



EUROPEAN COMMISSION

Brussels, 22.6.2011
COM(2011) 381 final

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE
COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE
COMMITTEE OF THE REGIONS**

on the Implementation of the EU Strategy for the Baltic Sea Region (EUSBSR)

EUSBSR 2011 report

1. Introduction

The EU Baltic Sea Region with its almost 85 million inhabitants (17 percent of EU population) has actively embraced the many opportunities created by enlargement, reinforcing EU integration and increasing regional coherence. As a result, there is growing awareness of the Region's shared natural resources, and its environmental fragility. The recent economic crisis has further demonstrated the need to work together, and countries in the Region have responded effectively.

The European Union Strategy for the Baltic Sea Region (EUSBSR) adopted by the European Commission in June 2009¹, and endorsed by the European Council in October 2009², has played its part. It addresses key challenges and untapped potential of this large region, covering about one third of the total area of the EU. It provides an integrated framework for improving the environmental condition of this shallow enclosed sea, tackling transport bottlenecks and energy interconnections. It facilitates development of markets across borders, as well as common networks for research, innovation and enterprise. With these concrete steps, the Strategy contributes significantly to such major EU policies as Europe 2020 and the Integrated Maritime Policy, as well as reinforcing the EU integration of the Region following enlargement.

The Strategy shows that through common action the challenges to promote a sustainable environment; enhance the Region's prosperity; increase accessibility and attractiveness; and ensure safety and security can be tackled effectively. It reinforces efforts to achieve common EU objectives, and integrate territorial and sectoral issues based on shared challenges. The Northern Dimension, a common policy of the EU, Russia, Norway and Iceland, provides the basis for external cooperation.

Now well into the implementation phase, the Strategy shows the value of a new way of cooperating. It demonstrates commitment of partners at national, regional, and civil society levels, built especially on the work of the European Parliament and the wide local input in the open consultation phase.³ While the implementation process points to issues needing to be further addressed, including better alignment of funding and a reinforced organisational structure, it is the Commission's assessment that the Strategy is already contributing positively to enhanced cooperation in the Region.

The Council called on the Commission "to report no later than June 2011 to Council on the progress made and on the results already achieved".⁴ The present report follows the 2010 interim review, discussed with a wide range of stakeholders at the Annual Forum in Tallinn on 14-15 October 2010. Since the Strategy is a dynamic innovative process that needs time, this report includes recommendations for improvements in the years to come. It also serves as

¹ COM(2009) 248, 10.06.2009

² The European Council on 29-30 October 2009 endorsed the EUSBSR and called on all relevant actors to act speedily to ensure its full implementation

³ An Annotated Action Plan is available on the Strategy website:
http://ec.europa.eu/regional_policy/cooperation/baltic/index_en.htm

⁴ General Affairs Council Conclusions of 26 October 2009

inspiration for the EU Strategy for the Danube Region, and for other possible future initiatives, including those with a similar or greater maritime dimension.

2. Main achievements

The Strategy has led to concrete action, with a more streamlined use of resources. New working methods and networks have been established, and many initiatives developed. These comprise:

2.1 New projects

Many new projects have been developed and funded⁵ to fulfil the aims of the 15 Priority Areas set out in the Action Plan accompanying the Strategy, including:

- **Baltic Deal**, which works with farmers across the Region to reduce nutrient run-off, and therefore eutrophication
- **CleanShip**, which significantly reduces pollution from vessels, awarding a "Clean Baltic Sea Shipping" flag
- The **"LNG feasibility study"**, which develops sustainable Short Sea Shipping
- **BaltAdapt**, which is preparing a regional climate change adaptation plan
- **BSR Stars**, which supports a programme for innovation, clusters and SME-Networks increasing the joint innovation capacity in the Region, significantly extending existing networks and clusters, and creating new networks of innovation specialists, companies, R&D organisations and policy makers
- **ScanBalt Health Port**, which promotes the Baltic as a globally leading and prosperous "Health Region"
- **Baltic Transport Outlook**, which provides structured planning support for transport infrastructure in the Region, based on analyses of flows of goods and passengers.

The projects listed here are just a few examples of the more than 80 Flagship Projects being implemented under the Action Plan. Other projects respond to the whole spectrum of interlinked challenges in the Region, for example developing marine protected areas, (making the Baltic Sea the first maritime region worldwide to reach the target of the Convention of Biological Diversity of designating at least 10 percent of its area as protected). Other projects address further diverse topics in a Baltic-wide cooperative approach, such as the control of hazardous substances, the removal of single market barriers and the enhancement of cooperation among some 200 regional universities,.

