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EU Strategy for the Baltic Sea Region; external dimension; Some elements for food for thought

1. EU Strategy for the Baltic Sea Region will by definition be an internal strategy of the EU. However, co-operation with third countries is also needed. This non-paper focuses exclusively on the external dimension of the EU Strategy for Baltic Sea Region, bearing in mind that it constitutes only a subplot in the main narrative. Finland has already during 2008 handed over to the Commission several non-papers outlining the substantial priorities for the Strategy. This non-paper complements the previous submissions by trying to sketch out how the current instruments and institutions could be reinforced to better serve the needs of regional co-operation in the Baltic Sea Region¹; it tries to sum up the experiences gained so far from these instruments and institutions and to bring up some possible flagship ideas and other suggestions based on these experiences. By doing so, this paper, having its focus on the post 2013 period, aims to serve as food for thought for deliberations concerning the external dimension of the Strategy.

2. The Northern Dimension (ND) framework provides the basis for the external aspects of co-operation in the Baltic Sea Region, as outlined in the European Council's conclusions in December 2007. Northern Dimension is a common policy between the EU, Norway, Russia and Iceland, and the ND area covers both the Baltic Sea and Barents regions.² EU Strategy for the Baltic Sea Region and the Northern Dimension policy will complement and strengthen one another. More precisely, through the Baltic Sea Region Strategy, the EU will sharpen its own regional agenda. The Northern Dimension offers a well-functioning setting for discussions on regional issues with non-EU ND Partners.

3. The Strategy is a positive signal and an evidence of EU's growing interest and engagement to the Baltic Sea Region. To ensure its success on regional level, it is important that with regard to the external dimension of the strategy, the principles of the Northern Dimension are respected, including the concept of equal partnership and the key role of the ND structures.

1. The role of the Northern Dimension Structures and the Northern Regional Councils

4. Once the EU's internal procedures on the Strategy have been completed, the external aspects of the Strategy will have to be further developed jointly with the non-EU ND Partners. It is important that the Strategy makes a clear distinction between those aspects which are internal to the EU and those in which co-operation with our external partners is called for. As far as the governance of the Strategy is concerned, both the EU's decision-making autonomy and the principle of equal partnership

¹ In this document the notion of "regional cooperation" refers to regional cooperation with third countries.

² The Northern Dimension covers a broad geographic area from the European Arctic and Sub-Arctic areas to the southern shores of the Baltic Sea, including the countries in its vicinity and from north-West Russia in the east to Iceland and Greenland in the west. (Northern Dimension Policy Framework Document, paragraph 2.)

must be ensured. It is to be assumed that the external aspects of the Strategy will be governed on a separate track, but in parallel with the main body of the Strategy.

5. Several international institutions and fora are active in the Baltic Sea Region. The existing ND structures offer a well-functioning way for exchange of information, decision making and implementation concerning the external parts of the Strategy with the non-EU partners. The Regional Councils can also have a useful role to play in the implementation of the Strategy. They complement the ND structures and fulfil the ND objectives in their own fields of excellence, based on their respective *raison d'être* and geographical mandates.

1.1. The coordinating role of the ND Structures

6. The central - but by no means exclusive - coordinating role of the ND Structures in involving the non-EU ND partners should be confirmed in order to ensure the coherency of the external actions and activities related to the Strategy. This principle is also reflected the December 2007 European Council Conclusions. Thus, the Strategy should continue to be a standing item on the agendas of the ND Steering Group or the Senior Officials and the Ministerial meetings. The discussion on the Strategy is expected to begin in autumn 2009 when the Strategy will be presented to the ND partners in the ND Senior Officials Meeting to be held in Stockholm. Following this presentation, the four ND partners will then have the first opportunity to consider possible joint actions and to take note of positions indicated in other fora.

