



Cooperation methods and tools

applied by European Structural and Investment Funds programmes for 2014-2020 to support implementation of the European Union Strategy for the Baltic Sea Region

FINAL REPORT



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INTERact

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The EU Strategy for the Baltic Sea Region (EUSBSR) is the first macro-regional strategy in Europe. It aims at reinforcing cooperation within this large region in order to face common challenges by working together as well as promoting a more balanced development in the area.



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List of abbreviations

CF	Cohesion Fund
CP	Cooperation Programme
CPR	Common Provisions Regulation
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EMFF	European Maritime and Fisheries Fund
ERDF	European Regional Development Fund
ESI Funds	European Structural & Investment Funds
ESF	European Social Fund
ETC	European Territorial Cooperation
EUSBSR	European Union Strategy for the Baltic Sea Region
HA	Horizontal Action
HAC	Horizontal Action Coordinator
ICT	Information and Communication Technologies
IB	Intermediate Body
IP	ESI Funds Programme Investment Priority
MA	Managing Authority
NC	National Coordinator
OP	Operational Programme
PA	Policy Area
PAC	Policy Area Coordinator
R&D	Research and Development
SME	Small and Medium-sized Enterprises
TO	ESI Funds Programme Thematic Objective

Executive summary

The European Commission Report concerning the added-value of macro-regional strategies defines a macro-regional strategy as an integrated framework addressing common opportunities and challenges which “benefits from strengthened cooperation for economic, social and territorial cohesion”. ESI Funds Programmes should be at the forefront of this strengthened interaction, cooperation and coordination. The Common Provisions Regulation (CPR) for example stipulates that, as part of an “integrated approach to territorial development” and “where appropriate”, partnership agreements shall set out main priorities for cooperation under ESI Funds “taking into account macro-regional strategies” (article 15(2)). It also states that “Member States shall seek to ensure successful mobilisation of Union funding for macro-regional and sea- basin strategies in line with the needs of the programme area identified by the Member States” (Annex I, section 7.3), and that individual relevant operational programmes (OPs) shall specify “the contribution of the planned interventions to [macro-regional] strategies” (articles 27(3) and 96(3)).

The present study has enquired whether and how individual national authorities and ESI Funds programmes concerned by the European Union Strategy for the Baltic Sea Region (EUSBSR) have taken these recommendations and regulatory clauses into account. This has been done by analysing partnership agreements between the European Commission and Baltic Sea Region Member States, 17 Operational Programmes (OPs), as well as one Cooperation Programme (CP). Additionally, their respective managing authorities and other selected actors of the EUSBSR have been interviewed.

Understandings (and misunderstandings) concerning macro-regional cooperation

Reviewed programmes approach macro-regional cooperation in different ways, and more or less proactively. While only a few programmes state that they will not contribute to macro-regional cooperation, a number of recurring misunderstandings are observed. The first of these is that cooperation is not necessarily needed to contribute to the EUSBSR; it would be sufficient to pursue congruent objectives. This is partly linked to the second misunderstanding, which has to do with the nature of cooperation. For many MAs and stakeholders, cooperation necessarily involves joint project implementation. Other lighter forms of cooperation, such as coordination of actions and exchanges of information, tend to be disregarded. Macro-regional cooperation is therefore perceived as potentially burdensome and costly; many actors therefore prefer to avoid engaging in it.

Third, there is an excessive expectation that cooperation should emerge bottom-up. This is paradoxical, as a number of MAs also note that most potential project applicants neither have the knowledge nor the capacity or networks to engage in macro-regional cooperation.

Fourth, macro-regional cooperation tends to be considered as an option only when it is clearly demonstrated that it serves the interest of the programme area. Such a position would require greater efforts to identify medium to long term benefits of macro-regional cooperation. Benefits that can be observed and evaluated within the programming period may be few. They will also not necessarily be identified, given the prevailing evaluation methods and selection of indicators.

