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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

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1. Introduction

The Baltic Sea continues to be one of Europe's most vulnerable areas. Algae bloom each summer, and more and bigger ships move through its narrowest and shallowest straits. Divisions from the past are still being overcome. Research, innovation and trade links need to be reinforced, while transport and energy connections have big gaps – the eastern and northern parts of the Region are still too often isolated from the rest of the EU.

This was why, in June 2009, following a request by the European Council, the European Commission adopted the EU Strategy for the Baltic Sea Region (EUSBSR). It addresses the key challenges of sustainable environment, prosperity, accessibility, and safety and security, but also the opportunities to make this an integrated, forward-looking world-class region, the "top of Europe". It aims at coordinating action by Member States, regions and municipalities, the EU, pan-Baltic organisations, financing institutions and non-governmental bodies for a more effective development of the Region. The Strategy also provides the regional implementation of the Integrated Maritime Policy.

The Commission published a progress report in June 2011.[1] The General Affairs Council then adopted Conclusions on 15 November 2011, which called on "the European Commission to review the EUSBSR by early 2012". This Communication responds to this request, by proposing:

- Improvements to the strategic focus,
- Alignment of policies and funding,
- Clarification of responsibilities of different actors,
- Better communication.

The Strategy needs to reflect the Europe 2020 objectives of smart, sustainable and inclusive growth, and evolving EU policy developments, including the importance given to cooperation in the proposed multi-annual financial framework and the proposed reforms of cohesion policy, notably greater thematic concentration, and the place given to macro-regional and sea-basin strategies in the common strategic framework, partnership contracts and operational programmes.

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[1] COM(2011)381 final.

Baltic Sea Region cooperation reinforces and facilitates other EU policies, such as climate change policies, Horizon 2020 in research and innovation, and "Erasmus for All" for learning, and it helps implement the Integrated Maritime Policy and the European Transport Network (TEN-T) Policy. The current work shows that this macro-regional approach adds a new cooperative and practical element to progress.

2. Towards a new strategic framework

With today's constrained public budgets, innovative approaches that can make best use of the policies and funds available, are crucial. The macro-regional approach offers an integrated framework for challenges too broad for the national level but too specific for the EU-27.

To give the Strategy more focus and direction, it is necessary to define key objectives more clearly and set out how they are to be achieved. Therefore, this Communication specifies three **overall objectives** for the Strategy, each accompanied by indicators and targets:

- To Save the Sea;
- To Connect the Region; and
- To Increase Prosperity.

This provides a new framework, within which the recommendations of the Council can be met.

2.1. Political commitment

To maintain high-level political commitment, Strategy outcomes need to be clearer at both national and EU level. As requested by the Council, the Strategy should be included on the agenda of the Council of Ministers in its different formations as appropriate. Strategy considerations should be reflected in budget and other discussions.

Regional and municipal actors must be more involved. The new cohesion policy regulations address this, proposing macro-regional strategies should be taken into account when developing and implementing new programmes.

Political commitment must be translated into administrative commitment, with sufficient staffing and continuity of personnel.

2.2. Alignment of policy

Policy responses should reflect the territorial nature of the Region's challenges and opportunities. Policy initiatives should be coherent and promote synergies, a good example being the proposed mainstreaming of climate change considerations in cohesion policy. The Commission will regularly monitor policy developments, to ensure coherence with the objectives of the macro-region.

By keeping in mind the macro-regional perspective in relevant Council working groups and Parliamentary committees, these bodies can help to ensure policy is positive in terms of territorial impact and cohesion. Given the cross-sectoral nature of the Strategy, regular follow-up in Council formations is recommended.

A similar approach is also needed at local, regional, sub-regional and national levels, with policy work accompanied by stock-taking exercises at all levels.

2.3. Alignment of funding

In the current economic climate the Commission stresses the need to use existing EU and national budgetary resources effectively. To maximise the impact of macro-regional funding, Member States and other funds providers should ensure (re-)prioritisation in line with Strategy objectives.