1.2. Northern regional councils and other regional co-operation architecture³

7. The Northern Regional Councils are, above all, useful in carrying out activities that require concrete regional expertise. The four Northern regional councils are participants to the ND.⁴ In addition to them, there are other regional and sub-regional structures engaged in activities in the area. The changing political and economic environment in the Baltic Sea Region challenges these regional actors to seek new areas or foci of activities. For example, the Nordic Council of Ministers has offered its services to facilitate preparation of the new ND Partnership on Culture. The Council of the Baltic Sea States has been restructuring its work. The NCM, CBSS and even the BEAC – within their own geographic areas – could all seek roles in the implementation of the broad objectives of the Strategy.

8. The EU Member States participating in the Regional Councils might consider taking advantage of opportunities provided by the Strategy to initiate the streamlining of the regional co-operation architecture. Non-EU members could similarly seize the opportunity to make an overarching review of the matter. The guiding principle in this work should be to avoid any overlap in order to streamline and strengthen the co-operation structures. Furthermore, the co-operation between the regional councils, the ND Partnerships and other different financing instruments and programmes should be enhanced. It is suggested that an *ad hoc* brain storming meeting should convene soon after the Commission has presented the Strategy, in order to discuss the role of the regional councils in the context of the EU Strategy for the Baltic Sea Region. This could be made either among the relevant EU Member States or, if deemed more efficient, in a joint session with the non-EU ND Partners.

³ Annex 1: Northern Regional Council, incl. non-participant organisations to the ND: HELCOM, BDF, etc.

⁴ The Barents Euro-Arctic Council (BEAC), the Council of the Baltic Sea States (CBSS), the Nordic Council of Ministers (NCM) and the Arctic Council (AC). The Arctic Council has a rather global agenda and its point of view is non-regional by nature. The Strategy might bring only limited added value to the work of the AC

2. Instruments and programmes: Combining and bringing closer internal and external EU funds, ND Partnerships, CBC and transnational programmes;

9. Regional co-operation is clearly playing an increasing role on the EU's external agenda (Union for the Mediterranean, Eastern Partnership, Black Sea Synergy, Northern Dimension etc.). This fact should also be reflected in the post-2013 EU financial architecture. The EU should further develop its instruments to promote regional co-operation on its external borders. The instruments should be based on common principles, but tailored to reflect the specific characteristics of each region. All unnecessary dividing lines hindering genuine regional co-operation should be abolished. Also, the procedures, regulations and governance of the programmes should be simplified.

10. The existing financial architecture needs to be made more efficient. The key questions in this respect are:

- 1) How to align financial co-operation more closely with our political objectives?
- 2) How to combine the internal and external elements of the funding, which are both needed in addressing the opportunities and challenges of the region?
- 3) How to enhance the interaction between the EU instruments and other financial mechanisms and actors, notably the international financial institutions, private funding and trust funds? Efficient project implementation requires co-operation, coordination and matching between various financing sources including private financing, trust funds and venture capital.
- 4) How to create a common framework in order to ensure the best possible use of the different EU funds for joint efforts?⁵

In the following paragraphs, some improvements to the current instruments to promote regional co-operation on and around the external borders of the EU are suggested.

2.1 Northern Dimension (ND) Partnerships⁶

11. Northern Dimension Partnerships have proven to be an effective way to organise practical implementation of projects in the agreed priority sectors. They represent one of the main innovations developed in the ND framework. ND Partnerships, both current ones and the ones under preparation, vary from one another, but their most important innovative feature and added value is that they bring together policy and project level co-operation in an efficient way. While the involvement of the International Financing Institutions (IFIs) secures the result orientated character of the partnerships, a strong political guidance is ensured by their top-down structure. The institutional set-up of the partnerships accommodates the interests of both the Union and of the countries of the region. The partnerships are based on transparency and inclusiveness. They however require certain financial commitment from their participants.

12. The ND partnerships, like all co-operation instruments, need to be constantly developed and adjusted to new circumstances. For example, the two existing partnerships (Northern Dimension Environmental Partnership NDEP and Northern Dimension Partnership on Public Health and Social Well-being, NDPHS) are focusing on assisting North-West Russia, an idea corresponding to the politico-economic conditions of early 2000s. This exclusive approach does not necessarily reflect adequately

⁵ Cf for instance Neighbourhood Investment Facility (NIF)

⁶ Annex 2: Northern Dimension Partnerships

today's realities nor the principle of an equal partnership as enshrined in the founding documents of the renewed ND.