Some of the selected programmes identify concrete issues on which cooperation should be developed. ‘Smart specialisation’, which is referred to in a few partnership agreements, could guide cooperation efforts as one would seek to capitalise on complementarities between regions and countries. However, none of the programmes have yet developed a fully convincing cooperation model. The challenge would be to adopt a shared typology of different types of contributions to the EUSBSR through interaction, cooperation and coordination. This first presupposes a more advanced reflection on macro-regional cooperation within each OP.

EUSBSR perceived as a topic for ETC programmes

Considering the regulatory framework for OP/CP elaboration and involved parties, it is unsurprising that they focus on programme area needs. Their congruence with EUSBSR objectives is also logical, as both ESI Funds and the EUSBSR have been designed to contribute to the Europe 2020 strategy.

However, the fact that some programmes regard macro-regional cooperation as a topic for ETC programmes only is symptomatic of their limited involvement in the EUSBSR. They only to a limited extent perceive the EUSBSR as a lever to achieve programme objectives and targets.

Most programmes therefore do not actively use and promote the possibilities the regulations offer to support cooperation and to spend parts of the budget outside the programme area. It is considered politically sensitive to spend “own” money for project actors outside the own regions.

Managing authorities of regional and national OPs often do not have an in-depth knowledge of ETC programmes and their implementation. Inversely, ETC programmes have limited interaction with regional and national programmes.

This lack of mutual understanding limits possibilities of coordination. By way of consequence, possible synergies of relevance for the achievement of EUSBSR objectives are not exploited. Different programmes are elaborated and implemented separately.

Foreseen contributions to the EUSBSR are mainly indirect

Managing authorities rely strongly on bottom-up approaches, expecting project applicants to deliver a contribution to the EUSBSR. Very few top-down initiatives at national or regional level to stimulate, guide and support the development of cooperation processes and activities can be identified.

Low involvement of EUSBSR actors and limited coordination between programmes

EUSBSR actors are not systematically involved in the elaboration of the programmes. Even when they appear in the lists of actors annexed to most OPs and the CP, their concrete contributions and influence are in most cases limited. This was the fact even in countries where the partnership agreement and/or the OPs suggest a significant involvement of EUSBSR actors.

Regulations perceived as an obstacle to further cooperation

The CPR provides examples of how cooperation between ESI Funds programmes can be approached, by “organising specific calls for [operations deriving from macro-regional strategies]” or by identifying “operations which can be jointly financed from different programmes”. It also lists thematic fields where ESI Funds can be used, i.e. “in the context of macro-regional strategies, for the creation of European transport corridors, including supporting modernisation of customs, the prevention, preparedness and response to natural disasters, water management at river basin level, green infrastructure, integrated maritime cooperation across borders and sectors, R&I and ICT networks and management of shared marine resources in the sea basin and protection of marine biodiversity”.

In spite of these concrete suggestions, interviewees consider that regulations do not describe possible contributions of the ESI Funds to the objectives of the EUSBSR with sufficient clarity.

Perceived and observed cooperation challenges

National authorities of Baltic Sea Region and a majority of reviewed OPs are aware of the importance of cooperation and have developed measures and organisational arrangements to this end. However, the effects that can be expected from these initiatives are limited by a number of factors:

- **Lack of coordination:** proposals from different countries and OPs are insufficiently coordinated, and to a significant extent incompatible with each other;
- **Reliance on bottom-up initiatives:** a number of partnership agreements and OPs rely on individual applicants to develop and submit projects that involve interaction, cooperation and coordination with other Baltic Sea Region countries.
- Programmes relying on bottom-up initiatives may only substantially contribute to the EUSBSR insofar as they implement pro-active measures to support and encourage the generation of projects with a distinct cooperative macro-regional perspective. Enabling potential project applicants to identify the possible added-value of macro-regional interaction, cooperation and coordination when addressing the challenges or opportunities they focus on is key in this regards. Only few and limited such initiatives could be identified in the reviewed OPs.
- **Narrow perspective on cooperation focusing on joint project implementation:** In some instances, the perspective on interaction, cooperation and coordination is limited to joint project implementation by partners from different countries. This narrow understanding of cooperation may have been involuntarily encouraged by ETC programmes, which mainly fund projects with joint transnational implementation. It leads some national and regional ESI Funds programmes to consider that macro-regional cooperation requires excessive resources or is of limited relevance.
- **Variable strategic perspective on the added-value of cooperation:** Some partnership agreements and OPs make concrete proposals on cooperation fields and methods, while others advocate cooperation in general.
- **Variable positioning in the Baltic Sea Region:** The Baltic Sea Region is a diverse territory, e.g. in terms of development potentials, economic wealth, centrality in relation to freight and passenger flows, industrial profiles, geopolitical tensions and exposure to environmental hazards.

