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Policy paper  
15 May 2011

## **The EU Strategy for the Baltic Sea region: what kind of conditionality?**

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Ce programme est co-financé par l'Union Européenne dans le cadre d'Europ'Act.  
L'Europe s'engage en France avec le Fonds européen de développement régional

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<sup>1</sup> The content of this paper is the responsibility only of its authors.

The macro-regional strategy is a new idea in Europe, opening avenues for progress for cooperation, governance and, in fact, European integration. It proceeds pragmatically based upon what exists; this is both its strength and its weakness.

The European Union is currently seeking a regional development model.

The objectives are there: the cohesion policy clearly states them, emphasising the search for growth that is intelligent, sustainable and inclusive (Europe 2020 strategy), and the reduction in regional instability.

The funds are available: these include the structural funds, the total amount of which stands at more than 345 billion for the 2007-2013 period.

The rules for application are known.

So what is missing?

### **Why should there be a new area of intervention?**

What is lacking is the coherence of the collective project: in other words, shared policy and collective action. Shared policy refers to the representation of common issues. Collective action refers to the modes of intervention of the various partners. The question is knowing how to renew this common interest, both concerning representation and intervention. What can be done so that governments, regions and regional authorities – in a nutshell, all political, economic and social players – cooperate, not only within each country, but between them, starting with an understanding of the transnational dimension of common issues? How can coordination and consistency be recreated where a multitude of separate development paths dominate?

*"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>2</sup>.

With a macro region, the legislator takes formal note of deficits in matters of coordination<sup>3</sup>. It establishes an area common to various members and non-members of the European Union, to which it returns to reorient the intervention policies for solving common problems. Two large programmes are therefore defined: the integrated approach and governance; conditionality and incentives.

### *"Integrated approach" and Multilevel governance*

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<sup>2</sup> European Commission, 10 June 2009, Commission Staff Working Document: Impact Assessment, SEC (2009) 702

<sup>3</sup> "Opportunities that EU membership provides have not been taken and the challenges facing the region have not yet been adequately addressed". *European Union Regional Policy*, May 210 The European Union for the Baltic Sea Region, Background and Analysis, p. 6

Certain observers consider that multilevel governance represents the EU's highest added value<sup>4</sup>. Its overall effectiveness is the result of its correct functioning. However, its complexity was considerably increased with the enlargements of 2004/2007. These revealed economic, social and territorial disparities hitherto unknown in the Union, ignorance of common rules and haphazard use of the available tools. To these limits, which were amply highlighted in the reports on the new members<sup>5</sup> – but it would be better to say all members – are added firstly, the new and considerable issues relating to the dynamics of energy, the environment and migration and, secondly, the very deep impact of the crisis that has been felt everywhere since 2008.

The partners' necessary joint approach is lacking and is leading to uncoordinated intervention. The lack of a shared view between the central and local levels is leading to a lack of coordination of priorities, which is leading to the growing exclusion of certain social groups. The most tangible result of this is that decision-makers' attention is concentrated on priorities that are most profitable in the short term – particularly political ones –, that the economic area is becoming disassociated with the area of social policies, and ultimately, vertical bureaucratic behaviour is reproduced at all levels. The whole point of the Barca report was to reinforce these criticisms, associating them with the necessary application of the "place-based approach". This report does not simply emphasise local policies or the development of "hidden resources". It is much more often seen as an incentive towards the joint consideration of economic and social development, starting with the coordinated representations of players at whichever levels they intervene.

### *Conditionality*

As a result, the question is no longer limited to the abilities of players to properly explain development projects aiming to provide solutions to regional or local issues. It extends to the tools that the Union is likely to acquire to meet the objectives that it has set itself under the Europe 2020 Strategy, in matters of inclusive growth and employment. It is the question of conditionality. It emerges as the shadow cast by all of the findings concerning the lack of performance measurement, raising questions in its wake concerning the indicators, their appropriateness and their compatibility. What are the indicators specific to a transnational area that are not the collection of national results? How can we use the progress made under transnational cooperation programmes in matters of common indicators?

Convincing national partners that, from now on, their strategies should be considered at an international level, this is therefore the first objective of a macro-regional strategy. This should have an influence on the reorientation of national budgets according to transnational issues. A macro region is an incentive. How can it be made attractive? To what benefit? For whom? How can a common beneficial result be created for all?

### **The strategy: The three refusals**

To this essential question of incentives, the European Union has decided to reply, unusually, by a triple refusal and by explaining the tasks of each player.

### *"3 Nos"*

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<sup>4</sup> European Commission, 10 June 2009, Commission Staff Working Document: Impact Assessment, SEC (2009) 702

<sup>5</sup> ref

The first refusal concerns **rules**. There is no question of adding any to the legislation; rather, the use of the legislative caucus in force throughout the EU should be improved, in a manner that is more consistent with the objectives pursued.

The second refusal: there is no question of **creating new institutions**. In the case of the Baltic Sea, in the opinion of the commission "*it would be superfluous and perhaps wasteful*". By adding to a complex that is already very well-equipped institutionally<sup>6</sup>, a new entity could only hinder the search for improved governance.

