltic Sea Region.” Annual Report May 2010. Regional Policy—Inforegio. 28 March 2011. Available at [http://ec.europa.eu/regional\\_policy/cooperation/baltic/documents\\_en.htm](http://ec.europa.eu/regional_policy/cooperation/baltic/documents_en.htm)

difficulty in creating new networks for cooperation.<sup>59</sup> Commitments have been made to develop support mechanisms geared to increasing cooperation as well as input from the National Contact Points.

### **Added Value**

The EUSBSR is not the first initiative to address challenges in the region. The Northern Dimension, HELCOM, and CBSS are examples of just some of the pre-existing attempts to address economic, social, and environmental concerns through a cooperative approach. Therefore, what purpose does the EUSBSR serve which is not already addressed by other existing initiatives? What value does the EUSBSR add to the region in terms of the environment?

From its inception, the European Commission structured the EUSBSR's priority areas to partly resemble objectives outlined in the Helsinki Convention; objectives deemed important by the States bordering the Sea. The objectives in HELCOM, which could be aligned with EU objectives for the region, are the basis for the environmental priorities of the Strategy. As such, a valuable addition to the region by the Strategy was the creation of specific actions to address regional challenges. Projects to tackle priority areas one through five contribute directly to addressing the region's main challenge: achieving environmental sustainability.

Project alignment to EU objectives has the potential to provide additional benefits. The European Commission has various funding programmes for projects that contribute to the realisation of EU objectives. As mentioned in Section II, no new funding was provided for the implementation of this Strategy. Instead, the use of existing funding sources was expected. With existing projects now considered to promote EUSBSR objectives, new funding possibilities through the EU also become available.

Lastly, the Strategy has brought greater awareness on opportunities for collaboration among stakeholders at the grassroots level. The introduction of the Strategy has brought with it an understanding that there are also complementary projects. For example, the newly created project Baltic Deal, an advisory oriented project, works with strategic projects like Baltic Compass to find methods of reducing the unwanted contribution by farmers to the

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<sup>59</sup> "Report from the European Commission: The Implementation of the EU strategy for the Baltic Sea Region." Annual Report May 2010.

eutrophication problem affecting the Baltic Sea.<sup>60</sup> By providing a strong platform for cooperation, Baltic Deal is able to create toolkits based on the information acquired by Baltic Compass in terms of best practices that then projects, like the Federation of Swedish Farmers, can then disseminate amongst their members.<sup>61</sup> Such collaborative efforts allow for a more effective utilisation of limited funds and resources. It is also important to mention that these collaborative efforts are also fundamental to offset the trade-offs between different sectors and objectives, such as economic growth and environmental protection. However, the EUSBSR exists within a larger EU framework, and hence its effectiveness is also dependent on other policies. For instance, in the case of the CAP, the Strategy's success is based on the CAP's reforms towards encouraging environmental friendly practices. In this sense, the Strategy and its action plan is only a collection of projects that are deemed to further a certain objective, but it cannot be truly effective, unless it is supported by wider EU policies, as well as national governments.

### **3.2 Innovation & Competitiveness**

In the context of globalisation, the EU has realised that Europe cannot compete unless it becomes more inventive and reacts better to consumer needs and preferences. The European Commission is convinced that innovation in a broad sense is one of the main answers to citizens' material concerns about their future<sup>62</sup>. In the Baltic Sea Region, some countries are very well placed to face and profit from globalisation, while others are still in the process of catching up. Various pilot clusters are being established - as seen from the maps below. But the two challenges which link innovation to competitiveness, namely knowledge transfer and cluster formation remain underdeveloped in the region. To increase efficiency and maintain its competitiveness, the region should continue moving towards a heavily networked knowledge society by promoting innovation. The Baltic Sea region is a dominant trade area for smaller economies. The interdependence of Member States shows the importance of following an integrated approach in order to stimulate innovation and improve efficiency.

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<sup>60</sup> Federation of Swedish Farms and Baltic Compass. Onsite Interview. Stockholm: 3 February 2011.

<sup>61</sup> Baltic COMPASS. "Approved Projects."

<sup>62</sup> European Commission, *Putting Knowledge into Practice: A broad-based innovation strategy for the EU*; COM(2006) 502 final

Pilot clusters in the Baltic Sea Region (Source: VINNOVA Report VR 2010:11)**FOOD - Mature Clusters**

- 1 The Food Development Cluster (Finland)
- 2 Northeast Iceland Culinary Experience (Iceland)
- 3 Skåne Food Innovation Network (Sweden)
- 4 Warsaw University of Life Science (Poland)
- 5 Öresund Food (Denmark Sweden)

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**WOOD PRODUCTION FURNITURE AND DESIGN – New Business for mature Industries**

- 1 Möbelriket – The Kingdom of Furniture (Sweden)
- 2 West Pomerania Wood and Furniture Cluster (Poland)
- 3 Latvian Forestry Cluster (Latvia)
- 4 Art Academy of Latvia Design Department (Latvia)
- 5 University of Lodz (Poland)
- 6 Lithuania (Lithuania)

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**BIOENERGY – Emerging Intense Research Clusters**

- 1 Arena Bioenergy (Norway)
- 2 Græn Orka Cluster (Iceland)
- 3 Biorefinery of the Future (Sweden)
- 4 Baltic Eco-Energy Cluster (Poland)
- 5 Finnish Cleantech Cluster (Finland)

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**ICT – Valuechain Clusters**

- 1 Öresund IT (Denmark/Sweden)
- 2 Ubiquitous Computing Cluster (Finland)
- 3 Mobile Heights (Sweden)
- 4 Latvia IT Cluster (Latvia)
- 5 ICT West Pomerania (Poland)
- 6 Brains Business ICT North Denmark (Denmark)
- 7 RFMPolis (Finland)

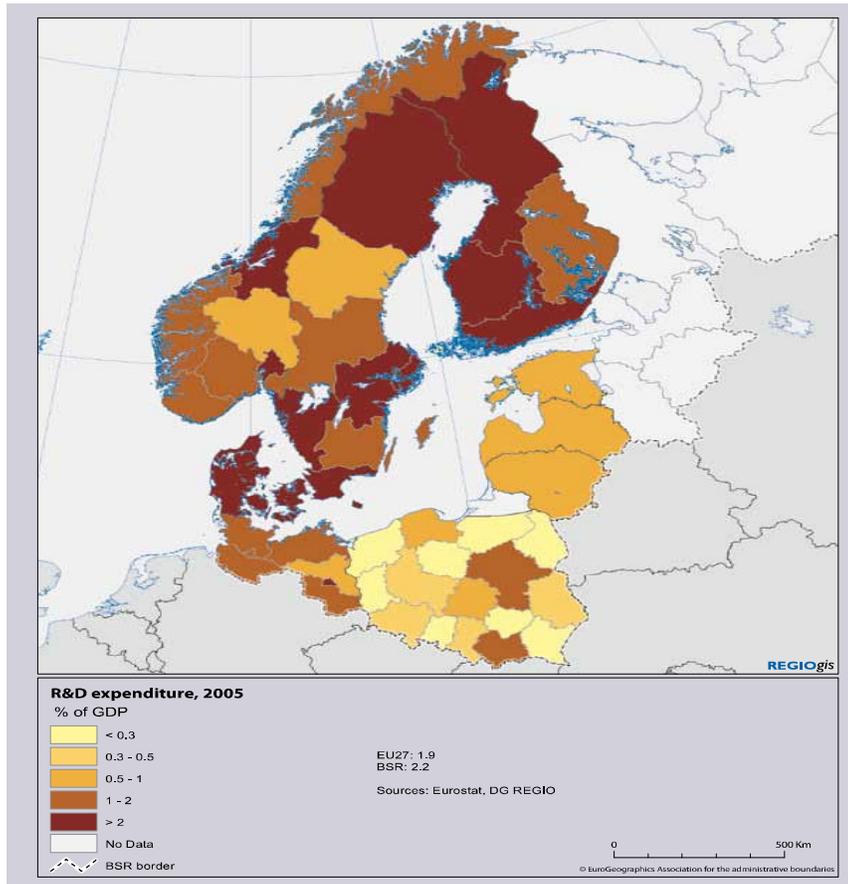
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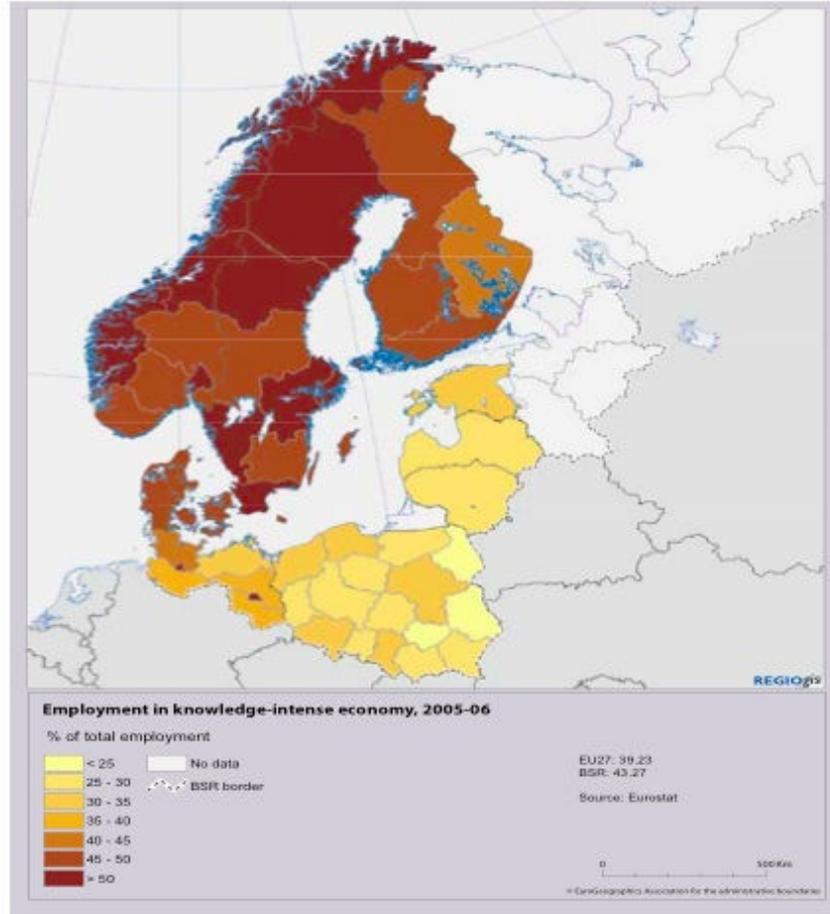
**Development challenges and opportunities in the Baltic Sea Region: The importance of innovation and competitiveness**

The main challenge to the region is to close the gap between highly innovative North and West and a developing East and South. On average, the countries in the region spend 2.2% of their GDP on R&D, which is above the EU-27 level (1.9%). The Nordic countries and the German BSR regions demonstrate an exemplary 2.6%. The share of GDP devoted to R&D in the eastern BSR regions is 0.6%, which is far below the average of EU level. The Swedish and Finnish regions, Denmark and Berlin are among the 30 regions in the EU with the highest share of GDP spent on R&D.

R&D Expenditure (Source: Eurostat)

Another challenge is the very low and unbalanced labour mobility in the BSR. The working-age population who changed their region of residence in 2006 accounted for 1% of the BSR total working-age population, compared to 1.26% in the EU. On the western side of the Baltic Sea, the residential moves from within the EU and Norway represent 1.33% of the total working-age population, which is slightly above the average of for the EU. The Eastern part on the other hand receives four times fewer working-age residents from other regions of the EU and Norway, which account for only 0.3% of its total working-age population. The western states of the BSR are thus clearly the main destinations for working-age residents from other regions of the EU and Norway.

At the same time, there are complementarities between different parts of the region. For instance, the region has one of the largest shares of people employed by the knowledge economy in the EU-27.

*Employment in the knowledge economy* (Source: Eurostat)

The Swedish capital region tops the list with more than 60% of employment in the knowledge economy. The BSR includes many states with highest educated labour in the EU. Especially in the south and east part of the region, for instance, in Estonia there are abundant human resources with tertiary education. As well, there is a Baltic Sea Region University Network with 40 member institutions and two joint centres in 7 countries, which shows close cooperation between universities in this part of the region. At the same time, the fact that universities in Nordic countries are not in the network also reflects the importance of enhancing cooperation between universities in the West and East of the Baltic Sea Region.

The Baltic Sea Region University Network (BSRUN)

1. University of Turku
  2. St. Petersburg University, Herzen State Pedagogical University of Russia, St. Petersburg University of Information Technologies, Mechanics and Optics
  3. Tallinn University of Technology, Tallinn University
  4. University of Tartu, Estonian University of Life Sciences
  5. University of Latvia, Riga Technical University
  6. Klaipeda University
  7. Kaunas University of Technology, ISM University of Management and Economics, Kaunas University of Medicine, Lithuanian University of Agriculture, Vytautas Magnus University
  8. Vilnius University, Vilnius Academy of Arts, Vilnius Pedagogical University, Mykolas Romeris University, Vilnius Gediminas Technical University
  9. Kant State University of Russia, Kaliningrad State Technical University, Baltic Fishing Fleet State Academy
  10. University of Gdansk, Gdansk University of Technology, Medical University of Gdansk
  11. Warsaw School of Economics, University of Warsaw
  12. University of Warmia and Mazury in Olsztyn
  13. Pultusk Academy of Humanities
  14. Grodno State Agrarian University, Yanka Kupala State University of Grodno, Grodno State Medical University
  15. Latvia University of Agriculture (Jelgava)
  16. Šiauliai University
  17. Belarusian State Agricultural Academy (Gorki)
  18. Petrozavodsk State University
  19. Yaroslav-the-Wise Novgorod State University
- a. Saaremaa University Centre  
b. International University Education Centre in Braniewo

The last economic crisis has made clear the importance of innovation and competitiveness. The EU realises the importance of benefiting from the internal market and maximising the opportunities brought about by innovation. Transfer of knowledge and competence, and deepened cooperation from the Nordic countries and Germany as innovation top-performers can greatly help Poland and the Baltic States to continue catching up. The Strategy must offer the opportunity to exploit the potential of wide innovative disparities. In addition, it is important to maintain the profitability and competitiveness of key sectors including agriculture, forestry and fisheries in order to enhance their contribution to

the economy and to sustainable development.