Only some partnership agreements and OPs formulate interaction, cooperation and coordination perspectives based on an analysis of their positioning in the Baltic Sea Region. Project selection, monitoring and evaluation

ESI Funds programme monitoring is complex, and MAs are generally reluctant at adding an additional EUSBSR dimension to the monitoring procedures. In some cases, it appears that monitoring of contributions to the EUSBSR is assimilated to monitoring of projects initially categorised as EUSBSR relevant. It is seldom envisaged to collect EUSBSR indicators unless they are already included in the foreseen list of ESI Funds programme indicators, and discussions on issues of scales of measurement and observation are limited. Current monitoring systems are not constructed to identify possible effects of programmes beyond the programme areas, e.g. at the level of the Baltic Sea Region. Project evaluation methods focusing on contributions to the EUSBSR (e.g. macro-regional cooperation) are foreseen in some countries. Other countries foresee to produce dedicated reports on EUSBSR contributions if the number of relevant projects is judged sufficient. Overall, it is considered premature to discuss evaluations of contributions to the EUSBSR, and there are obviously no common principles or frameworks in place to allow for a general assessment of combined effects of all ESI Funds programmes in the Baltic Sea Region.

Recommendations

Based on the findings and observations summarised above, the study formulates 7 groups of recommendations:

- **Clarify what macro-regional cooperation should be about and its specific features and added-value.** PACs and HACs should play a key role in this process. This presupposes that they are allocated sufficient resources.
- **Make the EUSBSR more concrete and action-oriented in collaboration with ESI Funds programmes.** A clearer division of roles between ESI Funds programmes with diverse methods and geographical scopes is needed. One must also focus on their complementarity in relation to other European, national and regional funding sources, which should also more visibly be mobilised to contribute to the EUSBSR.

As a first step, National Coordinators need to investigate the reasons for which their commitment to the EUSBSR has not yet led to a sufficiently profound revision of working methods and intervention logics at the level of individual managing authorities. As a second step, and based on a criti-

cal assessment of practices that have prevailed up to now, managing authorities need to consider how they could best take the EUSBSR into account within the framework of the existing OPs and CPs.

- **Improve the capacity of ESI Funds programmes to design and implement strategic actions.** The requirement to “set out the contribution to [the EUSBSR]” in art. 27(3) of the CPR has primarily been interpreted as an obligation to identify shared objectives. This proves not to be sufficient to change the ways in which ESI Funds programmes operate. A change of working methods and intervention logics is needed. The report proposes a series of awareness-raising initiatives focusing on different categories of ESI Funds programmes actors. ESI Funds programmes would, on this basis, develop a so-called ‘proactive bottom-up approach’. This implies that they would actively promote a change in attitudes among project applicants and project participants.
- **Create preconditions for diverse types of cooperation.** It is proposed that the European Commission could make it clearer for individual OPs that changes in attitudes to macro-regional cooperation at project level would constitute an asset in view of their evaluation. It could also, in cooperation with INTERACT, provide OPs with tools to better identify how cooperation can enhance development within their programme area, and to communicate these effects to relevant stakeholders.

A strengthening of the dialogue between managing authorities of ESI Funds programmes is needed. This would enable them to use possibilities to fund macro-regional cooperation offered by the CPR within the framework of current OPs.