For the last refusal, there is no question of increasing budgets by creating a new **fund** for the macro-regions. As well as national funding, structural funds are available, together with other financial support provided by the European Investment Bank and the Nordic Investment Bank. On the contrary, it means remaining within the limits that have been set and re-orientating existing allocations while aligning them with strategic objectives.

So there will be no new rules, no new institutions and no new funds. The objective is to use, collectively and in an integrated manner, resources that have until now been used unsystematically. By adding nothing that could burden the existing arrangements – neither rules nor funds – emphasis is placed on the necessary "bottom up" coordination of actions undertaken and resources for finance and regulation. The integrated approach should therefore have real significance.

These "3 Nos" are the brand of the new strategy, which, to say the least, leaves no surprises. Will the redefinition of the tasks of each player be able to overcome this lack of incentive?

*Should governance be renewed?*

In the system for implementing the macro-regional strategy, everyone sees their role confirmed. But, ultimately, does the result meet expectations? In other words, are players responsible for new tasks?

The **European Parliament** and the **Council** have the task of initiating policies and ensuring political control (discussing and ratifying reports produced by the Commission).

The **Commission** is in charge of coordinating the whole of the system: it is up to it to exercise its "soft power" role, limiting itself to acting as a moderator.

It is up to the **member states** to take first place, not only in defining strategic actions but also concerning the coordination of programmes and actions on their territory.

It is up to the other participants, – **the region and other local authorities, the private partners and NGOs** – to produce the projects and ensure coordination.

There is no doubt that the **incorporation of non-member countries** is an innovation. For the Baltic strategy, this means Norway and Russia. For the Danube area, it means Serbia. Each time, beyond existing partnerships, there is the question of creating new cooperation by

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<sup>6</sup> We already have the Nordic Council (1952), the Helsinki Commission (1974 and 1980), the Council of the Baltic States (1992), the Baltic strategic vision (Vasab, 1992), the Nordic Dimension (1999) and the Baltic euro region (1998), together with the Union of Baltic towns (1991) and, in 2002, the network of Baltic cities.

incorporating them into programmes and projects within a shared area. It is through the definition of common problems that new coordination may be considered.

All of these questions and recommendations have led to the creation of the first macro region, the Baltic Sea Macro Region. The second is the "Danube Basin" Macro Region, for which the strategy was recently ratified in May 2011<sup>7</sup>. A third is in preparation for the Atlantic area.

### **From a common challenge to a shared resource and a collective strategy**

The objective of the macro regional strategy for the Baltic Sea is to make a shared resource – in this case the sea – the issue for collective action due to the problems that have occurred:

**Environmental** problems due to very high levels of pollution. The Baltic Sea is one of the most polluted in the world, given both its internal structure (depth), the size of the maritime traffic and the massive use of fertilisers, particularly by Poland.

Problems of **transport**, which are as much linked to the sectoral economic dimension as to political aspects. These result from the connections that they allow with other parts of the world. For Russia, it is the only maritime access to the West that is free of any natural or climatic hindrance.

**Economic** problems, which relate to the imbalances in growth between the North (Germany, Sweden, Norway, Denmark and Finland) and the South (Poland) and its East (the Baltic states), without forgetting Russia, which is a neighbour through Kaliningrad and Saint Petersburg.

Problems of **security**, particularly **energy security**, if only because the Baltic Sea is supposed to host an alternative gas transport project (Northstream) that directly involves two partners: Russia and Germany, and all of the community of neighbouring countries, particularly the Baltic countries and Poland. Beyond, energy security relates to the construction of a co-ordinated area for energy infrastructure.

The Baltic strategy has therefore established 4 main policies (cornerstones), which are **accessibility** (transport), **prosperity** (innovation), the **sustainable environment** (the environment) and **security** (energy). These four cornerstones support some 15 priorities, which themselves already include more than 80 projects, including some 20 flagship projects.

The strategy has only existed for one year. It is obviously a very short time lapse for conducting an in-depth assessment. Nevertheless, one year after its inception, at a time when the Polish presidency is supposed to provide a first interim report next summer, several lessons may be learned. They concern the issues already mentioned: governance and integrated approach; conditionality and incentives; measurement and indicators;

### **Issues and limits**

The decision to avoid creating any institutions or funds for framing the expected action is doubtless what centrally determines the Baltic Strategy.

This has three levels.

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<sup>7</sup> ref

### *The effects of a triple refusal*

The first level consists of the **institutions** themselves. The absence of regulation overseeing the other already-existing institutional initiatives brings the "macro region" to the level of those for which it is nevertheless supposed to make up the shortcomings. The macro region stems from the observation that there is a lack of cohesion and collective commitment. Without any institutional specifics, how can it therefore prevail in its relationships with other forums?

The second level consists of the **policies for action**. The decision not to innovate in institutional matters finds its counterpart in the lack of choice in matters of priorities. As no preference prioritises cornerstones and policies, all initiatives are acceptable and ultimately all are equal. As a result, where is the coherence?