The Commission's progress report of June 2011 found significant progress in this, but more work is needed. The Strategy will bring the expected results only if it is comprehensively linked to all available resources, including, the European Regional Development Fund, the European Social Fund, the European Agricultural Fund for Rural Development, the European Fisheries Fund[2], the Connecting Europe Facility, the LIFE-programme, and research and innovation, as well as educational, culture and health, programmes.

It is important to focus on both financial and structural change involved in this alignment. Managing Authorities of operational programmes in the Region should adopt a more flexible approach, for instance allowing the funding of long-term projects, and providing seed money. There must be a stronger transnational dimension to national and regional programmes, as relying on territorial cooperation programmes alone will not suffice. Work must continue on an Implementation Facility Framework, to bring in international financial institutions, other funders and the private sector, to increase the leverage of the resources available.

Important steps have been taken to improve support for the macro-regional approach in the 2014-2020 financial framework. While the Strategy began in the middle of a programming period in 2009, with few opportunities for influencing the content of programmes, clear strategic and practical links are included in the cohesion policy proposals for the next programming period. When developing partnership contracts and operational programmes, at the regional, national, cross-border and transnational levels, macro-regional objectives and priorities must be present. The requirement to focus funding on a limited number of thematic areas, relevant to the Strategy, also supports tangible results.

It is essential that actors at all levels begin considering as soon as possible how and on which priorities to align funds for the coming financial period, taking account of the Action Plan and the targets set at Strategy and at Priority Area level.

2.4. Governance

The pilot nature of the Strategy, and its ownership by a very broad stakeholder community, including local and regional authorities, national ministries, Commission services, international financing institutions, private sector representatives and NGOs, requires an open but effective governance structure.

Based on experience to date, the Council asks for cooperation between the Commission and the Member States concerned to "clarify [...] the roles and responsibility of key EUSBSR

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[2] To become the European Maritime and Fisheries Fund, as proposed by the Commission for the new financial period.

implementing stakeholders[3] in order to provide transparent guidance on their functions and facilitate their work on strategy implementation".

In cooperation with these stakeholders, the Commission has set out the key roles and tasks for each of the four main groups.[4] Adequate administrative capacity must be provided, not as a benefit for the Strategy at the cost of other priorities, but to support more coherent effort.

- The Commission ensures overall coordination of the Strategy. It facilitates the involvement of relevant stakeholders, and monitors, reports and evaluates on progress in cooperation with the Member States.

- National Contact Points, appointed by the participating Member States, ensure overall coordination of, and support for, the Strategy's implementation, in their home country but also at the overall level.

- The Strategy Action Plan includes Priority Areas and Horizontal Actions, agreed upon following extensive consultation. To coordinate these priorities and ensure timely results, Priority Area Coordinators and Horizontal Action Leaders oversee the implementation of the projects in their area, while also promoting the macro-regional impact, and sharing results.

- Flagship Project Leaders, translating the overall objectives of a Priority Area into concrete activities with an appointed leader and time perspective, are directly responsible for facilitating practical implementation on the ground.

In addition, a High Level Group (HLG) of representatives of all EU Member States convenes regularly to advise the Commission on the implementation process, providing key steering debates and EU-wide anchorage of the Strategy. The Commission will promote joint meetings with the HLG for the EU Strategy for the Danube Region to secure exchange of good practice. Indeed, links to the Danube Region, and to other regional initiatives in the Atlantic, the Arctic and elsewhere must be strengthened. Meetings with others, such as the HLG of the Northern Dimension Partnership on Transport and Logistics (NDPTL), can also be organised.

To strengthen administrative sustainability, the potential of European Groupings of Territorial Cooperation (EGTCs) should also be explored, as a tool either at Strategy level or for individual Priority Areas.