- **Establish the complementarity of different ESI Funds programmes and other sources of funding for the EUSBSR.** Relations between ESI funds programmes and other sources of funding are already mentioned in a number of partnership agreements as well as in the EUSBSR Action Plan. These considerations need to be addressed at the level of Baltic Sea Region, in order to arrive at more consistent approaches. However, national and regional budgetary resources also more consistently need to be considered as possible sources of funding.
- **Engage a reflection on how ESI Funds programmes can relate to shared Baltic challenges and opportunities.** The study shows that a focus on regional and national self-interest is inherent to the ways in which programme elaboration, decision-making, monitoring and evaluation processes are organised in ESI Funds programmes. A reflection on how ESI Funds programmes could be organised in view of contributing to the

EUSBSR more effectively and consistently needs to be engaged. Parallel capacity-building efforts focusing on regional and local stakeholders would help to widen perspectives on development and on interdependencies between territories and levels of the Baltic Sea Region. Such combined top-down and bottom-up approaches may progressively lead to required changes in attitudes and modes of action.

- **Initiate a discussion on possible future changes in the architecture of ESI Funds and ETC.** Interviews show that ESI Funds programmes continue to consider the EUSBSR as a “different world”. To encourage a more outward looking perspective on the development of individual programme areas, it appears necessary to tear down the barrier between ETC programmes and regional/national programmes. Cooperation would then become a horizontal objective for all ESI Funds programmes. The joint secretariats of current ETC programmes could function as facilitators of this cooperation, building on their extensive networks and know-how. To prepare such a radical change in the organisation of European territorial cooperation, one could imagine to fund cooperation projects between managing authorities under priority 4 of the current Baltic Sea Region Programme.

1. Introduction

The European Union Strategy for the Baltic Sea Region (EUSBSR) was elaborated at the request of the Baltic Sea Region Member States, in cooperation with the European Commission, and adopted by the European Council in 2009. The 2007-2013 programming period was therefore already halfway through. This made it difficult for Structural Funds programmes to take the strategy into account in the allocation of funds, selection of actions and when setting up interaction, cooperation and coordination activities. European Territorial Cooperation (ETC) had the best predispositions to contribute to the EUSBSR; and became the main regional policy instrument to support the EUSBSR.

As the European Commission has repeatedly emphasized, the implementation of the strategy requires that it is deeply embedded in 2014-2020 programming, as well as all other policies (see Text Box 1). Transnational ETC programmes remain key actors in this process. However, they can only act as facilitators of change if the commitment to the EUSBSR is infused into all relevant European Structural Investment (ESI) Funds programmes and sectoral policies. The Baltic Sea Region (BSR) Member States chose to pursue an alternative approach to European governance when they adopted the EUSBSR. Organisational change and a reassessment of policy priorities at all levels are needed for this to happen. Actual efforts to promote these new working methods and perspectives are the benchmark against which the reality of the commitment to the EUSBSR can be assessed.

Text Box 1. The importance of actor interaction in macro-regional strategies

“Experience shows that European Territorial Cooperation (ETC) programmes are the main source of funding. However, in implementing the approach, all policies and programmes, including country-specific ones, as well as private sources, support from financial institutions (e.g. European Investment Bank) etc., should be mobilised.”

Source: European Commission Report on the added-value of macro-regional governance

The European Commission Report concerning the added-value of macro-regional strategies defines a macro-regional strategy as an integrated framework addressing common opportunities and challenges which “benefits from strengthened cooperation for economic, social and territorial cohesion”. This is further specified in a list of principles for the interaction between actors of macro-regional strategies (see Text Box 2). Interaction, cooperation and coordination are therefore at the core of macro-regional strategies.

Text Box 2. List of principles for the interaction between actors of macro-regional strategies

“The concept [of a macro-regional strategy] incorporates principles of:

- integration - objectives should be embedded in existing policy frameworks (EU, regional, national, local, pre-accession), programmes (EU, country-specific, territorial cooperation, sectorial), and financial instruments;
- coordination - policies, strategies and funding resources should avoid compartmentalisation whether between sectorial policies, actors or different tiers of government;
- cooperation - countries should cooperate, and sectors also, across the region, changing the ‘mind-set’ from inward to outward-looking regional development ideas;
- multi-level governance - different levels of policy-makers should work better together, without creating new tiers of decision-making;
- partnership - EU and non-EU countries can work together on the basis of mutual interest and respect.”