These early initiatives are providing a model for other project promoters.

2.2 New momentum to existing projects

The Strategy builds on experiences of past cooperation and existing projects. It provides increased visibility, expanded networks, and clearer direct links to national and European policy making. For example:

⁵ More information on the projects can be found on the Strategy website

- The integration of the three Baltic States into the European energy market is being achieved by the Baltic Energy Market Interconnection Plan, based on the macro-regional energy priorities identified in the Strategy;
- Better technologies such as "Sludge-trucks" and "Oily water carriages" have been developed by the Baltic Master II project to allow ships to deliver their waste more easily at ports. This project now involves some 15 ports in the Region.

The Strategy also ensures focus and economies of scale. This is done for instance by clustering projects sharing similar themes:

- Projects on sustainable agriculture have been established: **Baltic Compass** as the focal point for policy issues, **Baltic Manure**, which addresses the serious concern about animal waste as a major pollution source of the Sea, and **Baltic Deal** for advice to farmers
- Three transport projects **TransBaltic**, **East West Transport Corridor II** and **Scandria** agree on joint activities, a division of labour and harmonisation measures to achieve green corridors

Many other existing projects have benefited from a better strategic framework, developing linkages and thereby increasing their impact.

2.3 New and developing networks

The Strategy is fostering the development of new inclusive networks, as well as increased cooperation and a better division of labour for existing networks. It provides a common reference point for the many organisations in the Baltic Sea Region. Increasingly, people and structures are basing their work on the priorities set out in the Action Plan.

For example, the Strategy provides:

- A new framework for the maritime community. The Baltic Marine Environment Protection Commission, HELCOM, is closely associated for environmental tasks. It is a Flagship Project Leader in several Priority Areas, and its Baltic Sea Action Plan (BSAP) and the Strategy are mutually supportive to achieve Good Environmental Status as required by the Marine Strategy Framework Directive. Regional organisations, such as the Council of Baltic Sea States (CBSS), the Baltic Sea Parliamentary Conference and the Baltic Sea States Sub-regional Co-operation have enhanced cooperation and improved governance on maritime issues
- Links on sustainability issues have been established with the CBSS expert group Baltic 21
- As a result of the Strategy, the Nordic Council of Ministers has extended its networks to cover the entire Baltic Sea Region
- The Baltic Sea Task Force for Combating Organised Crime has used its existing structures in new ways to further decrease the harm done by cross-border crime, of particular importance as local and regional administrations are more targeted as their decision-making and budgetary power increases
- Transport ministries in the Region now plan infrastructure investments in a coordinated way

- Within the Northern Dimension framework, the Partnership for Public Health and Social Well-being (NDPHS; lead partner of the Health Priority) has linked to new partners, for example the e-Health for Regions network
- The BONUS joint Baltic Sea Research and Development Programme developed within the context of the Strategy, and has been established under European law following a decision in September 2010, with a budget of EUR 100 million. Its objective is to support joint programming and targeted research to tackle the most important issues facing the Baltic Sea. Its full implementation phase begins in November 2011.

Indeed, this new interlinked approach to Baltic Sea Region issues is one of the most important advances. There are many further examples of new networks emerging – to promote green public procurement, to cooperate on the full implementation of the Internal Market, to boost research and innovation, and even in areas of traditional rivalry like tourism. Given the crucial importance of the Sea itself, a new network for maritime training has been established to bring together regional centres of excellence.

2.4 Policy development and coherence

The Strategy is not only about projects. The integrated way of working also encourages better policy development and alignment, along with a more efficient implementation of existing approaches. It also means ensuring that sectoral policies – including transport, education, energy and climate, environment, fisheries, industry, innovation, health and agricultural policies – are coherent and suited to the needs of the Baltic Sea Region as a whole. For instance, an environmental perspective must be incorporated in policy reflections at all levels, including local and civil society discussions, to ensure a genuinely green impact.