2.5. Involvement of stakeholders, including the private sector

To succeed, the Strategy needs participation of all relevant public and private stakeholders. This should be both conceptual, influencing the overall development of the Strategy (for instance by participating in relevant dialogues on the internal market), and also practical, contributing to implementation (for instance through projects on the digital market).

Such participation needs to be developed. A deeper dialogue between the Commission, the Member States concerned, Chambers of Commerce associations, Confederation of Industries, regional Research and Innovation groups, and NGOs (e.g. the Baltic Development Forum)

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3 National Contact Points (NCPs), Priority Area Coordinators (PACs), Horizontal Action Leaders (HALs), Flagship Project Leaders (FPLs).

4 Full details will be made available on the EUSBSR website.

should for example reach out better to the business community. Targeted events, match-making of Strategy interests with private sector interests, as well as focused consultations on strategic topics should be promoted.

2.6. Neighbours, regional and international organisations

Although the Strategy has an EU focus, success also depends on close and fruitful cooperation with neighbouring countries. Using already existing platforms[5], cooperation should be intensified, in particular with the Russian Federation. Through these platforms, and with a view to avoiding duplication, joint priorities should be developed into concrete actions.

For example, continued dialogue with the Nordic Council of Ministers will ensure a more coordinated use of human and financial resources. Similarly, continued cooperation with the Helsinki Commission (HELCOM) will reinforce implementation of the Strategy's Action Plan and the HELCOM Baltic Sea Action Plan.

2.7. Promoting awareness

Better awareness of the Strategy approach, and the results it delivers, is needed. Both the Commission and the Council underline this, and this should be developed by the Commission and the Member States concerned via as broad a range of actors and of communication channels as possible. Web-based sharing of experiences and good practices, for instance through the development of a web-portal linking relevant sites, is needed to give better access to funding information, matchmaking opportunities and project clustering. New emphasis on the overall objectives, linked to well-publicised indicators and targets described below, will also clearly outline what the Strategy is about.

2.8. Monitoring system

The Council requested "a system of realistic and feasible targets and indicators". The Commission is proposing the three overall objectives mentioned: Saving the Sea; Connecting the Region; Increasing Prosperity.

These objectives are complemented by a number of indicators and targets. Following wide consultations, these are new, but derive from existing policies and long-term plans, providing a basis for more effective monitoring and evaluation. The Commission proposes that they should be introduced in a revised Action Plan along with any necessary modifications, including detailed baselines for the targets, which will be monitored closely in Commission reporting.

Member States are also invited to come forward with indicators and targets for the individual Priority Areas, including intermediate targets and benchmarks to achieve the overall objectives. This will facilitate communication to the wider public, and provides strategic focus for reviewing the Strategy's Action Plan, for prioritising selection of good projects and for evaluation, as well as communicating more clearly the Strategy's achievements.

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[5] Such as the Northern Dimension, the Council of Baltic Sea States, the Nordic Council of Ministers, the Helsinki Commission, the Vision And Strategies Around the Baltic Sea network (VASAB), the Baltic Sea States Subregional cooperation (BSSSC), the Union of Baltic Cities (UBC) and BONUS – Baltic Sea Research and Development Programme (Article 185 initiative).

3. Making the new framework operational

Saving the Sea, Connecting the Region and Increasing Prosperity offer a clear framework for the major Baltic and EU issues, including the Europe 2020 headlines.

3.1. Save the Sea

The overall environmental objective for the Baltic Sea is to achieve good environmental status by 2020, as required under the Marine Strategy Framework Directive, and favourable conservation status under the Habitats Directive in accordance with the EU Biodiversity Strategy and related targets by 2021 as required by the HELCOM Baltic Sea Action Plan.

Stronger implementation of relevant EU legislation is essential to "Save the Sea", for example on biodiversity, habitats, fisheries and eutrophication, where full implementation of the Urban Waste Water Treatment Directive, the Nitrates Directive and the Water Framework Directive are falling behind schedule.