**Implementation**

Innovation and competitiveness is one of the 15 priorities of the Strategy and it falls under the pillar of “making the Baltic Sea Region a prosperous place”. The priority area is “to exploit the full potential of the region in research and innovation” and it is coordinated by Sweden and Poland.

Under the priority area, there are five flagship projects listed below.

<b>Flagship project</b>	<b>Objectives</b>	<b>Funding</b>	<b>Lead</b>	<b>Deadline</b>	<b>Remarks</b>
Develop a Baltic Sea Region Programme for Innovation, Clusters and SME networks	Foster R&D and business-related transnational collaboration	Funded under the PRO INNO Europe initiative	Sweden and Lithuania	To be determined	Fast track
Create a Baltic SeaFund for Innovation and Research	Promote research infrastructure tailored to the specific strengths of the regions and of particular individual institutions, linked to specific clusters of excellence for product innovation and marketing	National and private actors	Swedish Region Ska_ne	To be determined	
Develop a common Baltic Sea Region strategy to promote services innovation	(a) To collect better statistical data to analyse the current status and potential of (b) To identify the scope and objectives for trans-national cooperation (c) To improve the framework conditions	Funded under the PRO INNO Europe initiative for the period 2009-2012	Lithuania and Finland	To be determined	
Set up cross-sectoral reference projects for innovation in health and life sciences	Promote the establishment of the ScanBalt BioRegion, today one of Europe's leading cluster collaborations	n/a	Lithuanian Biotechnology Association and BioCon Valley® GmbH, Greifswald (Germany)	To be determined	
Setting up a Baltic Science Link	Use optimally the present existing infrastructure installations to strengthen the scientific capability and competitiveness as well as the attractiveness of the region.	n/a	Sweden: Swedish Research Council	To be determined	

**Project Analysis<sup>63</sup>: *Develop a Baltic Sea Region Programme for Innovation, Clusters and SME-Networks---the Baltic Stars Program***

Building clusters and collaborations between areas in proximity prove to be an efficient and effective way to boost innovation. This program's objective is to foster R&D and business-related transnational collaboration covering innovation systems, clusters and SME networks, in order to strengthen economic growth in the whole Baltic Sea Region. The program is built upon the results and recommendations of the BSR-Network INNO-Net project, funded under the PRO INNO Europe initiative. The program is led by Sweden and Lithuania.

In April 2009, the Swedish ministry of Enterprise Energy and Communication invited the ministries and agencies from the Baltic Sea Region including Norway and Iceland to a first meeting in order to discuss the strategic idea about cooperation around innovation and a common project linking strong research and innovation milieus, clusters and SME networks in the region. There have been one high level group consisting of participants from ministries and national agencies in each country whose role has been to decide and advice on strategic choices and financial issues. There has also been three taskforces working during one year whose tasks have been to create a common program. Right now, 34 partners and 33 associated partners have joined. The total amount of money applied for the program is 6.5 M€.

**Overall Progress<sup>64</sup>**

The coordinator has sponsored three meetings in the Priority Area 7. These meetings clarifies the role of the coordinator and flagship project leader, shares experience of project implementation.

Some changes have taken in terms of flagship projects. For instance, a flagship project

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<sup>63</sup> Based on European Commission, (2010), *Annex 1 of Report from the European Commission: The Implementation of the EU Strategy for the Baltic Sea Region*, available at: [http://ec.europa.eu/regional\\_policy/cooperation/baltic/documents\\_en.htm](http://ec.europa.eu/regional_policy/cooperation/baltic/documents_en.htm)

<sup>64</sup> Based on European Commission, (2010), *Annex 1 of Report from the European Commission: The Implementation of the EU Strategy for the Baltic Sea Region*, available at: [http://ec.europa.eu/regional\\_policy/cooperation/baltic/documents\\_en.htm](http://ec.europa.eu/regional_policy/cooperation/baltic/documents_en.htm)

named “Develop a regional foresight program” was integrated into another project. The first flagship projects (BSR Stars- A Baltic Sea Programme for Innovation, clusters and SME networks) and the fourth (The BSR Health region) have each organised a governance structure, developed a design and a plan for the Flagship implementation and are now ready for starting up. The second flagship project (Create a Baltic Sea Fund for innovation and research) has got a new lead organisation, namely Region Skane in Sweden. Region Skane has appointed a project leader and is now starting up to organise the governance structure of the project and the planning of the work. The fifth Flagship (Setting up a science link) is exactly in the same starting up phase as the second one. The Flagship 7.3 (Strategy to promote service innovation) is currently under consideration.

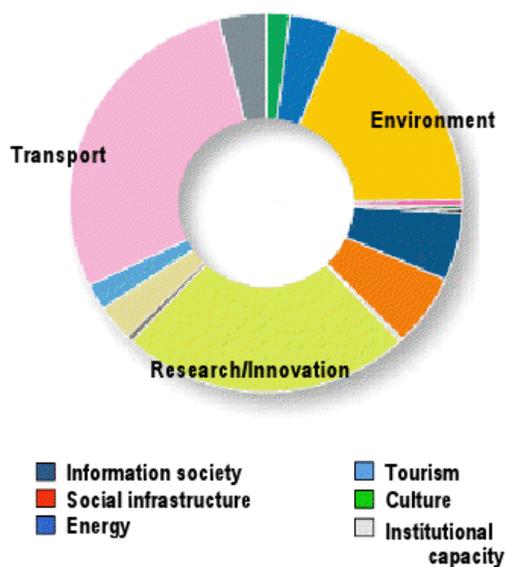
Overall, the Strategy has given opportunity for new projects to emerge. Cooperation involving both, central ministries and partners from different levels (regions, universities, and private companies) shows how the Strategy has served as a platform and framework for multi-level and cross-sectoral collective action.

However, based on the interviews conducted for the report, we found that local actors or potential actors are still not in full knowledge of the innovation network. For instance, when asked about the university network in the Baltic Sea Region, a researcher engaging in studying the Baltic Sea Region in a Swedish university said that there is no such network. This could be explained in two ways: one is that in reality there is no such network indeed; the other one is that there is such a network of which the researcher, however, is not aware. In either case, there is still much to do with the Strategy in terms of competitiveness and innovation, particularly in the areas of information sharing and taking full advantage of potential actors and networks in the region.

### ***3.3 Transport***

The transport sector is of utmost importance for the EU and its member states. The large share of public expenditure that this sector receives exemplifies this: Transport can take up to 40% of national budgets, and it is one of the sectors, which attract the largest share of EU expenditure.

**European Regional Development Fund  
and Cohesion Fund (€271 billion)**



*Expenditure for the 2007-2013 (under ERDF and CF) in the BSR linked to transport (Source: European Commission Report, European Union Strategy for the Baltic Sea Region, Action Plan, May 2010)*

<b>Information Society:</b>	<b>€ 1.4 billion</b>
<b>Transport:</b>	<b>€ 23.1 billion</b>
- Motorways (TEN-T)	€ 8.4 billion
- Railways (TEN-T)	€ 4.7 billion
- National Roads	€ 2.8 billion
- Motorways (non-TEN-T)	€ 2.1 billion
- Other	€ 5.1 billion
<b>Energy:</b>	<b>€ 2.6 billion</b>
<b>Total:</b>	<b>€ 27.1 billion</b>

All four pillars of the EUSBSR and wider EU objectives are intimately related to transport. Naturally, the region's accessibility and attractiveness is highly dependent on it, but in addition, the interdependence of this sector to prosperity, security, safety, environment, and energy make it a key issue on national and EU political agendas. The Baltic Sea Region, located at the northern border of the economic centre of Europe, with its potential to become a direct access to Asia, and its proximity to Russia, make it a region with incredible strategic potential and transport is an essential part of this.

In terms of the EUSBSR, the Strategy functions within the TEN-T framework. The TEN-T is high on the political agenda and the Strategy is a political statement to push things further through commitment and closer cooperation. Building transportation infrastructure and planning for this sector are usually long-term based, and plans, projects and results take a long time to be realised. Nonetheless, the BSR Strategy constitutes a real regional framework for cooperative and integrative planning for transport away from the traditional national-based approaches.

### **Transport Challenges in the Baltic Sea Region**

Transport planning touches on the sovereignty of national states, which explains why cooperative regional planning in this sector has never taken place before the TEN-T. This means that cooperation, coordination and integration are somewhat hampered by national interests, in addition to the high costs involved.

In the Baltic Sea Region, harsh climate conditions and geography in addition to a very sensitive marine ecosystem makes the planning, cooperation, and building of transport infrastructure a delicate matter. As well, there are large distances and diffusion of population clusters. When we talk about distances and accessibility, the challenge is to connect not only the BSR internally, but also to the rest of Europe and the world. The main challenge for the future transport development in the BSR is to reduce the region's remoteness by improving links within the region and to the rest of the EU.

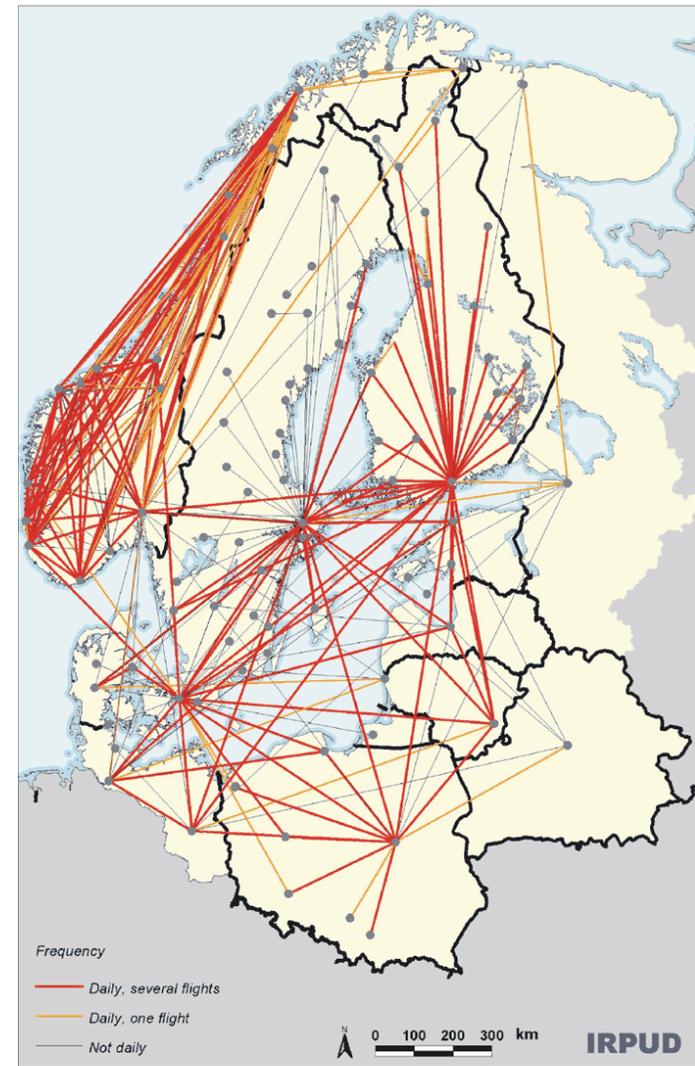
Furthermore, the BSR is marked historically by divides between the east and west (political and socioeconomic), which are reflected on transport infrastructure, for instance in differences of railroad widths. This impedes the desired transition from road to rail transport for the region as a whole. As well, the volume of traffic and infrastructure between the northern and southern part of the region vary significantly. The maps below illustrate these disparities in traffic volume.

### Traffic on major road corridors (E-roads) in the Baltic Sea Region



Source: UN-ECE (1998). Note: The data base does not contain figures for all E-roads.