Source: European Commission Report on the added-value of macro-regional governance

ESI Funds Programmes should be at the forefront of this strengthened interaction, cooperation and coordination. This has been enacted in the Common Provisions Regulation (CPR) (COM(2013) 1303 final 2013) for the 2014-2020 programming period, which for example stipulates that, as part of an “integrated approach to territorial development” and “where appropriate”, partnership agreements shall set out main priorities for cooperation under ESI Funds “taking into account macro-regional strategies” (article 15(2)). It also states that “Member States shall seek to ensure successful mobilisation of Union funding for macro-regional and sea- basin strategies in line with the needs of the programme area identified by the Member States” (Annex I, section 7.3), and that individual relevant operational programmes (OPs) shall specify “the contribution of the planned interventions to [macro-regional] strategies” (articles 27(3) and 96(3)).

The present study has enquired whether and how individual national authorities and ESI Funds programmes have taken these recommendations and regulatory clauses into account. This has been done by analysing a selection of partnership agreements and OPs, as well as one Cooperation Programme (CP)

(see list in Table 1), and by interviewing their respective managing authorities (MAs) and other selected actors of the EUSBSR.

For the purpose of the study, ‘Macro-regional cooperation’ is understood as a process (project or action) carried out in collaboration with beneficiaries from different Baltic Sea region countries. This also refers to projects or actions that, although implemented separately, are coordinated between countries and have concerted effect when their results are aggregated with similar projects or actions in other Baltic Sea region countries (such as waste water treatment projects, TEN-T corridor projects). These projects or actions should contribute to the EUSBSR objectives. This definition is consistent with the approach of the European Commission Report concerning the added-value of macro-regional strategies.

A 2013 study produced by the consulting firm ESTEP for the Lithuanian presidency of the EU Council guided the analysis. This study contains recommendations for integrating the EUSBSR into the implementation of ESI Funds programmes and for improving the EUSBSR monitoring and indicator system. Its typology of cooperation models considers different degrees of interaction, depending on whether strategic planning, decision making, funding and implementation is carried out jointly by the involved actors. This typology was used as a starting point for document analyses and interviews.

Table 1. List of ESI Funds covered by the project

COUNTRY	OPERATIONAL PROGRAMME / COOPERATION PROGRAMME	FUNDS
Denmark	Operational Programme Innovation and Sustainable Growth in Businesses. National Programme for the European Regional Fund - 2014-2020	ERDF
	ESF Operational Programme	ESF
Estonia	Operational Programme for Cohesion Policy Funding 2014- 2020	ESF, ERDF and CF
Finland	Sustainable Growth and Work 2014-2020 (Operational Programme Mainland Finland)	ERDF and ESF
	Rural development programme for Mainland Finland	EAFRD
	EMFF programme	EMFF
Germany	Operational Programme Mecklenburg-Vorpommern	ERDF
Latvia	Operational Programme Growth and Employment	ESF, ERDF and CSF
Lithuania	Operational Programme for EU Structural Funds Investments for 2014-2020	ESF, ERDF and CF
	Lithuanian Rural Development Programme 2014-2020	EAFRD
Poland	Operational Programme Infrastructure and Environment (national programme)	ERDF and CF
	Operational Programme Digital Poland (national programme)	ERDF
	Operational Programme Knowledge Education Development	ESF
	Regional Operational Programme for Pomorskie Voivodeship	ERDF and ESF
	EMFF programme	EMFF
Sweden	National regional fund programme for Investments in Growth and Jobs 2014-2020	ERDF
	Upper Norrland	ERDF
Poland, Germany, Lithuania, Sweden and Denmark	South Baltic Cooperation Programme 2014-2020	ERDF

2. Understandings (and misunderstandings) concerning macro-regional cooperation

The review of OPs and of the South Baltic Cooperation Programme CP, together with interviews of these programmes, reveal a range of understandings of macro-regional cooperation and positions on its usefulness and feasibility.