Further examples are:

- The Flagship Project **"Phasing out the use of phosphates in detergents"** is informing decision-makers on national legislative actions needed to limit the use of phosphates in household laundry and automatic dishwasher detergents
- The **Baltic Sea Labour Network** project is publishing labour market strategy recommendations to achieve sustainable mobility
- The **MARSUNO** project is furthering the integration of maritime surveillance systems, providing a model for policy-makers EU-wide
- The **BaltFish Forum** provides the Region and the EU with an important opportunity to develop and test a new, more regional, approach to fisheries management.⁶

The strong maritime component of the Strategy constitutes the regional implementation of the EU Integrated Maritime Policy⁷. Cross-cutting action on maritime spatial planning is a tool to improve decision-making, balancing sectoral interests competing for marine space with the sustainable use of marine areas. Through the integration of maritime surveillance systems, various policies become better aligned, allowing actors to share information with a view to more efficient response capabilities. Moreover, initiatives in the Baltic Sea that lead to clean

⁶ "Green Paper: Reform of the Common Fisheries Policy" - COM(2009) 163 final, 22.04.2009

⁷ "An Integrated Maritime Policy for the European Union" - COM(2007) 575 final, 10.10.2007 and SEC(2007) 1278, 10.10.2007; 16616/1/07 REV 1

and fuel-efficient ships, and new technologies such as offshore wind energy are creating new jobs and economic opportunities.

2.5 Alignment of funding and other financial initiatives

Alignment of available funding with the Strategy is key to the success of the implementation process. Focusing the efforts of Cohesion Policy, which alone makes some EUR 50 billion available for the Baltic Sea Region, along with major EU and national funding sources, has been a challenge. Important advances are:

- Several European Regional Development Fund (ERDF) programmes, such as the Swedish competitiveness programmes, have developed new selection criteria. The transnational Baltic Sea Region Programme has contributed EUR 88 million to Flagship Projects, and targeted its fourth call specifically to promoting the Strategy. Cross-Border Cooperation programmes have encouraged project applicants to support the Strategy approach. Lists showing where and how existing Cohesion Policy projects contribute to the Strategy have been established, which are being made available by different programme authorities
- With the support of the European Fisheries Fund (EFF), the newly established Baltic Sea Network of the Managing Authorities and Fisheries Local Action Groups (FLAGs) is fostering transnational cooperation in the sustainable development of fisheries areas in the Baltic Sea Region. This cooperation is expected to result in joint projects contributing to the implementation of the EUSBSR. Furthermore, in their 2010 annual implementation reports the Member States include a specific chapter outlining how their Programmes contribute to the implementation of the Strategy.
- Certain countries have also promoted the Strategy in European Social Fund (ESF) programmes. For instance, the Swedish ESF Managing Authority is prioritising requirements for transnational activities in many calls for project proposals. Denmark and Estonia have also highlighted the transnational contribution of their ESF projects. Building on this, the Swedish Managing Authority is cooperating with its counterparts in other Baltic Sea countries in the informal "Baltic Sea Network ESF", being developed and consolidated in a special project during 2011-12
- Other EU funding programmes are adopting a "Strategy approach" in their work. The Flagship Project **"Sustainable Rural Development"** has been financed as a transnational project of rural development programmes funded by the European Agricultural Fund for Rural Development (EAFRD)
- In relation to research and development, BONUS has intensified its links with the Strategy. Steps were taken to involve innovation funding agencies, and in particular to exploit more fully the Strategy Flagship Project **"BSR Stars"**
- At the initiative of the European Parliament, EUR 2.5 million is earmarked in the 2011 EU budget, mainly supporting the work of the Priority Area Coordinators
- Loans have also been given to many Flagship Projects by the European Investment Bank and Nordic Investment Bank (EIB and NIB). Two examples are the Wroclaw Water and Wastewater Project (project cost EUR 158 million) and sections of Rail Baltica in Latvia (project cost EUR 80 million), which both are supported by loans from the EIB.

The Commission and the European Investment Bank (EIB) are assessing the potential of a joint Implementation Facility. This would facilitate the preparation of "bankable projects" combining grants and loans, as well as monitoring and encouraging efficient project implementation.

Other organisations have also contributed. For example, the Nordic Council of Ministers and the Swedish Development Agency (SIDA) have provided seed money. National, regional, local, and private sector funding is also being mobilised.

2.6 Cooperation with non-EU Member States in the Baltic Sea Region

As an EU initiative, the Strategy does not commit non-Member States. However, the three countries most concerned, Russia, Norway and Belarus, have all indicated their support. Concerning Russia, an indispensable partner in the Baltic Sea Region, cooperation has been pursued at several levels:

- The Northern Dimension framework has facilitated discussion and common actions. For example, its Transportation and Logistics Partnership is actively addressing the issues due to the Region's geography, including vast distances and structural bottlenecks
- Existing bodies and partnerships, including CBSS and HELCOM, have encouraged common planning by all partners in the Region
- The European Commission and the Russian Federation have reinforced work on specific aspects of cooperation, especially projects of common interest, good examples being in the context of the EU – Russia Modernisation Partnership, launched in June 2010.
- Regions have also developed specific initiatives and projects bilaterally.