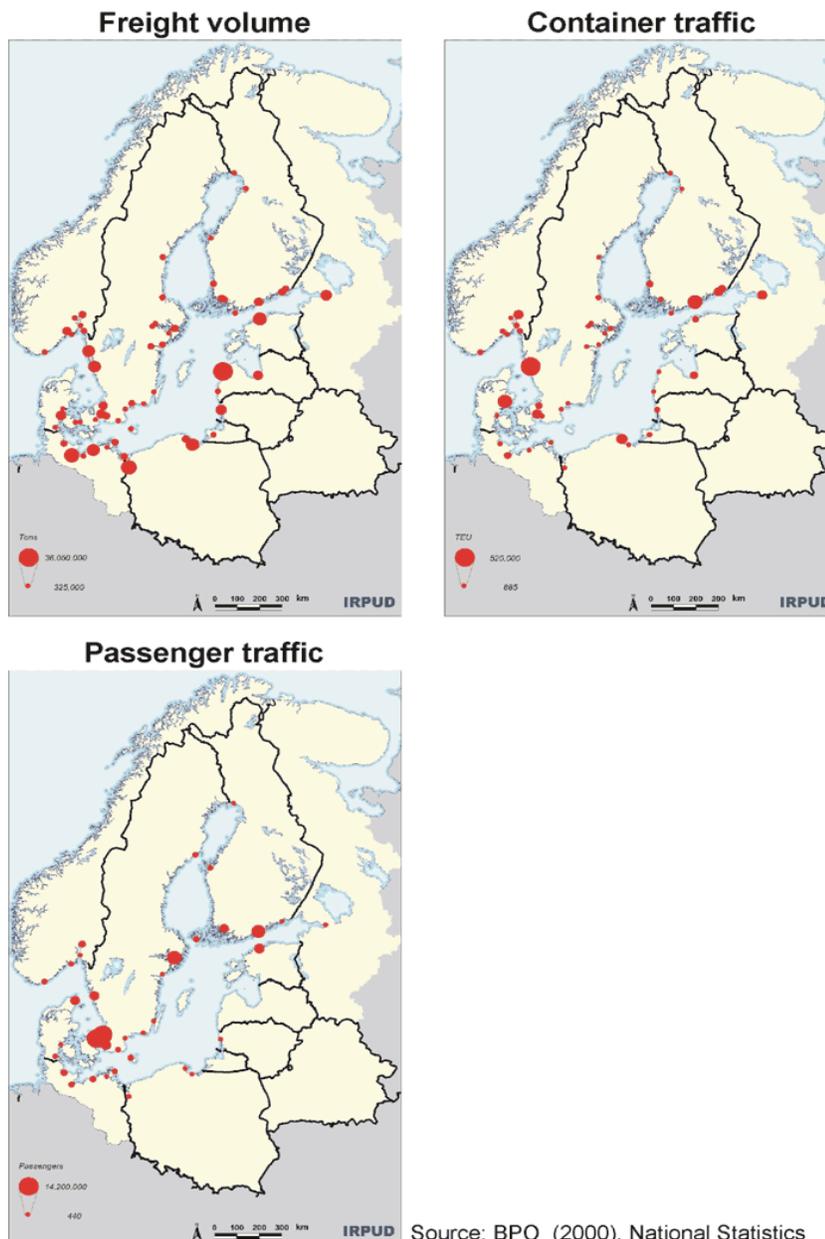
### Scheduled flights, 2000



Source: Actual online information of airlines and airports

The region is also characterised by its dependence on maritime transport for trade and energy, hence safety and sustainability in this sector are of utmost importance for the region. By 2020, Baltic freight transport is expected to rise between 60 and 80%, with more coming from Russia, Central Asia and the Far East. This also means that border delays must be reduced, which will require better cooperation. There is also the external dimension, mainly in the form of cooperation with Russia. Although Russian ships abide with safety standards, there is room for improvement, which necessarily needs Russia's commitment. The maps below illustrates the importance of maritime transport for the region.

## Baltic Sea ports



Source: BPO (2000), National Statistics

**Priority Area No 11 (Coordinated by Lithuania and Sweden)**

There are several projects in progress under this priority area at the moment:

- **TEN-T revision policy**, which focuses on the planning methodology of the TEN-T core and comprehensive networks, financial challenges as well as the criteria for main nodes and links. Elements of the comprehensive TEN-T network are currently discussed between European Commission and Member States in bilateral meetings, while the EC is engaged to draw the proposal for the core TEN-T network. There are three priorities: (i) promotion of the development of an integrated and environmentally friendly transport system, (ii) acceleration/facilitation of the implementation of TEN-T project and (iii) the support of Public-Private Partnerships.
- **Baltic Transport Outlook (BTO) 2030 study**, which was identified as one of the priority projects within Transport Area 11. It was stated that the reports on Core network for BSR and Drivers for transport demand and supply are currently being finalised. The report on Traffic flows and scenarios 2016/2030 should be delivered in the first quarter of 2011, while the final report is expected in August 2011.
- **The Motorways of the Sea (MoS) project Klaipeda-Karlshamn link** is indicated as one of the projects in progress within the Transport Priority Area. There are expectations that the investment in this MoS project will increase the capacity for maritime and rail transport in BSR and thus will have a catalytic effect on the regional economy. The link will improve the cohesion and accessibility between the two regions and further equalise the East-West gap of the BSR. Meanwhile, the connections to other TEN-T corridors as well as their extension to the neighbouring countries of the EU should offer wider opportunities to create an intermodal transport chain.
- **The Green Corridors** is a model for BSR is composed of a network of Green Corridors across the Region, including TEN-T core links and the MoS. Scandria, TransBaltic and EWTC II projects remain the most important for the implementation of Green Corridor concept in BSR. EWTC II project provides a good example of a concept on putting the Green Corridor into logistic chain. The EWTC Association, which was formed in summer 2010, brings together various stakeholders from 12 countries (e.g. Denmark, Sweden, Lithuania, Mongolia, and China), representing business associations, public administrative institutions, universities and other companies. One of the key aims of this initiative is to support the development of an effective Green Corridor through

continuous economic and political dialogue as well as strong the partnerships between the states, government agencies, research centres and private partners.

New initiatives within the Transport Priority Area of the EUSBSR include:

- **Rail Baltica Growth Corridor (RBGC)** is identified as one of the most significant projects aimed at removal of missing links in the Baltic Sea Region's transport system. The RBGC project is an initiative to promote the implementation of "Rail Baltica" mainly through application of non-infrastructure measures, such as the establishment of a multimodal travel planner and increasing the interoperability of logistic centres.
- **Road Traffic Safety** a new initiative with a purpose to develop a model for annual evaluation and rating of road traffic safety on a national level in every country in the BSR is introduced. The target of this initiative is to continue the reduction of the overall number of road deaths in EU by half during the period 2010-2020.
- **Amber Coast Logistics**, focuses on promoting multimodal freight transport connections between the South Baltic Sea Region and Central Europe.

#### Examples of Projects

<b>Latvia:</b>	
- <b>Renewal East-West Railway Corridor</b>	€ 100 million
- <b>Signaling Systems of E-W Railway Corridor</b>	€ 90 million
- <b>Access roads to Ventspils Port Terminal</b>	€ 28 million
- <b>Riga Bypass (Koknese)</b>	€ 291 million
- <b>Rail Baltica</b>	€ 80 million
<b>Estonia:</b>	
- <b>Via Baltica</b>	€ 43 million
- <b>BS Islands Access Improvements</b>	€ 46 million
<b>Lithuania</b>	
- <b>Rail Baltica</b>	€ 232 million
- <b>TEN-T Railway segments (6 projects)</b>	€ 167 million
<b>Germany</b>	
- <b>Improvements of Lubeck Harbor</b>	€ 13.1 million
- <b>Sailing Tourism – Schleswig Holstein</b>	€ 5.5 million
- <b>Berlin-Rostock Railway</b>	€ 315 million
- <b>A14 Highway</b>	€ 1.4 billion
<b>Poland</b>	
- <b>Road S22 – Elblag-Grzechotki</b>	€ 116 million
- <b>E65 Railway Warsaw-Gdansk</b>	€ 1.261 billion
- <b>Rail Baltica</b>	€ 182 million
- <b>Continuation - E65 Railway Warsaw-Gdansk</b>	€ 801 million
- <b>Via Baltica</b>	€ 511 million

- <b>S7 Roads (Gdansk-Elblag)</b>	€ 346 million
- <b>Airport – Gdansk</b>	€ 149 million
- <b>Airport – Olsztyn</b>	€ 74 million
- <b>Airport – Szczecin</b>	€ 21 million
- <b>Airport – Koszalin</b>	€ 13.8 million
<b>* Major infrastructure projects supported under TEN-T</b>	

Source: DG Trans

In addition to these projects, there are five Flagship projects summarised below.

**Implementation**

(Source: European Commission Report, European Union Strategy for the Baltic Sea Region, Action Plan, May 2010)

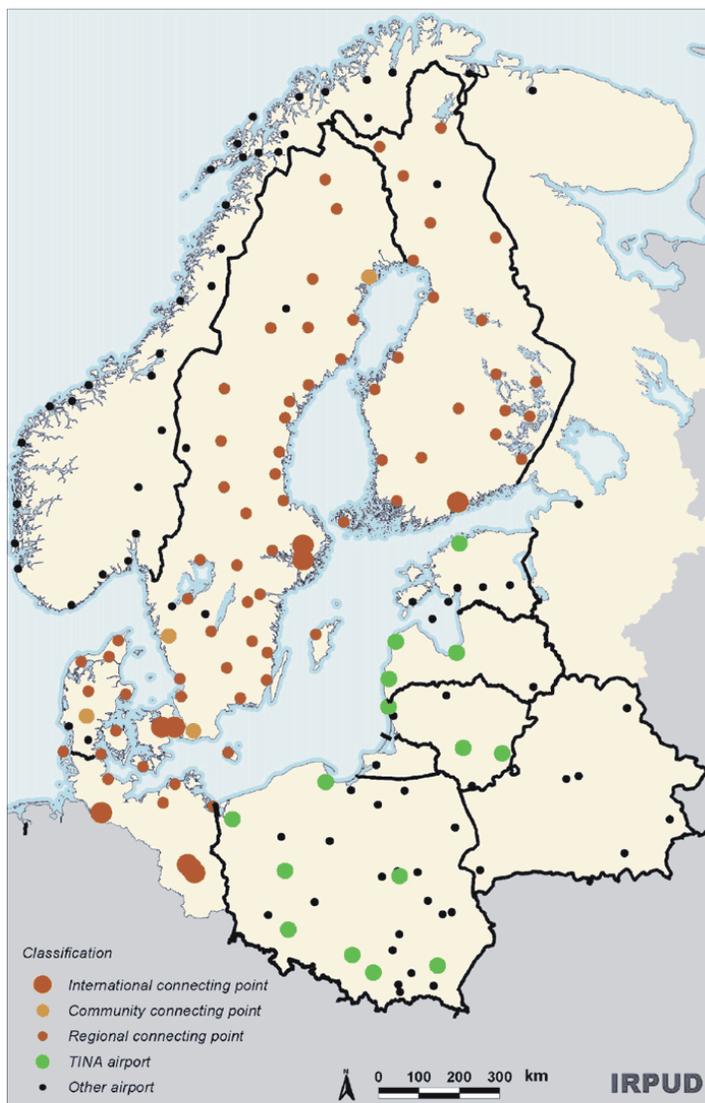
<b>Flagship project</b>	<b>Objectives</b>	<b>Lead</b>	<b>Deadline</b>	<b>Remarks</b>
Complete the agreed priority transport infrastructures	To complete particular the TEN-T Priority Projects	All relevant countries	To be determined	
Implement the Northern Dimension Partnership on Transport and Logistics	To act as a regional instrument in transport and logistics field to address the aims of the EUSBSR in relation to the EU's neighbouring countries	Northern Dimension	To be determined	
Develop the Baltic Motorways of the Seas network	To link the Baltic Sea Member States with Member States in Central and Western Europe through sustainable transport links, including the route through the North Sea/Baltic Sea canal/ Danish straits	The Baltic Motorways of the Sea Task Force	To be determined	
Shorter plane routes	To develop a cooperation system between countries in the Baltic Sea Region in order to ensure a successful and smooth transition from domestic air traffic management arrangements to a more integrated European dimension	Poland and Lithuania	To be determined	Fast track
Cooperate for smarter transport	Development and implementation of concrete pilot initiatives which would contribute to improving safety, freight logistics efficiency, shifting freight from road to rail and sea, and minimising environmental impact of transport in the region	Lithuania and Sweden	To be determined	Fast track

## Overall Progress

There has been closer cooperation between regional and national institutions, local authorities as well as other stakeholders in the Baltic Sea Region in significant developments in a number of areas of the Transport Priority Area.

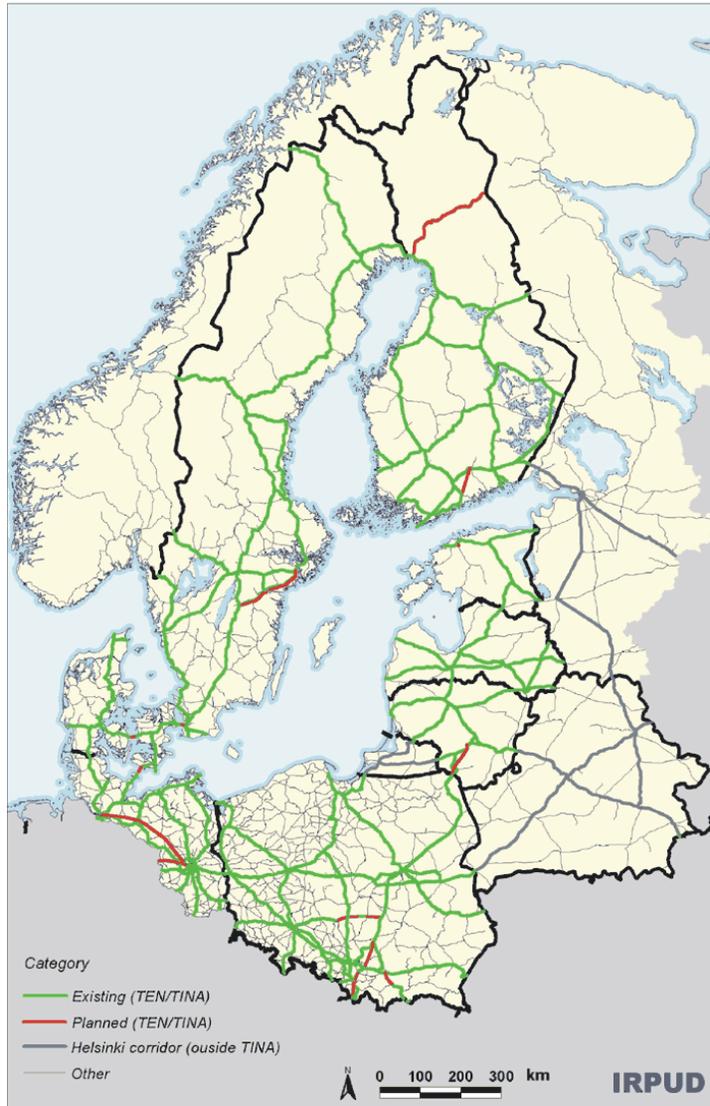
As well, the TEN-T revision process has been identified as an issue of high importance on the agenda of Transport Area (Priority Area 11?) during the year 2011 and will have a huge impact on the implementation of the transport infrastructure policy in the next decade. The maps below illustrate the plans for infrastructure development in the BSR.