The third level consists of the **players**. As no appropriate legislative and institutional framework has been identified, everyone finds themselves at the same level, and because it wishes to confine itself to monitoring and support, the Commission is not a player; but with it, there is the question of means of influence and the manner in which it may be exercised. There is therefore the dual question of leadership and conditionality.

### *Lack of leadership*

Even if the commission wished to play the role of "gatekeeper", what are the resources available to it? As if to demonstrate that it does not intend to play a prescriptive role, the DG Regio has assigned only 4 officials to the macro region. This time, the effect was successful: the disappointment was manifest amongst those – Poland in the lead and particularly the region of Pomerania – who expected a specific programme with specific regulation.

Germany, which we might expect to be strongly involved, in reality does not consider the Baltic Sea as a priority area for its economic, commercial and social policies. Its playing field is worldwide, not just Nordic.

Poland remains very reserved, due to its weaknesses particularly in economic matters and innovation, and also because it does not intend to promote the slightest leadership.

Sweden is, de facto, coming to the fore, bringing along its border and Baltic partners.

There remains Russia, and it is difficult to see it seriously undertaking a collective project. It has already established bilateral relationships, as much with the Commission as with Germany, and it is increasingly suspicious of any collective process.

Under these conditions, what may we think of the hoped-for conditionality? How can we claim to influence the game if horizontal exchanges prevail? How can the players be mobilised?

### *Conditionality without impact*

The strategy postulates that it is not only about neighbouring regions. All countries are concerned. In other words, all are called upon to reorientate their budgets – national and

regional – in the direction of Baltic integration. But who is in a position to prove to Bavaria or Silesia that the Baltic Sea represents a major issue for them, in any case worthy of assigning regional funds to it? There again, although we can easily understand the immediate interest of the Nordic countries, and to a great extent also that of the Baltic countries, it is hard to clearly appreciate the place of the southern Polish and German regions.

Also, who is in a position to articulate this interest?

Not the Commission, due to the principle of subsidiarity.

The government, maybe; but can it then impose it on the region?

The region, perhaps; but its ability for interpretation is not only huge but may lead to arbitrary interpretations.

The absence of conditionality, beyond the complexity of European governance, reflects the political inability of the Commission and consequently greatly facilitates national sovereignty. In not wishing to exercise influence, the Commission strengthens the inertia that it wishes to fight, and in flinching, it promotes vertical approaches.

#### *The missing indicators*

Concerning the indicators, what may they be? An accumulation of results at the national level? But then nothing would distinguish them from those of today, which are rightfully criticised for not concerning common objectives. The question is to finalise indicators for assessing the results of priorities that relate to collective issues, following the example of those in regional cooperation programmes, and not covering national performance.

What is collective performance? How can we measure an effect that does not come within the strict limits of a border? In other words, how can we differentiate project indicators (output) and strategy indicators (outcome)? These outcomes are known: they derive from the declared objectives of the strategy. But what about the outputs? Do they allow the appropriateness of the strategy to be assessed?

A last question concerning the indicators: which are those that are adapted to the "integrated approach"? Assuming that sectoral indicators are satisfactory, what are the indicators relating to multi-sectoral intervention?

Lastly, the Commission is currently wondering about establishing a system for assessment at the level of the overall strategy; it is indeed an important concern at this stage of the implementation of the strategy.

#### **What best practices?**

Shortly, the legislator intends to examine the lessons of the macro regional strategy for the Baltic Sea, to learn whether such an experience is worth extending to other areas: the Mediterranean, the North Sea, the Black Sea, the Alps, etc. To answer these questions, we should reconsider the limits that were mentioned a moment ago concerning leadership and indicators, to consider whether the dual question of conditionality and governance has a viable solution.

In concrete terms, extending best practices to the Danube basin means identifying the ability of German or Austrian leadership to improve the way they drive the stakeholders in the game – Romania/Bulgaria – which are ceaselessly involved in conflicts that precisely relate to the question of the Danube. The question of the macro region, beyond the common issue concerning a shared resource, raises the approach in terms of the hierarchy of partners and actions.

A valuable indicator could therefore be sought concerning the resolution of collective conflicts, which is a definite output that is even more valuable if we consider the Black Sea or the Mediterranean.

What does it mean to resolve a conflict, not only specific to member states, but with non-member states around a shared resource? What should be taken into consideration? Governance would be facilitated.

This indicator could, at last, result in a set of measures to the satisfaction of all stakeholders, local society and beyond. A region not immediately local to such a project would find that its benefits would move from the shadow zone into the light.

A similar finalisation of indicators covering the collective effects of joint action by all participants would relate to the declarations concerning the strategy itself. In other words, this would allow the validity of the defined outcomes to be questioned, together with the place of the players, and whether or not their intervention is necessary.

The entire governance could thus be reconsidered in all its complexity. The Commission may have to intervene more, both concerning regulation and the financial amounts involved, all on the basis of the priorities and expectations expressed by the member states.