- Some OPs consider that cooperation across the national borders is irrelevant in their field of action. This typically concerns the Polish OPs 'Infrastructure and Development' and 'Digital Poland', the argument being that they focus on investments within national boundaries. Instead, increasing the "sense of responsibility and support the EUSBSR at the national, regional and local levels" is presented as the main lever to promote contributions to the EUSBSR.
- The Danish ESF OP and OP 'Innovation and Sustainable Growth in Businesses' and the German regional OP for Mecklenburg-Vorpommern consider that cooperation is mainly a topic for ETC programmes. This position is partly based on a narrow understanding of cooperation focusing on joint implementation.
- Many programmes consider that macro-regional cooperation should primarily emerge bottom-up. This may justify a limited involvement in the definition and promotion of cooperation models. The Estonian OP 'Cohesion Policy Funding' for example does not foresee any interregional or transnational cooperation activities focusing on the EUSBSR, but opens up for the possibility of funding such activities 'in appropriate cases'.
- A number of OPs advocate macro-regional cooperation as an instrument to promote national and regional interests. The Swedish OP 'Investments in Growth and Jobs' mentions that "to further support Swedish fields of excellence, the programme may also support international cooperation. A precondition is that a domestic cooperation between actors of different region - around a Swedish field of excellence - is already established".
- Some OPs consider that national and regional ESI Funds programmes should mainly develop measures that complement macro-regional cooperation or make it possible. The Latvian OP 'Growth and Employment' and the German OP 'Mecklenburg-Vorpommern' offer examples of such a position, which may entail a limited direct involvement in macro-regional cooperation.

- Some MAs see the contribution of the programmes on the level of congruent objectives. They state that through the same objectives of the respective OP with the EUSBSR all the measures and projects will contribute to the Baltic Sea Strategy.

These positions reveal a series of misunderstandings on what macro-regional cooperation should be about and its specific features and added-value:

- "Actions within the programme area, without any form of external cooperation, can contribute to the EUSBSR." The EUSBSR contains a number of objectives which are also pursued by the Europe 2020 strategy, national and regional policies and by ESI Funds programmes. However, measures and initiatives can only be considered EUSBSR-relevant if they include some form of interaction, coordination or cooperation with stakeholders or actors in other Baltic Sea Region countries. Some MAs acknowledge that congruence with EUSBSR objectives is not sufficient to identify a priority axis, investment priority or project as 'EUSBSR relevant'. The MA of the Estonian OP for Cohesion Policy Funding 2014-2020 for example states that relating 90% of the funding to the EUSBSR does not help involved parties in any way.
- "Macro-regional cooperation necessarily involves joint project implementation." Joint project implementation is the traditional form of cooperation in ETC programmes. However, macro-regional-cooperation can take many forms. Lighter forms of cooperation can prove particularly useful. This aspect is further developed in section 4.3, p. 22.
- "Cooperation initiatives should emerge bottom-up in project application." All ESI Funds programmes, together with European, national and regional authorities and agencies, need to be pro-active in promoting a Baltic perspective in their activities. It is not sufficient to expect transnational approaches to emerge bottom-up. The OP 'Mecklenburg-Vorpommern' mentions that problems were encountered spending funds under the transnational measure under the 2007-2013 ESF programme because of a lack of demand. This could justify increased efforts to encourage potential project applications to 'think and act macro-regionally', but is on the contrary invoked as a reason to limit ambitions for macro-regional cooperation.
- "Macro-regional cooperation can be envisaged when it serves internal interests of the programme area." The identification of national and regional benefits from macro-regional cooperation can be a useful lever to promote a Baltic dimension in individual projects. However, the objective of the EUSBSR is to address challenges and opportunities that

are shared by multiple Member states in the Baltic Sea Region. Regional and national self-interest is therefore not a sufficient driver for macro-regional cooperation; it needs to be accompanied by awareness-raising on shared challenges and opportunities.