### Trans-European airport outline plans



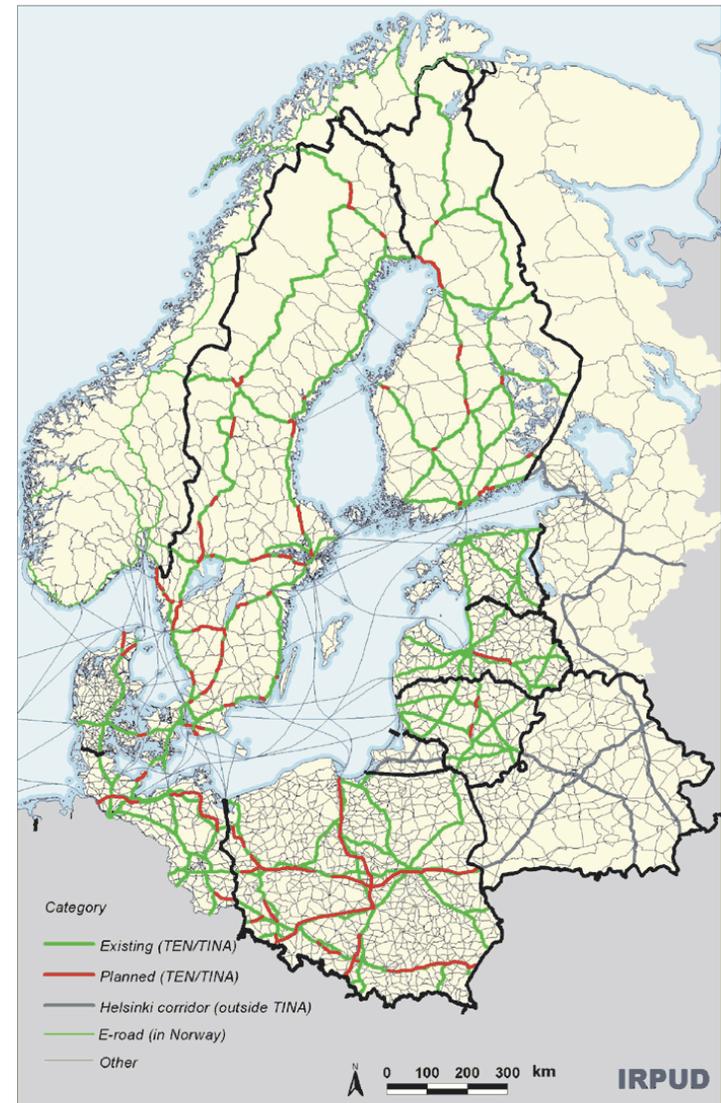
Source: European Communities (1996); European Commission (1998); TINA Secretariat (1999); IRPUD (2000).

### Trans-European rail network outline plans



Source: European Communities (1996); European Commission (1998); TINA Secretariat (1999), IRPUD (2000).

### Trans-European road network outline plans



Source: European Communities (1996); European Commission (1998); TINA Secretariat (1999), IRPUD (2000).

## **Conclusion**

Overall, it is probably too optimistic to claim that the Transport Priority Area of the EUSBSR is one of the most successfully implemented areas within the Strategy. Yet, there has been progress so far that could be considered the first (of many) step towards achieving an integrated, efficient and sustainable transport system in the region. A cooperative regional planning debate has been initiated, and the establishment of platform for integrating and planning transport networks regionally (at the least an understanding about the need for it) has started. However, what the Strategy is falling behind in (at least so far) proving how much it is linking this spatial planning tool to other sectors. What is unclear yet is how much the “integrative” approach and cross-sector cooperation, planning, and implementation are being realised. For success to be achieved in terms of the Strategy’s “integrative approach”, it has to clearly illustrate how transport deals with and relates to issues concerning other sectors like competitiveness, trade, increased demand on maritime transport, environment, and cooperation with Russia. The future challenges lie in the trade-offs policymakers will have to choose between trade, flow of energy (mainly from Russia), safety, maritime security, environment, and so on. More importantly, while involving a non-EU Member State such as Russia, the Strategy has a burden to deliver results on this front.

In order to continue the efficient activities within the Transport Priority Area during year 2011, main priorities are identified by the EC, namely, to improve the involvement of regional stakeholders, in order to better meet the future challenges in the BSR, to include new initiatives, to remove bottlenecks and missing links, as well as to foster innovations, to harmonise national transport policies and coordinate infrastructure investments, and finally to revise the TEN-T revision and the extend it TEN-T to neighbouring countries.

### **3.4 Energy**

Energy is of major importance to the whole of the EU, and the Baltic Sea Region is crucial to this sector for the achievement of the goals set forth in Europe 2020: Competitive, sustainable and secure energy for Europe. Energy is the basis for a working economy, and is also intimately related to other sectors, such as the environment, competitiveness, and transport. In addition, the political aspects of securing energy supplies and the differences between countries in terms of energy mix make this sector highly dependent on geopolitics and

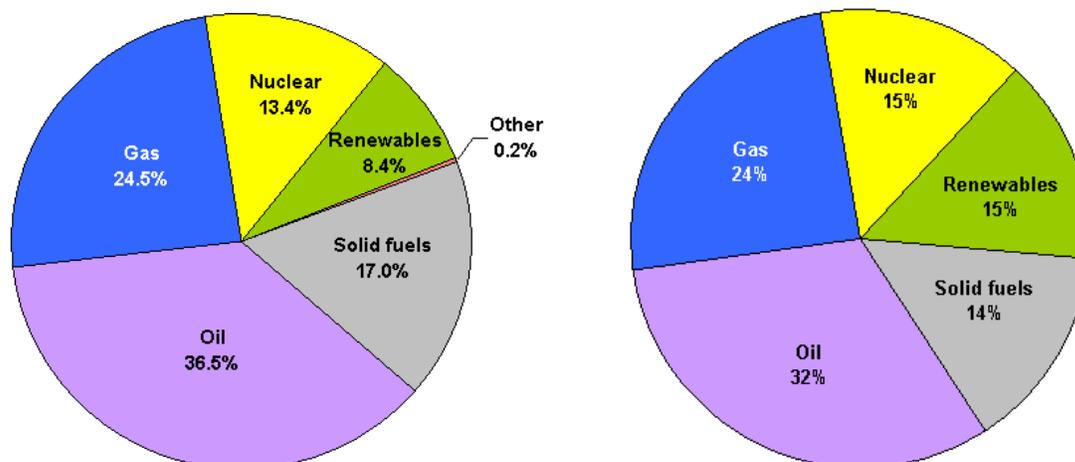
domestic priorities. All these factors have an effect on infrastructure decisions and projects, and on the willingness to cooperate transnationally. Therefore, energy is a key issue for the future of the EU and represents a big challenge for European integration.

### Energy in the EU

The EU currently imports over 50% of its energy supply<sup>65</sup>, and is the largest energy importer in the world. In 2007 an Energy Strategy and a 2007-2009 Energy Action Plan were adopted. These were followed in 2010 with Energy 2020. The current objectives of EU energy policy, as previously stated are to have competitive, sustainable, and secure energy for Europe. Targets set include reductions of 20% by 2020 in energy consumption and greenhouse levels, and achieve a 20% increase in the share of renewables. To this end, integrating the energy market is seen as essential for competitiveness. Increasing the solidarity between Member States, as well as diversifying suppliers, routes, energy mix, and building new infrastructure are vital for a secure of supply. TEN-E (Tans-European Energy Networks) is the framework within which infrastructure projects take place. Finally, increasing the share of renewables is intimately linked to having more affordable as well as cleaner and more secure and safe energy.

Currently, the general situation of the EU in terms of its energy sector is illustrated by the graphs and figures below:

*EU Gross Inland Consumption 2008 (in %1799 Mtoe)    EU Gross Inland Consumption 2030 (in % 1807 Mtoe – “Business as usual” scenario)* (Source: Eurostat 2010, PRIMES 2009)

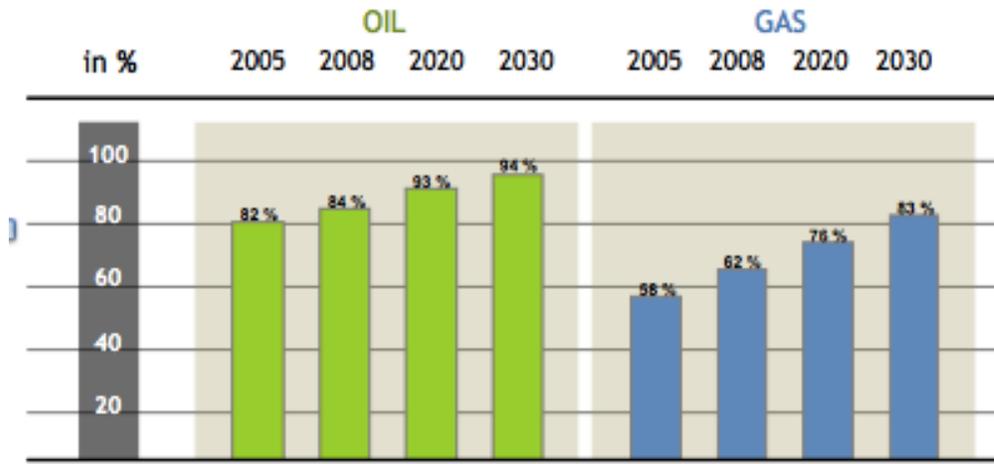


<sup>65</sup> EU energy Policy: [http://europa.eu/pol/ener/index\\_en.htm](http://europa.eu/pol/ener/index_en.htm)

As the figure shows, in spite of increasing the share of renewables, oil and gas dependency are set to increase in the next two decades if the current trends continue, i.e. “business as usual”.

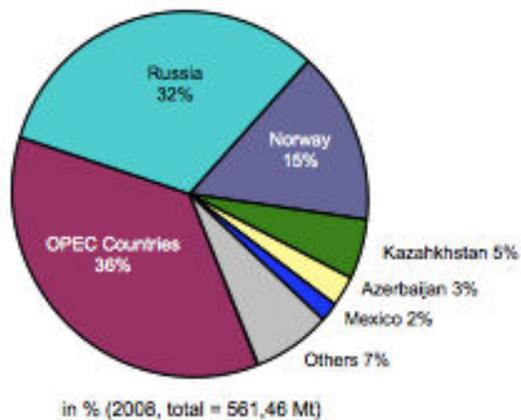
Dependence on imports is also likely to rise given current consumption trends:

*% Of fossil fuel imports based on 2009 figures “Business as usual” scenario (Source: EC 2011)*

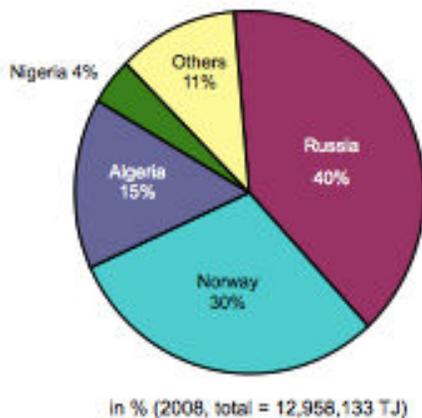


Furthermore, the EU is highly dependent on a few suppliers, two of which, Norway and Russia belong to the Baltic Sea Region:

**EU imports of crude oil**



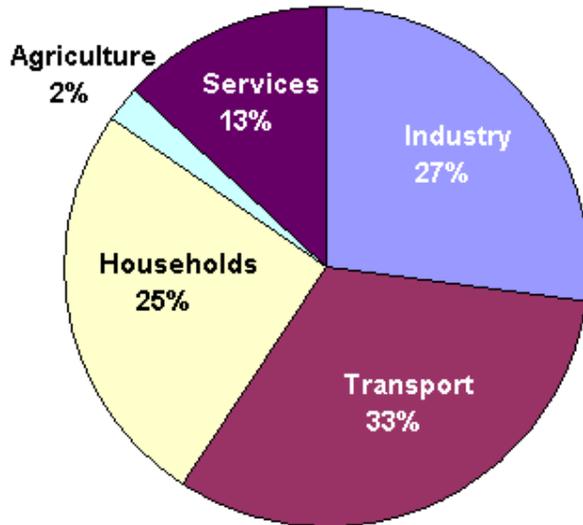
**EU imports of natural gas**



(Source: Eurostat 2010)

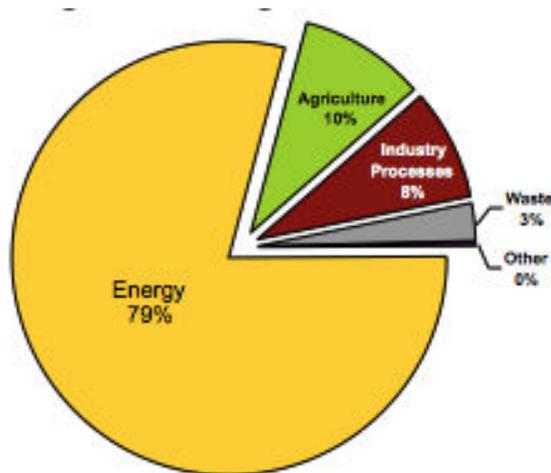
As mentioned earlier, energy consumption is is greatly dependent on economic activity and transport:

*Energy consumption in the EU - 1168.63Mtoe (Source: Eurostat 2010)*



As well, energy consumption is responsible for the majority of green house emissions, with the energy sector representing 31%, transport 19%, industry 13%, households 9% and others 7%:

*Share of greenhouse emissions (Source: EEA 2010)*



### **Energy Challenges in the Baltic Sea Region**

In addition to the general EU objectives and challenges, the Baltic Sea Region needs to integrate the three Baltic States into the European electricity grid and market. As the map

below shows these countries, although connected between them, lack high voltage connection grids and major connections with the rest of the Member States in the region.