13. To sum up: The experience gained from the ND Partnerships demonstrates that combining political priorities and project level co-operation, taking advantage of synergies and creating networks results in projects with genuine regional significance. The support funds can act as catalysts for such projects.⁷ From the EU point of view the Partnerships have been exclusively external co-operation instruments. In the future, more flexibility should be allowed to address properly the common challenges and opportunities.⁸ Policy level co-operation in the framework of the ND Partnerships should complement the ongoing work of the Northern Regional Councils and EU-Russia dialogue.

Flagship idea 1: Endorsing Partnerships as a model of regional co-operation with third countries.

Required actions to be taken by the EU: Supporting the Partnerships through the EU budget.

Actions to be taken in co-operation with the non-EU ND partners: Establishing new partnerships, as appropriate, and reviewing current partnerships, when necessary.

2.2 CBC and transnational programmes⁹

14. The new approach to the cross-border co-operation programmes and to the transnational Baltic Sea programme has delivered substantial improvements to the principles of co-operation on the external borders of the Union. Although at their early stages, the benefits of the ENPI CBC programmes are visible. The programmes put the ND goals in practise at grass-root level. Besides producing small-scale but concrete results they bolster stability, economic development and cohesion on and around the border regions. Their bottom-up approach ensures the engagement of the regional level. For the first time, the regions on both sides of the EU borders have fully participated in the programming process. Furthermore, for the first time, the co-financing will be based on an equal partnership. It is indeed fair to say that these programmes, by complementing other forms of co-operation, prepare the ground for wider regional co-operation in the whole Baltic Sea region.

15. The biggest drawback of these programmes is that their implementation procedures are still very heavy and based on the practice applied in the external programmes not fitting well to the principle of equal partnership. Furthermore, the legal constraints related to the programmes hinder the involvement of the IFIs in the projects.

16. On the basis of these first experiences, the future CBC programmes should be based on a fully equal partnership between the EU Member States and non-EU ND partners. The preparation and

⁷ The Northern Dimension Environmental Partnership has been a good example of regional level co-operation encouraging and catalysing measures on national level.

⁸ For example: Finland has suggested that the implementation of the Helsinki Commission Baltic Sea Action Plan (HELCOM BSAP) should be one of the priorities of the EU Strategy. Strengthening the policy co-operation around the NDEP and extending, when appropriate, its sphere of financial actions to the environmental hot-spots in the EU area would enhance the implementation of the HELCOM BSAP.

⁹ There are seven ENPI CBC programmes within the Baltic Sea Region: Estonia/Latvia/Russia, Latvia/Lithuania/Belarus, Lithuania/Poland/Russia/, Poland/Belarus/Ukraine, Kolarctic, Karelia and Southeast Finland/Russia programmes.

implementation of the programmes should be fully in the hands of the regions. Furthermore, the programmes should be related more closely to the political objectives of the Northern Dimension and the Strategy. External dimension of the programmes should be geared towards sustaining the stability and economic prosperity of the border regions, encouraging networking between the border regions, and developing and creating common mutually beneficial projects.

Flagship idea 2: Reinforcing and reviewing the CBC programmes post 2013

Required actions to be taken by the EU: The current ENPI CBC programmes should be separated from the European Neighbourhood and Partnership Instrument as the ENPI does not seem to serve as an adequate basis for the specific characteristics of cross border co-operation. A new "Proximity instrument" based on the principles of the European Territorial Co-operation and equal partnership should be created.

17. Unlike the ENPI CBC programmes, the current transnational Baltic Sea Region Programme has a real potential to evolve into a full-scale regional programme implementing the strategic priorities of the Strategy. Common challenges in the region call for wide participation of the Baltic Sea countries, including Russia and Belarus. Strengthening the external financial component of the programme and creating links to the ND Partnerships and to the new "Proximity instrument" would also help to implement and enhance the impact of the programme.

Flagship idea 3: Transformation of the Baltic Sea Region Programme into a full-scale transnational and macro regional programme in post 2013

Required actions to be taken by the EU: EU legislation to be reviewed