The significance of the EUSBSR for cooperation is also toned down by some programmes. The Lithuanian Rural Development Programme for example points out that it has a history of involvement in the Nordic Countries Rural Network, which organised regular meetings. Similarly, the ESF Baltic Sea Network could develop cooperative initiatives at the level of a macro-region also in the absence of a macro-regional strategy. From this perspective, the EUSBSR is mainly perceived as providing additional impetus to other and existing cooperation initiatives by bringing Baltic challenges and opportunities higher on the political agenda. It is not seen as a 'change of paradigm' in cooperation in the Baltic Sea Region.

A few programmes claim that the regulatory framework for ESI Funds makes it difficult to engage in macro-regional cooperation at programme level, or that guidance provided by the European Commission is not clear enough. The Swedish regional OP 'Upper Norrland' for example considers that national guidelines and European regulations were too restrictive to allow EUSBSR objectives and sub-objectives to significantly influence the selection of priority axis and investment priorities. They therefore mainly checked that there were no contradictions between the OP and the EUSBSR. The MA of the Finnish 'Sustainable Growth and Work' programme argues that the guidelines on how to take the EUSBSR into consideration in the programming phase were unclear, and that it was impossible to provide detailed descriptions of programme contributions to the EUSBSR due to limits imposed to the length of OPs. The Polish OP 'Infrastructure and Environment' claims that regulations on public procurement make it impossible to give actors from the Baltic Sea Region priority when applying technical solutions from other countries. Actors from across the EU must be treated equally. Furthermore, the interviewee considers that article 70(2) is of limited relevance because two thirds of programme allocations come from the Cohesion Funds. Finally, investments financed by the Cohesion Fund must be located in so called 'less-developed regions', which limits the geographical scope of cooperation in the Baltic Sea Region. Some of these statements reveal misunderstandings on the nature of macro-regional cooperation, which could be addressed through further information on macro-regional strategies and exchanges between the European Commission and managing authorities.

A number of cooperation ideas and suggestions were identified when reviewing OPs/CP and during interviews. Some OPs identify concrete cooperation fields and issues in a precise way. The Swedish regional OP for Upper Norr-

land describes the EUSBSR as a context to promote increased cooperation in research and innovation processes, and enhanced cooperation of companies targeting international markets. The Polish regional OP for Pomorskie Voivodeship includes a separate section entitled "solutions for interregional and transnational projects funded by ROP involving beneficiaries located in at least one other Member State", in which topics such as knowledge transfer, renewable energy, tourism infrastructure and natural habitats are mentioned as possible issues for macro-regional cooperation in the EUSBSR. In Finland, it is stated the most obvious opportunities for EUSBSR relevant cooperation for OP 'Sustainable Growth and Work' are "internationalisation of Finnish enterprises, clean-tech business and research, bio-economy, smart transport and energy solutions and cooperation between educational institutions and universities". Many of these ideas have already been translated into flagship projects - the OPs insist on the importance of continued cooperation linked to a number of such projects, e.g. sustainable aquaculture in the context of the flagship project Aquabest for the Finnish EMFF OP. References to 'smart specialisation' in the Finnish and Estonian partnership agreements should also logically enhance cooperation at the level of the Baltic Sea Region, as one would seek to capitalise on complementarities between regions and countries. The challenge is to transform these disparate ideas into coherent transnational cooperation models and actions.

There are some attempts at defining cooperation models. The OP 'Pomorskie Voivodeship' has for example elaborated a typology of relations between the Programme and the EUSBSR (see Text Box 3). The three types considered are 'compliance', 'coordination' and 'direct link'. These types, and their names, could be further elaborated. 'Compliance' may for example be a misnomer for the first category, as all projects of ESI Funds programmes a priori comply with the EUSBSR. As far as the second category is concerned, 'coordination' is relevant also when a direct link with the EUSBSR is identified. However, such attempts to identify different categories of contributions are a good starting point for discussions on the types of cooperation models to be promoted at the level of the Baltic Sea Region. The challenge would be to adopt a shared typology of contributions to the EUSBSR through interaction, cooperation and coordination. This first presupposes a more advanced reflection on macro-regional cooperation within each OP.