*The electricity transmission grid in the Baltic Sea Region (Source: Nordregio 2007)*

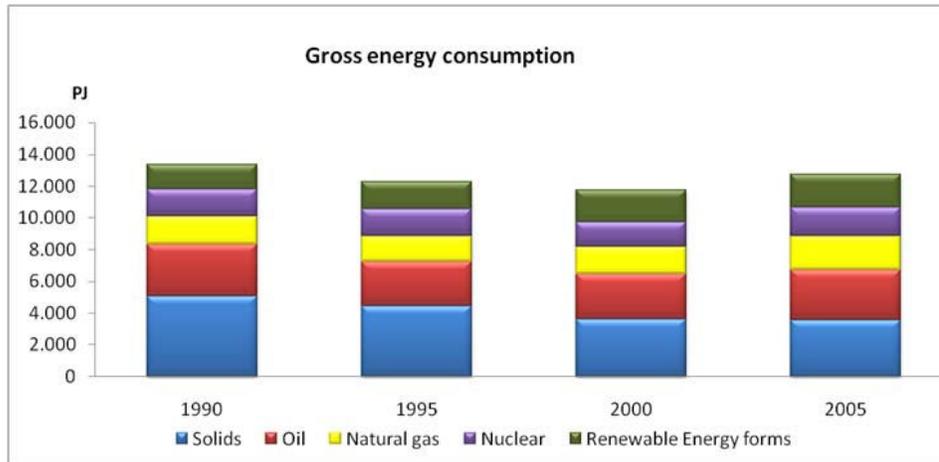


In order to address this, the Baltic Energy Market Interconnection Plan (BEMIP) was

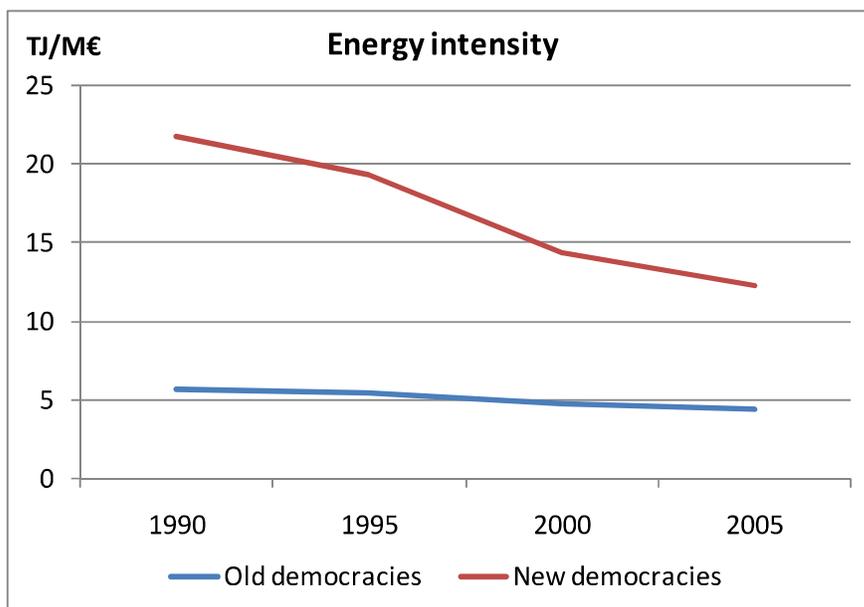
conceived in 2008<sup>66</sup>. This operates under the umbrella of the TEN-E. Linked to this is the adoption of the Nordic Electricity Market Model (NORDEL) in these countries<sup>67</sup>.

Other challenges in the region, as in the rest of the EU include increasing renewable energy, and decreasing consumption. Progress has been made towards these two objectives in the past decade.

*Energy consumption in the BSR (Source: EC)*



*Energy Intensity in the BSR (Source: EC)*



<sup>66</sup> BEMIP: [http://ec.europa.eu/energy/infrastructure/bemip\\_en.htm](http://ec.europa.eu/energy/infrastructure/bemip_en.htm)

<sup>67</sup> NORDEL was established in 1963 for cooperation of the Transmission System Operators in Norway, Sweden, Finland and Denmark, in order to harmonise their electricity markets. As of 2009 it was integrated into ENTSO-E. For further information visit: <https://www.entsoe.eu/>

In addition to this, the region is of incredible strategic significance for the energy supply of the EU, since Norway and Russia make up over half of EU imports. In this sense, the external dimension of the EUSBSR is of major importance, and cooperation between the Member States in the Region a fundamental step towards achieving a harmonised and coherent energy policy for the EU and guaranteeing security of supply. Nevertheless, as mentioned before, energy is still highly dependent on national priorities, energy mixes and import dependence structures, and the Baltic Sea Region is a very heterogeneous group of countries. These differences have caused tensions in the region, for example the construction of the North Stream pipeline was both, a EU and German priority, but was opposed by Poland. Similarly, the region is still highly dependent on solid fuel, which is one of the most polluting sources of energy.

### **Implementation**

The EUSBSR addresses energy issues mainly in its Priority Area 10. However, as it is the case with other sectors, other PAs are related to energy issues, both directly and indirectly. For instance, under PA 5 “to mitigate and adapt to climate change”, one of the cooperative actions includes “Promote efficient heating systems and housing.” One of the flagship projects in this PA is to “Implement fully the EU-Russia energy efficiency initiative”, where the EC and DG ENER are the lead partners. As well, under PA 8 “Implementing the small business act” there is the strategic action of “Jointly develop entrepreneurship in offshore renewable energy, particularly wind, to make the Baltic Sea Region a lead region in this field”.

**Priority Area 10:** *‘To improve the access to, and the efficiency and security of the energy markets’.*

This priority area is coordinated by Latvia and Denmark. Within it, there are strategic and cooperative actions, and four flagship projects.

Strategic actions: *“Establish an integrated and well functioning market for energy”* by implementing the Baltic Energy Market Interconnection Plan (BEMIP). This includes infrastructure projects, as well as specific steps, such as better coordination of national energy strategies, and measures to promote diversity of supplies and better functioning of the energy market<sup>68</sup>.

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<sup>68</sup> European Commission report, *The implementation of the Strategy for the Baltic Sea Region*, 2010

Cooperative actions: “*Increase use of renewable energies: biomass, solar energy and wind*”. This action is closely related to PA 5 “to adapt to climate change”, and to the EU target of increasing renewables by 20% by 2020. It is envisaged that through cooperative research in demonstration and deployment of on- and offshore wind and other marine renewable energy technologies, the potential of the region can be fully exploited. “*Ensure more cross-border cooperation*” by sharing experiences and regulatory practices, and by coordinating the electricity grid and maritime spatial planning, as well as to carry out environmental impact assessments of wind farms<sup>69</sup>.

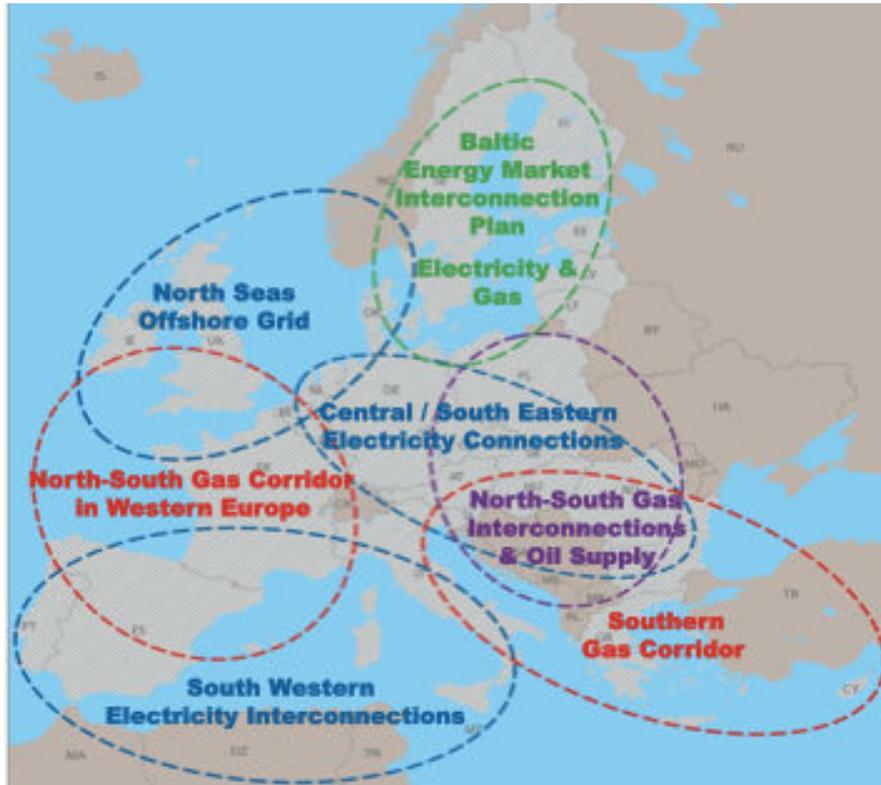
There are four Flagship Projects under this PA.

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<sup>69</sup> Ibid

<b>Flagship project</b>	<b>Objectives</b>	<b>Lead</b>	<b>Deadline</b>	<b>Remarks</b>
To monitor the implementation of the Baltic Energy Market Interconnection Plan (BEMIP)	To impulse the implementation of the BEMIP, particularly to connect the Baltic states to the energy networks of the region	Lithuania	To be determined	Fast track
The demonstration of coordinated offshore wind farm connection solutions	To investigate technical solutions, environmental impact and invest in wind farms and connections between them	Denmark	2016	Fast track
To implement the Baltic Sea region Bioenergy Promotion project	To promote Bioenergy in the region, through seminars and meetings, and studies of pilot projects, in order to compound best practice	Swedish Energy Agency	To be determined	
To extend the Nordic electricity market model (NORDEL).	To follow a step-by-step process in the three Baltic States, in order to rapidly integrate them to the EU network	Latvia	To be determined	

**Project analysis: *To monitor the implementation of the Baltic Energy Market Interconnection Plan (BEMIP)***



Project summary

This project is important not only from the inherent importance of the BEMIP, but also within the framework of the EUSBSR. The BEMIP identifies key missing infrastructures in gas and electricity, provides guidance and coordinating mechanisms to Member States, market players and financing sources. The High Level Group of the BEMIP monitors these actions, and therefore, the aim of this project is to better coordinate the strategic goals of the EUSBSR and BEMIP. This is an example of a fast track project, and its lead partner is Lithuania<sup>70</sup>.

Achievements

There has been progress in both, the electricity and gas sectors, however, there is a risk that the committed funds, around €650 million will not be fully spent by the 2012 deadline.

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<sup>70</sup> Ibid

Regarding electricity a task force of the three Baltic States has been set up, and the initial actions, namely the identification of preliminary political and business decisions has been finalised. As well, electricity interconnection projects are on schedule.

In terms of the gas sector, the BEMIP has started to focus more on its progress. A dialogue has been set up between companies on the PL-TL gas link. Identification of key infrastructure projects is underway. In addition, the West Baltic Taskforce, which operates within BEMIP, is addressing the issues of security of supply through diversification of routes and sources.

### **Overall Progress**

The European Commission found that “actions and FPs are making good progress, and as a result the PAC is able to note good overall progress relation to improving the access to, and the efficiency and security of, energy in the BSR.”<sup>71</sup>

Within the BEMIP framework, there is today added focus on those priorities that are identified in the Strategy's Action Plan, which is helping to secure a speedy integration of the three Baltic States in to the European energy market.

Some financial and technical challenges are anticipated with regard to the future work of the Priority Areas. As the PACs become more directly involved in the practical implementation of the Strategy's Action Plan, they will need further technical assistance.

### **Added value**

On the one hand, the EUSBSR has helped prioritise the most important issue regarding energy for the region, i.e. the integration of the three Baltic States. Similarly, the Strategy has driven forth the work of two projects on renewables under PA 10, and seeks to encourage private investment under PA 8. As well, it touches upon energy efficiency a key point for the goal of reducing consumption by 20% by 2020. Nevertheless, the Strategy only partially connects these three EU 2020 priorities or addresses the trade-offs between economic growth and increased energy consumption, Similarly, regarding energy efficiency and renewables, investment in innovation is key to achieve advancement in these areas, and yet, the Strategy barely touches upon this issue.

Another important aspect of the Strategy is that it has not really added anything new to the energy sector. It has only used what is already in place. As well, cooperation with Russia and

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<sup>71</sup> Ibid

Norway regarding infrastructure has happened completely outside from the EUSBSR. Whether these last points are negative, i.e. take away value from the Strategy, is difficult to conclude. After all, one of the objectives of the Strategy is to better utilise existing resources and help align actions to goals by giving new blood to projects in operation. However, as it will be discussed in the next section, one of the apprehensions of stakeholders involved in the Strategy is that it is just “old wine in a new bottle”. This means that the added value of the Strategy for this sector is solely based on the political impulse and added publicity and focus that has been given to a few select priorities, but whether these will last and make a lasting difference in terms of outcomes and impact for the energy sector is not entirely clear.

### ***3.5 Conclusions***

Although progress has been made within the sectors analysed above, many of the projects are still in their early stages, and so a thorough evaluation of the Strategy is not yet possible. Nevertheless, as the projects analysed for each sector show, there are valuable contributions towards achieving the goals set out in the EUSBSR. The progress so far made, however, recognises that there are challenges to overcome, which will be analysed in the next section.

In terms of added value, the Strategy seems to have given new energy to some issues, allowed the emergence of some projects, and facilitated dialogue between different stakeholders. However, a recurring theme in our analysis is the lack of meaningful and direct connections between the different priority areas and sectors, and even between the stakeholders within the same sector. The lack of this results in a Strategy that lacks cohesion, which might in the end impede the achievement of the goals it set out to reach. Furthermore, the patchy cooperation with Russia can jeopardise the objectives of the external dimension of the strategy, namely a solid relationship with meaningful cooperation and coordination.