In 2011, the WWF Baltic Sea Scorecard showed that although the Sea is still one of the most polluted in the world, and its poor state threatens the quality of life for the 80 million inhabitants living around it, intensified efforts are showing results, even if much remains to be done.

These efforts can now benefit from the more concerted approach enabled by the Strategy.

- **Sustained high-level political commitment** is needed to ensure that agreed environmental priorities are translated into action, and that existing law is better enforced. For example, the recommendations made by the Flagship Project on removing phosphates in detergents now need to be taken into account in new Member State legislation.

- **The alignment of policies with the Strategy** – for example assuring the integration of environmental and climate concerns (including relevant research outcomes) across all relevant policy fields, including transport, agricultural and industrial policies – also facilitates the attainment of a healthy sea, and adequate coastal protection. Cross-sectoral policy planning means that all sectors reflect agreed Baltic Sea Region priorities in line with territorial needs. Examples of this are specific agri-environmental measures within the Common Agricultural Policy, such as buffer strips along rivers and wetlands or better management of animal waste. The European Council, when endorsing the Strategy in 2009, called for close alignment with the Integrated Maritime Policy.

- **A better alignment of funding** with the aims of the Strategy is particularly important to reaching its environmental and climate goals. The problems facing the Sea are too big for any one country to address on its own. For example, to decrease the number of dead zones in the Sea, today covering up to one sixth of its bottom area because of excessive nutrients, further coordinated investment in waste water treatment plants, including phosphorus and nitrogen removal, is needed.

- **Closer partnerships**, for example between national, regional and local administrations and research institutions and other stakeholders such as ship-owners, harbours, logistic companies and NGOs, are needed for Strategy goals such as clean and safe shipping. At present, heavy ship traffic worsens the problems caused by

excessive nutrients and hazardous substances from land-based sources through air pollution, greenhouse gas emissions, discharges of oil and other waste, and the introduction of alien organisms. Joint efforts can allow private stakeholders to get a better understanding of regulations and standards, while giving the public sector access to first-hand information about market conditions and needs.

- **Closer cooperation with neighbouring countries**, in particular Russia, is needed for example for the Strategy's goals of more efficient and compatible maritime surveillance, as well as prevention, preparedness and response to disasters at sea and on land. The good example of joint surveillance in the Gulf of Finland should be extended to cover the entire Baltic Sea.

- **Identifying joint priorities with regional and international organisations**, like HELCOM, will for example support the Strategy's efforts to address the effects of hazardous substances and destructive fishing methods, including illegal, unregulated and unreported fishing, on biodiversity, with its negative consequences for fish and human health. Hazardous substances are particularly damaging to the ecosystem of the Baltic Sea given its brackish environment and the slow water exchange rate (more than 30 years). The influence of climate change should also be taken into account in promoting diverse and healthy wildlife.

In these ways, the new framework for the Strategy strengthens the efforts to save the sea. The opportunities and tools offered in this respect now need to be fully utilised in the Region.

In order to ensure that the above reinforced framework is rigorously followed up, the Commission therefore proposes to use the following **indicators and targets** as key to measure progress towards saving the sea:

1. Clear water measured by the achievement of good environmental status by 2020 and including nutrient load reductions, in line with targets and indicators to be set out in the future revision of the Marine Strategy Framework Directive (MSFD) and in the updated HELCOM Baltic Sea Action Plan (BSAP) in 2013;

2. Rich and healthy wildlife, by 2020, measured by improvements in biodiversity status and ecosystem health, including with respect to fish stocks, in line with updated targets to be set by HELCOM in 2013 and by the revision of the MSFD;

3. Timely adoption in 2013 and full implementation by 2021 of the updated HELCOM BSAP;

4. Clean shipping, measured by the elimination of illegal discharges by 2020, and Safe shipping, measured by reducing by 20% by 2020 the number of accidents compared to the 2010-level,

5. Drawing up of transboundary, ecosystem-based Maritime Spatial Plans throughout the Region by 2015;

6. Climate Change adaptation, by adopting an integrated coastal protection plan and programme by 2020.

7. Increased Safety, by increasing cooperation between maritime surveillance authorities through better information sharing and coordinated actions to enhance maritime awareness and efficiency at sea by 2015.