Cooperation with non-Member States within the framework of the Strategy has been bolstered by EUR 20 million in the 2010 EU budget, again at the initiative of the European Parliament. It is primarily for environmental projects, via the Northern Dimension Environmental Partnership and HELCOM.

3. Organisational structure

The governance structure has evolved to maximise the contribution of the many actors and organisations involved in the Strategy. A wide range of stakeholders is involved, including: EU bodies; international financial institutions; political institutions and organisations; macro-regional organisations specialised in various policy areas; regional organisations and NGOs; and individual regions and cities. Multi-level governance is the only practical way to take advantage of this variety of expertise. Thus:

- At sub-national level, individual euro-regions, regions, counties and cities show strong commitment; many are leaders of Priority Areas, Horizontal Actions and/or Flagship Projects. Local and expert partners have been mobilised.
- The Strategy is built upon the involvement of Priority Area Coordinators (typically national ministries, agencies or regions) responsible for each major area of the Action Plan

- The eight EU Member States of the Region are politically committed at the highest level, and National Contact Points (NCPs) ensure coherence between the different players within each administration. The role of the NCP is crucial in ensuring a strong and coordinated national engagement, in particular of all relevant line ministries.
- The Baltic Sea Region level is represented by, among others, the Baltic Development Forum (BDF), HELCOM and VASAB, directly responsible for the implementation of various projects and actions listed in the Action Plan. The Nordic Council of Ministers, the Baltic Council of Ministers and the CBSS give prominence to the Strategy on their political agendas, and by organising common events and contributing to Flagship Projects
- The European level is assured through continuous contact with the EU institutions and advisory bodies, and in particular a High Level Group of expert advisers on the Strategy, nominated by all Member States. The European Commission contributes as a source of independent and EU-wide expertise
- The public dimension is crucial. The contribution of the Baltic Intergroup and the Regional Policy Committee of the European Parliament, as well as the Committee of the Regions and the European Economic and Social Committee, is very valuable in this context
- The Action Plan has proved crucial in facilitating the organisation of work. It has focused political priorities, identified concrete work to be done and prioritised good planning. It has made the Strategy concept an easily-understood reality, and facilitated communication. Its "rolling" nature is central to the work, and should be regularly updated.

At technical level, the assistance of the EU INTERACT programme office in Turku is an essential resource. The Strategy has also used other existing structures in a pragmatic way. An approach whereby the Region borders are somewhat flexible proves helpful in addressing issues without imposing artificial geographical limits.

4. Lessons learned

The contribution the Strategy makes to cooperation in the Region must now be consolidated. Points to underline are:

- **Maintaining political momentum**

Political will remains indispensable for success. To maintain momentum, the Strategy must be a reference point for all relevant meetings and summits. It should also be included on the agenda of relevant Councils of Ministers on a periodic basis, and be a natural focal point for European and national parliamentary debates. It should be taken into account in relevant future policy programming at all levels. To assist this, the Strategy needs to be more explicit on how it is able to address the urgent needs of the Region, for instance through identification of clear targets.

- **Commitment**

The Strategy needs to be more embedded in political and administrative structures. Its set-up is still vulnerable to organisational changes, or changes in political priorities. Long-term sustainability requires institutional stability, with allocation of sufficient human resources (at

regional, national and European level). To achieve goals, it is important that Priority Area Coordinators, but also their equivalents in the other participating Member States, are fully involved. Line Ministries need therefore to take a more active role, and to allocate adequate staff and support.

- **Targets and evaluation**

The importance that the Strategy has assumed in policy development and implementation makes evaluation of progress essential. The Strategy did not initially include specific targets. However, the Commission and other stakeholders, drawing on existing targets and those under development as appropriate, should therefore define targets and indicators, both quantitative and qualitative, to monitor the Strategy. For some prioritized areas, such as work relating to water and marine environment, these already exist (Water Framework Directive, HELCOM Baltic Sea Action Plan, The Marine Strategy Framework Directive) and could be useful. The proposed targets and indicators should be widely consulted.