## SECTION IV

### Challenges and Issues for the EUSBSR

This section aims to analyse the key challenges facing the EUSBSR with a critical approach, in order to contribute to the learning process promoted by the Strategy. In addition, our analysis seeks to raise questions relevant for the debate on Territorial Development, and to provide insights for policymakers to improve the Strategy. The challenges themes can be all considered governance related issues.

#### *4.1 Defining the Strategy: The missing links and separations in pillars and priorities*

The EUSBSR is a regional initiative that transformed into the “macro-region” concept – a policy tool with an interest in experimentation. One of the Strategy’s most important characteristics is its “integrative approach” (i.e. dealing with all sectors in a harmonious way without separations). From fieldwork observations, it seems that there is a difficulty in understanding, defining, and agreeing on a common meaning, potential, and dimension of the Strategy. Hence, the Strategy’s definition and architecture could be working against it. The political meaning of the Strategy is central to its implementation, and hence, achieving consensus is naturally indispensable.

There are already too many regulations, organisations, multi-level governance frameworks and acronyms, and the Strategy comes on top of all these existing complex arrangements. Some interviewees have used the terms “regulatory overload” and “complexity of rules”. Not all actors and stakeholders in the Strategy are able to understand its structure, concept, and potential, and use its frameworks and institutions to their benefit. Hence, there is a problem with the definition, which is not shared by all stakeholders.

Another dimension of this challenge is the Strategy’s relatively high number of priority areas and its division into ‘four pillars’, which in terms of implementation and integration can work against the Strategy. From an organisational and managerial point of view (a challenge also linked to the “integrative approach” dimension), with 15 priority areas, there is a lack of strategic choice in the Strategy itself: If everything is a priority, then nothing is priority. The counter-argument is the need to have comprehensive and inclusive Strategy to cover interests and concerns of all stakeholders. However, these same priorities can apply to any other place making the Strategy as a policy solution vague. This makes it a general and comprehensive

framework that lacks uniqueness to specific place-based needs. On the other hand, the division into pillars is somewhat artificial, due to the high interdependence of all areas, and there are missing links that truly achieve the integration of the Strategy. This hinders the message and purpose of the Strategy, and makes the collective action needed for the success of the Strategy difficult to achieve at times.

#### ***4.2 Leadership and Integration***

Besides the Strategy's lack of a robust political meaning, in such a multi-level governance structure it seems to be difficult to practically identify a leader or a gatekeeper for the Strategy. While the EU provides general broad guidelines, nowhere in the Strategy are we able to find the institution or stakeholder responsible for the "integration" from the technical side. In other words, if the first theoretical level is the definition, then the second level is a technical and practical one such as place (or forum) where this integration is looked after and realised.

The Strategy promotes a bottom-up approach to implement the action plan and call for the participation of actors from all levels (national, regional, local) and all sectors (public and private). This innovative framework, however, lacks a gatekeeper. Leadership is essential for an effective implementation of the Strategy. Though the term 'leadership' is avoided, the European Commission is the one expected to take the gatekeeper role. Even if national governments resist giving up powers, they expect leadership from the European Commission. However, the Commission positions itself as a 'facilitator' or 'coordinator' of the Strategy. The question that keeps on rising is how much the Commission is willing or able to take initiative and a gatekeeper position in the Strategy? The answer to this question lies in the bureaucracy, institutional procedures, and resources of the Commission. They have a clearly defined role that is to implement decisions and represent the interests of the EU. It is an executive body. At the DG Regio's office, which is responsible for the EUSBSR, the number of staff and resources are significantly small compared with the scope and technical needs of the Strategy. The use of term "Leadership" is important to highlight the central role of this position, nonetheless, a leader as described above is not meant to exercise hard powers and conflicting positions with national or EU levels. It is specifically from a governance perspective that a gatekeeper (Leader) is needed to direct the process through soft powers and taking the initiative of keeping the momentum and ensuring integration.

#### ***4.3 Communication: Lack of communication strategy and connections***

Political commitment, EU backing, and a good strategy are not enough to successfully achieve the intended results. Large frameworks with numerous stakeholders, diverse backgrounds, interests, agendas and values complicate the coordination and cooperation efforts. Educating the stakeholders about the Strategy, as well as its progress, takes more than information dissemination through a brochure or report. It requires a comprehensive approach that makes the Strategy the central agenda around which all internal communication is organised around. Actors, institutions, authorities, and players have to state, communicate and explain their intentions, purposes, and actions clearly. Often this is not the case, and there is a disconnection in the communication from bottom to top.

The Strategy in itself is a setup of innovative arrangement for increased cooperation, knowledge sharing, and communication between stakeholders. Yet, both experience and theory tells us that such innovative infrastructure needs absorptive capacity and a lot of time to produce tangible outcomes. Also, the “innovation dimension” of the Strategy suggests that the communication model in this organisational arrangement has to be horizontal, where all actors can share knowledge and ideas.

The communication problem lies in the lack of a clear strategy and the weak channels and patterns that currently exist between the different levels of stakeholders. Although conferences, annual forums, and meetings are organised to bring the stakeholders together, it seems that there lacks a strategic approach and continuity of the exercise. For example, in the last ‘INTERACT’ conference organised in Gdansk, the idea and nature of the meetings were very interesting with fruitful discussions and brainstorming sessions. However, the concluding sessions, tight schedule, and diversity of issues and ideas made the conference seem like a PR and a networking event – different from its declared agenda: to discuss issues and find solutions. There were no concrete conclusions and recommendations that everyone walked away from the conference with.

Technology, language, culture, values, interests, lack of leadership and complexity of issues could be obstacles to effective communication. Further, in successful organisations understanding the strategy is a prerequisite for executing it. Stakeholders cannot make proper judgments when interacting with each other, partners, and peers unless they understand the Strategy and their role within it. Creating this understanding is not easy. The Strategy is a

complex subject that touches every aspect of the region, from finance to results and interdependent sectors to big challenging projects. The set of “communication gaps” are important to be identified to improve the performance of the Strategy.

#### ***4.4 Measurement and evaluation mechanisms: lack of a global mechanism***

It is true that the Strategy is at its early stages and thus unable to measure any results comprehensively. Especially with projects of long-term development, which makes it too soon to have an assessment of some of them and of the overall achievements. It is also true that the DG Regio has produced reports on the progress and monitoring of various projects. But how to measure and what is the Strategy’s overall evaluation mechanism?

Although there are some reporting and information dissemination activities that are communicated as evaluation and monitoring tools, a concrete global evaluation mechanism is lacking. Even if it could be found at flagship project level, this cannot be the right method to make sure that the Strategy is on the right track. How can we measure the effectiveness of the overall Strategy based on the desired outcomes? The Strategy makes a promise (in action and through the four pillars); outcomes have to be clearly defined and measured based on specific outcome indicators, rather than a series of reports on the outputs delivered. Hence, if outcome indicators and monitoring and evaluation mechanisms exist at the project level, then a differentiation between outputs (projects indicators) and outcomes (strategy indicators) need to be identified.

Another issue with the measurement mechanism is that if projects and cooperation efforts in a given sector are doing well at the regional level, and there are appropriate indicators and evaluation methods in place for this specific sector, how useful are these to measure impact on interrelated sectors? Output and/or outcome indicators and measures can sometimes be misleading and inappropriate to learn and assess the Strategy’s overall success or failure. Hence any attempt at establishing a global mechanism for evaluation needs to take this into account.

#### ***4.5 Conditionality and responsibility: Setting results, incentives and sanctions***

This topic is probably the most vital aspect for the implementation of the Strategy. Conditionality is directly linked to effectiveness and performance, and the lack thereof can be a big challenge. In addition, while conditionality is also important to set the desired results

and can provide incentives and a reference to sanction, it is extremely helpful to set benchmarks and indicators that can be used in the evaluation and learning processes.

The governance aspect of the Strategy has been analysed in a separate section in this report. This section aims to shed light on the concept of governance from a regional development angle, and to raise the issue of conditionality. Governance can be defined as the formal and informal arrangements that determine how public decisions are made whether institutional or non-institutional. If territorial development policy addresses the question “what should be done?” then governance should address “how to do it?” Regional, spatial, and territorial policies are about coordinating issues, and involve horizontal integration. The more we see decentralisation processes – whether political, social, or economic – and globalisation and its effects on regional inequality and imbalances, the more relevant the regional development debate. Sociology of organisations theories tells us that in a highly decentralised operating environment, there is a tendency of discretionary interpretation of rules.

With the lack of conditionality, how to hold the Strategy’s performance and effectiveness in terms of results and benchmarks? How to avoid the discretionary interpretations? Also how can receivers of funds be incentivised and sanctioned? Conditionality means that certain pre-conditions have to be fulfilled – to get funding for a given program or project. Although funding alignment follows general EU guidelines and is subject to monitoring, there have been problems in this area, so that funding alignment is only partly effective as a tool for conditionality at present. Furthermore, in reality, the EUSBSR is not a formal agreement in the legal sense; it can be expressed simply as an understanding of priorities and alignment of funding to those priorities. It is a voluntary process. Although the Strategy follows a bottom-up implementation, with projects being the motors of the strategy, central governments are still very much in control of implementation. This means that incentives for Member States need to be developed further to guarantee their commitment to the Strategy. As the section on governance illustrates, not all actors are equally committed, and the lack of conditionality in case of certain actors being unwilling to fully cooperate under the Strategy can be a serious impediment for its overall success, even if at a project-level progress is being made.

#### ***4.6 Political aspects: The power relationships within EU and with Russia***

Numerous actors operating in a complex setting such the Baltic Sea Region with its history, governance models, and strategic significance, involve certain political aspects of

cooperation and power relations that could be challenging for the Strategy. The complex governance arrangements and sometimes conflicting interests of the actors involved, can make it a challenge to cooperate and form a, politically speaking, united region. Differences in history and tradition as well as in institutional structures imply diversity in the region. Furthermore, the different countries are aware of their different political weights regionally, at EU level and globally. This can in turn lead to not being able to profit from the increased political weight a common Baltic agenda and identity can bring, in terms of voicing the interests and concerns of the region within the EU and when dealing with a big non-EU actor such as Russia. Russia does not comply with EU decisions and agreements, and hence negotiating as an integrated region can serve to smooth differences and find common ground. The challenge lies therefore in making the Strategy attractive enough for stakeholders to cooperate, in spite of differing geopolitical interests, and in taking advantage of the new opportunities that the Strategy can open for countries in the Region to ‘speak with one voice’ and integrate their political agendas.

Power dynamics, however are not limited to countries at a national level. Regions have become poles of attraction of private economic actors who sometimes see the regional level as more important than national economies for their activities. Similarly, non-state actors are increasingly important players. Civil society organisations and private economic actors shape public policy and their cooperation is also essential for the success of the Strategy. The challenge here lies in making the Strategy capable of operating smoothly within the multiplicity of actors, and capitalising on the interest of different regions to have more weight on national agendas.

#### ***4.7 Identity: The ability to respond collectively to a challenge***

When we study the Baltic Sea Region, we are looking at a region of small and medium sized countries that have a long tradition of relations and trade. This could probably be one explanation to the existing custom of cooperation in the Baltic Sea prior to the Strategy. The commonalities between the people residing on the Baltic Sea remain natural and historic, and the “macro-region” comes on top of the existing “identities” to mark it with a political label – The Baltic Sea Region. However, history and politics (in addition to other factors) have served to divide the region on political, ideological, economic and structural levels. This made the identity to be re-aligned re-oriented several times. The more a country considers itself as a “Baltic Sea” country, the more it can be involved and committed with issues

revolving around the sea. It is in this sense that “identity” (not as a given) can help to respond to a challenge collectively through increased cooperation, commitment, and involvement. Also, identity can be defined in terms of collective action, as the ability to respond to challenges based on shared values, culture, identity and interests. The challenge of the Strategy is on shaping and contributing to produce or shape a solid “Baltic Identity”. This aim is one of the horizontal actions of the Strategy, but there remains much work to be done, since there is a clear divide in the region between the Nordic countries, the Baltic States, Germany and Poland. Particularly important are these last two, and the challenge lies in drawing attention from them, and to convince them to embrace and act upon their “Baltic Sea Identity”. This could serve as a basis for being able to face the political challenge of integrating the region and meaningfully engaging all stakeholders from the various levels discussed above.

#### **4.8 Conclusion**

All of the above-mentioned challenges can be described as governance-related. It is important to transfer responsibility to people for them to learn. There is no unique policy solution for all and through the local conditions and place-based initiatives we need to innovate. One of the Strategy’s dimensions is about the alignment of funding to policy areas, yet there could be specific challenges in the application of this concept. Also, funding is needed for technical assistance and to allocate appropriate resources for the European Commission – to take the gatekeeper role.

There is a need to identify the Set of “coordination gaps”, set of “administrative gaps”, set of “policy gaps”, set of “objectives’ gaps”, “accountability/responsibility gaps” in order to overcome the various governance-related challenges.

The central question is how to organise cooperation in a region that is managed together between public and private sectors with different arrangements in different countries?

There is a need to have institutional mapping of all the actors involved and examine how they are working together. In each region and/or country we will be able have more information and knowledge about the “gaps” and prioritise based on the place. Creating capacity, negotiating tables, and sharing knowledge are important starting points to solve many problems. Yet, there are good arrangements for formal and informal frameworks appropriate for actors to communicate, share knowledge, and discuss problems.

## SECTION V

### **Analysis and recommendations**

This section analyses the expected and perceived added value of the EUSBSR, addresses the issue of transferability, by highlighting the elements that are necessary for the extrapolation of the Strategy, and gives a set of recommendations. This final analysis and recommendations are limited, however, by our research. Given the complexity of the structure of the EUSBSR and the large number of projects, a full evaluation of its added value and in depth recommendations are unfortunately out of the scope of this project. Nevertheless, our research has given us enough information to theorise on the topics of added value and transferability. Similarly, our recommendations can serve as basis for improvements and further research.