3.2. Connect the Region

Long distances, difficult climate conditions and low infrastructure density continue to leave many areas of the eastern Baltic region, and Northern Finland and Sweden with the lowest accessibility rates in all Europe. As well as being costly and energy inefficient, these missing links are obstacles to the Internal Market and to the goal of territorial cohesion.

The Priority Areas contributing to the Strategy's "Connect the Region" objective can use the renewed Strategy framework to provide territorial solutions that are smart, sustainable and inclusive.

- **High-level political commitment** is especially important, for example, to facilitate the work of the Baltic Energy Market Interconnection Plan to ensure the regional energy infrastructure for proper functioning of the internal market and better security of supply. This concerns both timely investments and market reforms.

- **A better alignment of policies** will facilitate a genuine multi-modal macro-regional transport network. The relevant ministries need to ensure more coherent transport, maritime, environmental and climate change policies, together with the Commission, the NDPTL and other regional bodies.

- A sustainable and comprehensive infrastructure network, bridging the persisting east-west and north-south divisions in the Region, needs better **alignment of funding** with the Strategy as well as **closer links with neighbouring countries**. Better planning and coordination of infrastructure development and funding is necessary to implement prioritised projects. This should be done within the TEN-T Guidelines and by making full use of, for example, the NDPTL platform and funds made available via the Connecting Europe facility and the TEN-T framework.

By focusing macro-regional efforts on developing human potential, and on creating a smarter and more resource-efficient transport and energy system, the "Connect the Region" objective is in line with Europe 2020 goals of smart, sustainable and inclusive growth, and the related flagship initiatives. It needs to make full use of the new cohesion policy proposals, notably to advance cross-border infrastructure. At external borders, it should support modernisation of EU customs infrastructure, equipment, systems, as well as administrational capacity building. In addition, attention must be paid to the resilience of infrastructure to natural or man-made disasters.

In order to ensure good follow-up, the Commission proposes to use the following **indicators and targets** as key to measure progress:

1. Better and sustainable internal and external connectivity of the Region, reducing travel time and waiting time at external borders, as supported by the Connecting Europe facility, measured by the completion of all seven TEN-T land and sea priority projects involving the Region, for example the Fehmarn Belt fixed link by 2020 and Rail Baltica by 2024;

2. Interconnect Baltic States' energy markets with the rest of the Region in line with the Baltic Energy Market Interconnection Plan, measured by the full and environmentally sustainable interconnection of the gas and electricity markets by 2015;

3. Increased cooperation in joint cross-border management and infrastructure planning and implementation, including across marine areas.

3.3. Increase Prosperity

The European Union continues to confront economic difficulties. The 2011 State of the Region Report, an annual evaluation of competitiveness and cooperation across the Baltic Sea Region[6], states that, after a year of growth in most parts, the outlook for the Region is deteriorating. The report emphasises the interdependence of EU economies, and the importance of working together for sustainable economic growth.

Through the renewed Strategy framework, the "Increase Prosperity" objective reinforces measures to return to growth in line with Europe 2020 goals. It strengthens policy development and application, by clearer focus on growth and jobs, and by enabling policy makers to take a better overall view of linked or conflicting trends. Increased **political commitment** is needed for speedy transposition of legislation to ensure a well functioning internal market. This is crucial, as most trade occurs within the macro-region.

- **Policy alignment** will ensure coherent development of key sectors, such as agriculture, rural development (including forestry) and fisheries. The reform of the Common Fisheries Policy is an example of policy revision following the Strategy's recommendation for decentralised, territorially-specific fisheries management.