- **Communication and ownership**

Awareness of the Strategy and the results it delivers is essential. The Strategy needs to be more visible. Key groups should be involved, such as local and regional authorities, NGOs and the private sector. The informal Baltic Sea Group of EU regional offices, or the BDF's links to important businesses in the Region, are existing examples of what needs to be further encouraged.

- **Cross-cutting links**

Much added value comes from fostering cross-sectoral cooperation. The Commission and others promote workshops and new networks. The 2010 Annual Forum specifically explored the benefits of more integrated approaches.

Reflecting this, a new Horizontal Action on strengthening multi-level governance was recently included in the Action Plan. Two showcases, "water management" and "spatial planning", demonstrate how current cooperation in the Region is managed, and how the Strategy can improve contacts across all levels. This needs to be further encouraged.

- **Policy development**

Relevant policy reviews (e.g. transport, innovation, maritime and environment) should take their combined effect on the macro-region into account. The importance of territorial cohesion should be particularly considered in this Baltic Sea region, based on a clear "place-based" or "Region-based" perspective. Individual projects should be seen as contributing to the Strategy and as examples of the overall approach. Closer links to Europe 2020, and indeed to other strategies and policies, such as the Internal Security Strategy, the Common Agricultural Policy and the Common Fisheries Policy, should be established.

This underlines the Strategy's potential as an instrument for implementation of overall European priorities. Macro-regions can act as building-blocks for EU-wide policy overall. The Council has also drawn attention to the need for clear Baltic-Danube links⁸. To build on this, the macro-regional experience in relation to policy development should feed into Council discussions at EU level. Sectoral Councils could profitably include macro-regional discussions in their agendas.

⁸ General Affairs Council Conclusions on the Danube Strategy: (April 2011)

- **Further alignment of funding and technical assistance**

Better coordination through the post-2013 Common Strategic Framework is necessary to ensure macro-regional priorities are reflected in future EU Programmes. This is crucial. The Strategy is a pioneer case, paving the way in the new financial and programming perspective for better streamlining all funding instruments. This is not only within and between EU Member States: the strategic coordination of bilateral cooperation programmes with non-EU Member States at the EU, national and regional level should also be improved. In addition, the support of transnational cooperation programmes which cover the same geographical area as a macro-regional strategy has become evident. Such programmes should be reinforced and more closely linked to this work.

A clearer link also needs to be established between Priority Area Coordinators and Managing Authorities for EU Programmes. National and international funding sources in the Region should take full account of the Strategy. The contributions from other partners such as the Nordic Council of Ministers and the Swedish International Development Agency are welcomed. Innovative approaches to funding should be promoted. The Implementation Facility under preparation with the EIB would be a good example. Different national EU Programmes should fund joint projects, and this should be institutionally facilitated.

Organisational assistance funding for running costs is important. The EU budget provides EUR 2.5 million in 2011. However, as this is not guaranteed in future, other means for technical assistance should be explored, especially through existing and future programmes.

Alternative methods of working together such as European Groupings of Territorial Cooperation could also be useful at either the overall Strategy level or for specific Priority Areas, Actions or Flagship Projects. These would have the important effect of making cooperation structures more solid and sustainable, while avoiding duplication with existing structures.

5. Recommendations

Overall, it is clear that the Strategy is a new way of bringing multiple partners and policy areas together to achieve more than any could do alone. For its part, based on the experience reported here, the Commission recommends to:

- Reinforce the integrated nature of the Strategy through closer alignment with the themes and flagships of Europe 2020
- Assure the European nature of the Strategy through regular discussions of the Strategy at policy Councils
- Prioritise work on establishing targets to make the Strategy more focused and more concrete as regards to its main aims
- Maximise efforts to align Cohesion Policy and other funding sources in the Region with the objectives of the Strategy
- Strengthen implementation structures (especially Priority Area Coordinators and their steering groups) both financially and in terms of staff. National coordination committees should be set up, and national contacts for each Priority Area should be identified. Structures need to be thoroughly embedded in ministries and/or other relevant bodies.

- Develop a "Communication initiative" to ensure broader participation in the Strategy, as well as understanding of its achievements.

In addition, the Commission will continue its work on identifying the value-added of this new macro-regional approach, which could be based on an external evaluation of the Strategy's impact. Its conclusions will be incorporated into the report on the macro-regional strategy concept, which the Council has requested for June 2013, drawing on the best possible analysis of the experience gained.

These recommendations require more high-level input from all stakeholders. The Commission believes that the achievements and appreciation of the Strategy so far justify this further effort.