#### **5.1 *Added Value***

As it natural to expect, the EUSBSR was conceived with the idea in mind that it would bring value to the region. This value is based on addressing in an inclusive and integrated manner the challenges and opportunities of particular importance in the BSR, through concrete actions. As it has been mentioned previously, the Strategy was not intended as a replacement for previous goals, actions or institutions, but rather as a means to better utilise existing structures and to bring new impulse to issues that had started to lag in their implementation. At the regional level, the Strategy is viewed as a tool to re-energise existing frameworks and strengthen the notion of a common identity in the region.

As well, the EUSBSR is important to the EU for various reasons, including as a means to better utilise EU funds and for the alignment of domestic policies to wider EU objectives. While it may be too early to determine the overall impact of the Strategy to the region, below are some areas where the added value of the Strategy to the region is already visible.

#### **The EUSBSR as a means to increase cooperation and coordination in the region**

As it has been noted in Section IV there is still work to do in order to fully take advantage of the potential of the Strategy. As it stands now, its inclusiveness and novelty have given different actors, both public and private, local and international, a new opportunity to rethink crucial issues for the region and exchange ideas, coordinate actions and solve conflicts. It is clear that there are certain trade-offs and a broadness that can hurt the Strategy's efficiency,

but at the same time, it also serves to solve already existing conflicts. Similarly, the conferences and constant exchange of ideas are beneficial for meaningful collective action, even if there are still major communication gaps to be addressed.

#### **The EUSBSR as a means to reveal and address trade-offs and conflicts**

Related to the last point, is the fact that the Strategy offers a way of addressing trade offs between different issues and sectors. For example, shipping is very important industry in the region for economic growth. However, protecting the environment from pollution and further degradation is also important. Stakeholders understand there will be a trade off in order to address both issues. In this case, supporting clean shipping initiatives is the ideal route. The Strategy's integrated cross-sector approach promotes awareness over other issues affecting the region.

#### **The EUSBSR as a means to increase awareness of needs and accomplishments of stakeholders**

In Section IV, the lack of adequate communication between Priority Area Coordinators and Project Managers was classified as a challenge for the Strategy. However, the Strategy has increased a sense of awareness between stakeholders that is an important added value of the Strategy to the region. Through forums, meetings consultations, and workshops, to list a few, stakeholders become aware of developments in other projects. Through these events, coordination efforts of the EU, however limited, provide insight to possibilities for further collaboration among project leaders. These events also include EU and State actors. In this manner, top-level decision makers have a greater understanding of the accomplishments and needs of stakeholders at more localised levels.

#### **The EUSBSR as an opportunity to emphasise issues**

During our interviews, it was often mentioned that the Strategy had presented stakeholders with an opportunity to rebrand or bring attention to the issues they were dealing with. In this sense, the Strategy has served as a means for several players to push for change or action in the institutional environment that surrounds them. For instance, it is seen by central governments in the region to attract a stronger focus to the BSR by the EU. Similarly, local and regional governments have used the strategy as a means to advance localised issues and put pressure on central governments to channel funds or facilitate action. As well, it has also served private actors, such as farmer associations, to rebrand themselves and through

cooperative and voluntary actions attract positive attention to the activities they carry out in terms of environmental protection.

### **The EUSBSR as a tool for regional identity creation**

A challenge as well as an opportunity, using the novelty of the Strategy to push for stakeholders to start thinking beyond their own borders, can be a very useful tool for regional integration. As the EU has emphasised in several occasions, including in *Europe 2020*, the only way that the region and the EU as a whole can be a strong global player capable of profiting from globalisation and facing economic crises is through acting as an integrated entity. Identity creation at a regional level is therefore very important, since it can serve as a cohesive force that opens new channels for cooperation, allows making fast strategic decisions, allows for the realisation of economies of scale, and gives more weight to the region as a global player. Emerging policy problems go beyond administrative or political borders. As a response to global challenges, a regional approach to transnational problems proves to be more effective. Cross-border cooperation is possible in part because of common histories, values, interests that bring stakeholders in the region closer together. As more mutually beneficial experiences between State actors occur in one sector, there is a greater willingness to encourage cooperation on other issues. Therefore, regional efforts play a greater role in addressing concerns than State only approaches.

### **The EUSBSR as a multi-governance approach to regional development**

An important aspect of the Strategy is its top-down initiative, followed up by a bottom up consultation process as described in Section II. State actors have promoted the Strategy, believing in the necessity of building a stronger cooperative front at the regional level to address transnational concerns such as the environment, transport, and crime. This approach helps legitimise the Strategy as stakeholders at all levels within the region are consulted prior to its creation. The consultation process included stakeholders from non-Member States, i.e. Russia, Belarus, and Norway. Their inclusion into the process signalled the EU's commitment to the further development of the region as a whole. Through a more regional approach, stakeholders would have the capacity to take greater ownership of the strategy, increasing the likelihood of projects being completed successfully.

**The EUSBSR as a learning opportunity**

Beyond the immediate or obvious added value for the BSR, the Strategy can also be seen as an experiment that can serve to draw valuable lessons for other regions concerning several issues. The challenges encountered so far can serve as lessons not to be replicated or improved upon. For instance, some difficulties encountered regarding communication has made it starkly obvious that success is highly dependent on effective information exchange, especially in a complex multi-level governance setting, such as this. On the other hand the progress made can serve as basis for other policies or projects and illuminate the necessary conditions for effective cooperation. For instance, the creation of clusters under the Baltic Stars program has shown that a large number of parties are willing to cooperate in order to foster innovation at a regional level, and good progress regarding the implementation of the project so far has been achieved. The EUSBSR has also served to bring the issue of conditionality, the role of the EC and the commitment of Member States to the forefront. These are key issues for the EU, and finding solutions to these questions would do much to pave the ground for further development of the Union, and to guarantee the achievement of all the goals set out.

**Conclusion**

As previously stated, more time is needed to conduct an adequate assessment of the Strategy and determine its added value. At this time, it is too early to determine if the Strategy has contributed in a significant and positive manner to the region. Projects introduced through the Strategy have only recently begun to undergo evaluations. Also, given the limited timeframe and resources, our team was unable to fully explore and interact with actors from all priority areas. Therefore, further research into the overall effect of these projects onto the region is recommended, in order to better understand the full impact of the Strategy on the region. Additional research must include the creation of clear guidelines for evaluating not only the effectiveness of the projects in addressing objectives set by the BSR Strategy, but also the impact of the Strategy on the region.

**5.2 Transferability**

In order to give guidelines for the extrapolation of the Strategy we first need to highlight the elements that make the Strategy work. From these we distinguished those that can and should be replicated in other areas willing to adopt similar approaches. The EUSBSR was set up as a

strategy for the region as such and as experimentation for a new approach of territorial cooperation in the EU. It is clearly a EU strategy, launched and monitored by the European Council, with the idea to build other macro-regional strategies where relevant, once the experimentation has been considered as positive. The EUSBSR is not to be seen as a model per se but rather as experimentation from which to draw lessons. Context, methodology, and governance are the three areas that must be considered when pondering transferability.

### **Common Challenges and Opportunities**

An awareness of common challenges to address and opportunities to exploit, in order to focus energies and boost development is the most basic lesson that we can draw from the Strategy. The concept of a common, transnational challenge is one very important aspect of the macro-regional strategy. States and other actors are more likely to gather together and cooperate if they are working to address a shared challenge or opportunity. Challenges exist everywhere, making this aspect of the strategy very transferable. Raising awareness at a regional level, across sectors and actors of shared issues is an essential step towards the integration of a macro-region. In the case of the Baltic Sea, the environment served as the propelling factor behind the inception of the Strategy. Actors in the region realised that failing to address environmental concerns had the potential to greatly adversely affect the Baltic Sea in social and economic terms as well. With nine countries sharing a border with its coastline, the Sea remains important for the continual economic growth of the region. Thus, ensuring the longevity of the Sea is of paramount importance to the States in the region. This shared awareness led to some countries in the region look for a solution that would cut across all levels and all sectors. This in turn led to increased communication and the involvement of more actors. Thus, other issues and priorities that were also shared by all the states in the region surfaced finally creating the Strategy. Hence, increasing communication and awareness of shared challenges and opportunities at all levels, from the local to the EU level is a necessary precondition for the successful transfer of the Strategy. The consultation process, which will be reviewed at length below also serve to raise awareness of the issues in the region.

Regarding the conceptualisation of these shared challenges and opportunities, the idea of creating pillars and priority areas is also transferable. These summarise and categorise the issues of interest and priorities of the stakeholders; the pillars set the general objectives for the region, and the priority areas provide projects with specific targets. The Danube region

has proven that the Strategy's concept of priority areas is transferable. The Danube region's Strategy includes eleven priority areas, less than the fifteen included in the BSR's Strategy.<sup>72</sup> The Danube Strategy even has four pillars like the BSR Strategy, slightly modified, however, to better meet the objectives specific to the Danube region.<sup>73</sup>

### **Political will and commitment**

A clear commitment of the Member States involved to start with (most of the policies involved in the strategy are related to national policies) is needed, and it is also a condition to attract other actors into the process.

Political commitment remains as one of the most important aspects regarding the transferability of the EUSBSR. Transferring the Strategy to other regions will not be possible unless the political will is strong. The question to consider here is: Are stakeholders, state actors in particular, interested enough in addressing the challenges to push the top-down initiative and provide support during the bottom-up implementation process? Support for the Strategy includes convincing non-stakeholders of the importance of the Strategy for overall EU policies, stakeholders of the added value to the region, and non-Member State stakeholders that their concerns will not go unaddressed. This requires much political manoeuvring for a Strategy that will not include new funding. Therefore, stakeholders have to firmly believe the Strategy will provide an added benefit to their work in their region. The stronger the political commitment to the Strategy, the likelier it is that support for its adoption will be obtained, and the greater the chances for success and longevity.

The progress made by the by the Region of Basse-Normandie is also a clear indication that political commitment is not only important but a transferable aspect of the Strategy. The Region of Basse-Normandie had been lobbying EU bodies and Atlantic stakeholders since 2008 to support the introduction of a strategy specific to the Atlantic macro region. The Spanish presidency of the EU during the first half of 2010 also provided useful in solidifying political commitment and initiating the processes for the development of an "Atlantic Arc" Strategy.

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<sup>72</sup> European Commission. "Press release IP/11/124." 4 February 2011. <[http://www.interact-eu.net/danube\\_strategy\\_news/priority\\_area\\_coordinators\\_designated/293/7830](http://www.interact-eu.net/danube_strategy_news/priority_area_coordinators_designated/293/7830)>.

<sup>73</sup> European Commission. "Press Release IP/11/472: EU Strategy for the Danube Region Endorsed." 13 April 2011. <http://climate-l.iisd.org/news/eu-strategy-for-the-danube-region-endorsed/>.

**The Context: Favourable preconditions**

While it is obvious that history, culture and political context are not transferable, there are some characteristics that can be seen as favourable preconditions. Firstly, a significant experience of cooperation is needed. The EC is therefore proposing to use the transnational programmes to prepare new strategies where relevant. In the case of the Baltic Sea Region, a long history of cooperation, especially between the Nordic countries, has proven to be a vital aspect of the Strategy. For instance, The Nordic Council of Ministers is one of the oldest forums for governmental cooperation, on issues ranging from economic cooperation to culture and leisure to welfare and gender equality, in the Nordic region. The Baltic Sea region has a long history of cooperation among actors, across governments and sectors. More recent examples include the Helsinki Commission and the Northern Dimension.

While a history of cooperation cannot be transferred, it does not mean valuable lessons cannot be extrapolated and applied in the adaptation process of the Strategy. The presence, or lack thereof, of a history of cooperation provides insight as to stakeholders' ability to effectively collaborate in response to a common challenge. Regions with a history of difficult collaboration would be wise to devote more time to relationship and trust building before pushing for the adaptation of the Strategy. Poland and Germany, which do not share as extensive histories of cooperation as the rest of the BSR States, have lagged in terms of cooperation.

**The methodology: Building a macro-regional strategy**

Recognition that due to the nature of the Baltic Sea Region, a region where countries share common resources and displayed interdependence, made it an ideal model of regional cooperation. Nevertheless, this awareness is not enough for successful extrapolation. In the case of the BSR, informal discussions between some of States had already taken place before the Baltic Europe Intergroup of the European Parliament created a working group to produce the EUSBSR. This in turn prompted the European Parliament to publish a report requesting a strategy for the Baltic Sea Region. The European Council followed suit and formally requested the European Commission to prepare a strategy for the region, taking the first steps towards the creation of a macro-regional strategy. A political decision had been made to develop a set of objectives and priorities for not only the benefit of the macro-region, but also for the European Union as a whole. The vision was that overall cohesion in the Union would

improve if smaller groups within were successful at solving common challenges together. By the time Sweden took control of the presidency in 2009, much of the necessary groundwork had been completed, facilitating the adoption of the Strategy.

A macro regional strategy, as defined by the EU's Strategy for the Baltic Sea Region is: "An integrated framework that allows the European Union and Member States to identify needs and allocate available resources thus enabling the Baltic Sea Region to enjoy a sustainable environment and optimal economic and social development."<sup>74</sup> In order to build such a Strategy, the European Council needed to fully understand all the issues the Region and its stakeholders faced. An in-depth consultation process is initiated resulting in the arrangement of meetings and forums to discuss the Strategy and provide stakeholders with a platform to voice concerns, issues and challenges they are facing. As mentioned before, a key aspect of the strategy is its ability to incorporate the perspectives of all stakeholders in the region. A thorough, open consultation process was initiated in order for the Commission to fully understand the situation of the Baltic Sea Region. Information was gathered and the needs of the region and the stakeholders within analysed. The BSR enjoys a large concentration of stakeholders, all of who had to be included in the consultation process for both immediate and long-term benefits. Obtaining stakeholders' opinions and concerns not only allowed for the creation of a comprehensive strategy but also provided a means to mobilise actors in view of their future commitments. The mechanisms needed to engage stakeholders for more than just the initial stages of the strategy should be transferred to new macro-regional strategies.