- Promoting a pan-Baltic Sea Region Innovation Union **aligns funding** through a programmatic approach. Increased resources need to be allocated to research and innovation, promoting smart specialisation in the Region, in order to meet Europe 2020 goals. Full use should be made of opportunities created by Horizon 2020.

- **Dialogue between stakeholders**, including the Commission, Member States, Chambers of Commerce and Confederation of Industries should promote Strategy focus on industrial policy in this Region. In line with the Europe 2020 Flagship "An industrial policy for the globalisation era" and the Small Business Act, the Strategy is supporting SMEs (respecting state-aid rules), by improving access to finance, by better regulation, and by helping them adapt to globalisation. Emphasis is needed on environmental and low-carbon technologies, where the Region is strong, but where closer links between policy and market development are needed. Key maritime sectors also have the potential to grow. Skills, qualifications and educational programmes have to match these needs.

  Furthermore, in line with the Europe 2020 Flagship "An agenda for new skills and jobs", deeper dialogue between social partners on future challenges for the labour market, such as demographic changes, is needed. These should include increasing

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[6] Published by the Baltic Development Forum, the Nordic Council of Ministers and the European Investment Bank.

labour productivity and decrease structural differences within the Region, as well as the macro-regional dimension of social inclusion and public health.

Mobility and development of skills should be promoted through existing initiatives, such as the Nordplus exchange scheme, as well as through current and future instruments, such as "Erasmus for all" or "Youth on the Move". Cultural exchanges should be facilitated. Full use should be made of opportunities for researcher mobility and innovation dissemination, such as within the BONUS Baltic Sea Research and Development programme. For all ages and sectors, participating in programmes of educational and scientific exchanges and cooperation should be promoted. "Brain circulation" must be the new paradigm, while guarding against "brain drain". Everyone must also cooperate on less desirable aspects of mobility, countering organised crime, including trafficking and smuggling.

In line with the renewed framework, the Commission proposes to use the following **indicators and targets** as key to measure progress:

1. A 15% increase in the volume of intra-regional trade and cross-border services by 2020;

2. A 20% increase in the number of people participating in programmes of cultural, educational, scientific exchange and co-operation by 2020;

3. In addition to the above policy indicators, the following context indicators setting the Strategy against the wider backdrop of socio-economic developments in the Region may be useful:

   (a) The reduction of disparities, measured by the lesser developed Member States catching up in terms of their GDP;

   (b) Reductions in unemployment rates, by reaching the Europe 2020 goal of 75% employment of 20-64 year-olds;

   (c) General expenditure in R&D, measured by the rate of investments in R&D and innovation, which should reach at least 3% across the Region by 2020 (Europe 2020 target);

   (d) Achievement of national targets based on the Europe 2020 climate and energy targets

4. Bringing us forward

By practical steps to take into account the Region's geographical characteristics and macro-regional dynamics, the EU Strategy for the Baltic Sea Region strengthens the use of available European and national resources. It seeks to translate political commitment into commitment to action at every point.

Concretely, the revised Strategy framework set out above reinforces this effort. It facilitates action and results by focusing on three major overall objectives: saving the Baltic Sea; connecting this large region; and increasing its prosperity. It does so by promoting political commitment, facilitating closer alignment of policies and funding, and by clarifying the responsibilities of those involved. It promotes better inclusion of stakeholders, closer work with non EU Member States and the private sector, and improved communication. It sets all

this out in relation to indicators and targets, within a monitoring and evaluation system to measure progress towards the future.

It is important that participating governments and regions respond by devoting adequate resources to the challenge of implementing the Strategy, and that at all levels early consideration is given to aligning funding in preparation for the next financial period.

The Commission is convinced that this framework provides an integrated and sustainable contribution to economic, social and territorial cohesion, and to the objectives of smart, inclusive and sustainable growth of the Europe 2020 strategy. It therefore invites the Council to examine and endorse this Communication.