The next step was to create an Action Plan. A strategy without associated actions would be meaningless and a stand along action plan would become as useful as a wish list. Hence, a strategic document was released summarising the findings from the consultation process, the Communication of the Commission, from which an action plan was formulated. The Action Plan needed to be derived from the Communication as it provided an organised, detailed approach to the Strategy. The structure of the Action Plan itself was also of importance. The Action Plan consisted of issues that were framed in terms of a wider context in order for 'non-motivated' actors to willingly contribute to the strategy. For example, social and economic benefits were added to environmental issues. Another example, environmental and safety concerns were included under transport. In this manner, the Action Plan remained

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<sup>74</sup> European Commission (2009). "Macro-regional strategies in the European Union."  
[http://ec.europa.eu/regional\\_policy/cooperation/baltic/pdf/macoregional\\_strategies\\_2009.pdf](http://ec.europa.eu/regional_policy/cooperation/baltic/pdf/macoregional_strategies_2009.pdf)

indicative and inclusive. As such, the Action Plan for the EUSBSR consists of four pillars and fifteen priority areas, with projects associated with each priority area. The EUSBSR has demonstrated that “specific projects are necessary to move the strategy beyond words to actions.”<sup>75</sup> As projects accomplish their mandates, priority areas can be adapted to meet the new challenges of the region, allowing the Strategy to evolve as needed. The concept of an evolving Action Plan is not only transferable but an essential aspect of the Strategy.

The EUSBSR is based on the innovative concept of the “Three No’s:” no new funding, intuitions, or legislature. Yet, in order to effectively implement the strategy, funding is needed to cover administrative and operational costs. Therefore, before the Strategy could be implemented, all existing financing resources had to be reviewed to determine which could be used. As the primary purpose of the strategy is to serve as a tool to facilitate and coordinate the implementation of actions, operational costs, which cover the implementation of actions and projects, would not be a significant expense. Rather, the EU’s contribution would fall into what is already expected and thus considered normal.<sup>76</sup> In terms of administrative costs, existing departments would assume these costs as part of their regular work. As such, when contemplating the transferability of this Strategy, careful consideration should be given to the ability of stakeholders in the new region to absorb costs.

The creation of a coordinating system and of an evaluation procedure for the strategy both fall within the scope of governance. The task of creating an evaluation procedure for the overall impact of the Strategy to the region would be a task for an entity capable of coordinating efforts of all actors within the Region. The BSR has yet to assign one particular entity with this task. Instead, the European Commission has taken on the role of “gatekeeper” of the strategy. The BSR did not require the creation of a new institution to direct coordination of Project managers and Priority Area Coordinators. An abundance of well established, competent institutions already exist in the BSR thus creating a new institution would not only be unnecessary but wasteful. Equally important, however, is ensuring that the mandate of any institution supersedes that of others as a result of the Strategy. Therefore, a coordinating system must be created which extends Strategy ownership to the stakeholders and has the capacity to evaluate the progress of the Strategy. This concept will be addressed further in the next section on governance system.

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<sup>75</sup> European Commission (2009). “Macro-regional strategies in the European Union.”

<sup>76</sup> European Commission (2009). “Macro-regional strategies in the European Union.”

**The governance system**

The role of the Strategy, as is of the Commission, is to facilitate the cooperation amongst actors for more effective solutions to common challenges. The lack of new money or legislative measures ensured that the power of the Commission would not be imposing. Therefore, it makes sense that the Commission would be required to play an on going role as coordinator, or “gatekeeper” for the BSR. As previously mentioned, a sufficient number of institutions already exist addressing various issues in the region. The addition of another institution for the purposes of coordinating the strategy is unnecessary. In the case of the Danube region, the European Commissioner even designated the Priority Area Coordinators for the region.<sup>77</sup> As ‘gatekeepers’ of the Strategy, coordination of the EU and its entities is not only important but also a transferable component of the Strategy.

However, as we ponder the transferability of the strategy, we must consider the possibility of a new adaption that does not involved the Commission as “gatekeeper.” Under this premise, would the implementation of the Strategy still be feasible and, if so, would the Strategy be able to distinguish itself from already existing cooperation based frameworks? It may be possible if an extensive network of already cooperating institutions exist, however, further research in this area would be necessary to formulate an adequate answer.

As mentioned earlier, a coordination system is needed to manage the complexities involved with the Strategy. The Strategy’s cross-sectoral and multi-level approach makes its ideal for addressing complex situations. A multi level governance approach would be essential for the EU to address the increasing complexities and challenges of the region without increasing its own direct involvement with the region. Other stakeholders must be encouraged to increase their level of involvement and assume positions of high responsibility. The consultation process validated this point further as it is the stakeholders who are better equipped, with knowledge and networks, to tackle challenges to cohesion policy. The concept of a coordination system to manage complexity should be transferred as a more ideal governance structure is created with every new macro-region.

As mentioned in Section II, an important component of the Strategy is its reach beyond EU borders. The transnational nature and desire to remain inclusive of the whole region has enabled the Strategy to serve as an effective political tool, essential for strengthening and

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<sup>77</sup> European Commission. “Press release IP/11/124.” 4 February 2011. <[http://www.interact-eu.net/danube\\_strategy\\_news/priority\\_area\\_coordinators\\_designated/293/7830](http://www.interact-eu.net/danube_strategy_news/priority_area_coordinators_designated/293/7830)>.

improving relations with its neighbours. Its ability to engage States such as Russia or Belarus provides the Council with additional opportunities to monitor possible political tensions as well as provide additional communication channels. Thus far, the strategy has been successfully at navigating through complex diplomatic issues and as such, future adaptations of the strategy would be wise to consider similar approaches.

### **5.3 Recommendations**

Sections II and IV illustrated various challenges hindering the potential effectiveness of the BSR Strategy. The following are our recommendations for addressing the challenges faced by the Strategy with particular attention given to issues of governance.

#### **Clearly define the Strategy**

First, if the Strategy is an ‘idea’ or a ‘vision’, then the understanding of the concept has to be shared between the group of stakeholders involved in order to ensure the smoothness, cooperation, and success of collective action. To achieve success, they all need to be working for the same, achievable, shared, and simplified goals, in other words, they need to be looking at the same point. It is important to reintroduce the ‘idea’ of the Strategy in a simplified and concise way so that it is well received and comprehended by all stakeholders at all levels.

#### **Strengthen the role of the European Commission in the Strategy**

As discussed in Section II of the paper, the European Commission chooses to stand apart from the Strategy due to its concern over involvement. Based on the interviews and meetings conducted, various actors of the Strategy consider it important that European Commission plays a greater role in the Strategy. The underlying coordination tensions, which exist between institutions at various levels call for a stronger coordinator of the Strategy.

#### **Establish an evaluation mechanism of the Strategy with stronger incentives**

A main characteristic of the Strategy lies on its detailed and evolving Action Plan, which provides guidelines for the ‘on the ground’ implementation of the Strategy. Projects are monitored and assessed by different coordinators. However, there has been no evaluation mechanism established to assess the Strategy comprehensively. The existing framework of the Strategy operates under the principles of “Three ‘No’s”. This has been regarded as part of

the innovation embedded in the Strategy. But who is responsible for the overall success or failure of the Strategy? How should the Strategy be assessed?

To address these issues, an evaluation mechanism must be established to assess the Strategy. Due to the fragmented structure of multi-level governance, the mechanism must encompass stronger incentives in order to commit all stakeholders to the Strategy. The evaluation mechanism should be based on the following principles:

- Evaluation of the overall Strategy should be independent from project evaluation
- Coordinators of both Priority Areas and specific projects should be incentivised by means of effective funding alignment and/or increased experience sharing;
- There should be a high level of cooperation and coordination with Member States for their support and facilitation of projects.

### **Strengthen performance through conditionality (success factors) incentives**

Macro-economic conditionality is viewed as bad for development; a ‘one-policy fits all’ approach can have a counter effect. The objectives of a macro-regional strategy vary according to the needs and interests of the regions concerned. Yet, working together should become a habit and a skill. In all cases, the principle will be to add value to interventions in a way that significantly strengthens the functioning of the macro-region. Conditionality, sanctions and incentives are important elements of policy design and if utilised well can be helpful. All types of conditionality should be linked to the Strategy’s objectives. Hence, in order not to undermine the Cohesion Policy “conditionality”, the outcome indicators and ex-ante conditions (contracts) that are tailored specifically for projects within the Strategy can help develop special conditionality unique to the BSR.

### **Maintain the momentum of political commitment**

Member States are the key actors of the Strategy. The success of Strategy, to a large extent, depends on maintaining the momentum of the Strategy and the political commitment from Member States. As stated in the First Annual Report of the Strategy, “the Strategy needs continued and strong political involvement in order to achieve its objectives, both in terms of securing sufficient resources and in terms of achieving policy dialogue and adaptation.”<sup>78</sup>

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<sup>78</sup> European Commission, *The Implementation of the EU Strategy for the Baltic Sea Region*, 2010 October, available at [http://ec.europa.eu/regional\\_policy/cooperation/baltic/documents\\_en.htm](http://ec.europa.eu/regional_policy/cooperation/baltic/documents_en.htm), p5

An important measure would be to obtain greater commitment from Germany and Poland. The active participation of two large Member States could not only increase the weight of the region in the European Union and its neighbourhood, but also enhance the possibilities of the region to speak with one voice in areas of common interest. Secondly, more platforms should be established for the region's leaders to engage in constructive dialogue on the implementation and future of the Strategy. Apart from using existing forums, such as the Northern Dimension structures, the Nordic Council of Ministers, the Council of Baltic Sea States and the Baltic Development Forum, more Strategy-related events should be organised.

**Strengthen external governance, especially in partnerships with Russia.**

Although the Strategy is still mainly internal to the EU, its success is dependent on effective cooperation with adjoining countries in the region. Among all these countries, Russia is the biggest presence and main “user” of the Baltic Sea. As discussed in Section II, Russia’s increasing dependency on energy transport through the Baltic Sea has forced it to begin to strengthen its military presence in the region. Energy security is the main concern for Russia. Apart from that, Russia seems less interested in other forms of cooperation.

Currently, Russia is member of the Council of the Baltic Sea States, HELCOM and few other intergovernmental bodies in the region. Given Russia’s aspiration to be a global power and the fact that only a small portion of its territory belong to the BSR makes Moscow less willing to deal with and cooperate with small EU Member States, as opposed to the whole of the EU. Therefore, special institutional arrangements are needed. For instance, informal institutions need to be designed and gradually established with mechanisms to guarantee commitment and compliance, which are regarded as legitimate by the partners. “Informal institutions imply behavioural regularity which is based on shared rules that are created, ‘habits of thought’ that are communicated and enforced by the partners and exist outside officially sanctioned and enforced institutions.”<sup>79</sup> Informal rather than formal institutionalisation, if elaborated as an idea, could pave the way for the inclusion of Russia and other partners into the Baltic Sea arrangements.

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<sup>79</sup> Esko Antola, (2009), *Baltic Sea: A Pilot Project for Macro- Regionalization in the EU*, published by Center for European Studies, p42

**Establish a communications system and encourage dialogue between horizontal and vertical actors**

Effective and constructive communication is essential at horizontal (between stakeholders) and vertical (between stakeholders and decision-makers) levels. Institutional arrangements and lifting barriers to ensure an overall horizontal communication model for all stakeholders involved in the Strategy are key characteristics of “learning” and “innovation” organisations. This can be accompanied by internal and external communication strategies to explain, educate, and raise awareness about the Strategy in a simplified and planned way. The Strategy’s intended message may not be perceived as relevant to all stakeholders. A strategic way of communicating is to identify the main stakeholders and audience groups most important to the Strategy and address the issue of diversity through aggregation based on level, sector, responsibility, etc. Then, a clear method and style can be used to make the message relevant to intended audience(s).

**Strengthen the notion of a common or regional identity**

A discussion with the different stakeholders and actors on identity is necessary for the realisation of the “region”. Similar to the EU’s working group of historians to consider possibilities to furnish the debate on how to find a consensus regarding the main lines the European history, a Baltic Sea Region working group can help to agree on general guidelines for a shared “Baltic Identity”.

## CONCLUSION

The aims of this report were to give a general overview into the workings of the EUSBSR. From the research conducted, it is clear that EUSBSR has a lot of potential as a tool to address regional as well as wider EU concerns. It is a well thought out idea, with an action plan that is both inclusive and comprehensive. Furthermore, when seen as a learning opportunity and a pilot macro-region the importance of the EUSBSR is clear. Nevertheless, in order to fully capitalise on this potential some very important issues need to be addressed. Many of the challenges encountered relate to implementation within the present governance structure, while the EUSBSR is innovative and flexible in its approach, which is essential to its success, the complexity involved can hamper its development. In this sense, the governance structure of the Strategy presents both, challenges and opportunities. The recommendations given are ideas that seek to make the Strategy run smoothly and take full advantage of the synergies in the region.

However, this report is, as previously mentioned, quite limited in comparison to the complexities of the EUSBSR. Nevertheless, one of its objectives is to lay the basis for further research. In this regard, it is recommended that more information from individual stakeholders belonging to different levels be gathered. From our interactions and interviews with project members and priority area coordinators, it was made clear that they are valuable sources of information regarding the difficulties encountered in the implementation of the Strategy. Clarifying the links and trade-offs between sectors and actors is an essential step to build upon the recommendations and analysis contained in this report, and to evaluate the transferability to other regions. Finally, concerning this last point, a thorough knowledge of the potential macro-region is essential for a meaningful assessment of the possibility for extrapolation.

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