Text Box 3. Typology of relations between the Programme and the EUSBSR defined by the Polish OP ‘Pomorskie Voivodeship’

Compliance - the relation between ROP and EUSBSR is on **general level, indirect and merely theoretical** - it concerns general thematic areas, like education, environment. There is only a coincidence between topics and issues financed under ROP and highlighted in the EUSBSR.

It will be probably the vast majority of projects in ROP 2014-2020.

Coordination - the relation is **more direct** and the coordination would be done **on the level of the region** by the regional authority (ROP MA) to strengthen the synergy of both: ROP projects and other interregional/ cross-border projects (mainly ETC, but not only). It is done to avoid the duplication of the projects, results etc.

Direct link - the relation between the ROP and EUSBSR is direct (e.g. the ROP is able to finance projects of transnational/cross-border partnerships which even **may become flagship projects or projects supporting flagship projects** etc.)

3. Levels of consideration of the EUSBSR in programme elaboration

The requirement to contribute to the EUSBSR as specified in the CPR has generally been met by all programmes. However, the level of ambition is often rather low. The EUSBSR is regarded as a framework against which priority axes and specific objectives of the OP are checked. Programmes focus on avoiding contradictions between the EUSBSR and the OP.

Several observations illustrate this general finding:

- The primary basis for all OPs were the assessment of programme area needs. A number of MAs suggest that macro-regional cooperation is rather an issue for ETC programmes.
- Most MAs identify different types of indirect contributions to the EUSBSR. These contributions are either based on a selection of similar objectives at programme level, or foreseen to result from measures at project level. The involvement of actors of the EUSBSR and the coordination with other ESI Funds programmes or funds in the development of

the strategy and in the whole programming process was very limited.

- Many managing authorities consider that ESI Funds regulations create obstacles for macro-regional cooperation in ESI funds programmes.

These different aspects are further elaborated below, with examples of good practice observed in the Baltic Sea Region.

3.1. OPs/CP elaborated with a focus on programme area needs

In general the programmes gave priority to the needs of the programme area identified and selected thematic and specific objectives accordingly. The interviews confirmed that only a few programmes considered that the EUSBSR had been used actively to formulate the programme strategy, e.g. as a criterion for the formulation of the priority axes. These programmes are:

- Estonian OP ‘Cohesion Policy Funding’;
- Finnish EMFF programme;
- Lithuanian OP ‘EU Structural Funds Investment’;
- Polish OP ‘Infrastructure and Environment’;
- Polish regional OP ‘Pomorskie Voivodeship’.

However, most programmes have considered the EUSBSR and have selected objectives that are congruent with it. This is unsurprising as both ESI Funds and the EUSBSR have been designed to contribute to the Europe 2020 strategy. Furthermore, according to Art. 4 of the ERDF regulation Member States had to focus on the objectives innovation, competitiveness and energy. These objectives also play a key role in the strategy of the EUSBSR.

All managing authorities referred to discussions about the influence of the EUSBSR during programme elaboration processes. However, attempts to identify how macro-regional cooperation could help addressing priority axes and investments priorities were vague in many cases. When these attempts were more specific, the proposals only focused on a few topics of the programme.

This limited commitment can be ascribed to lack of ownership of the EUSBSR among actors involved in the elaboration of ESI Funds programmes. The EUSBSR and national/regional ESI Funds programmes are regarded as ‘two different worlds’. While interviews suggest that some MAs and programming committees wish to contribute to the EUSBSR but are uncertain how to proceed, other programmes clearly focus on the interests of their respective

programme area. They do not establish a relation between macro-regional objectives and objectives that are specific to the programme area.

3.2. EUSBSR perceived as a topic for ETC programmes

The fact that some programmes regard macro-regional cooperation as a topic for ETC programmes only is symptomatic of their limited involvement in the EUSBSR.

Most programmes do not actively use and promote the possibilities the regulations offer to support cooperation and to spend parts of the budget outside the programme area, in accordance with Art. 70 (2) of the CPR. It is considered politically sensitive to spend "own" money for project actors outside the own regions.

This possibility is referred to by some partnership agreements: Poland would use this possibility "on mutual terms" with other countries, while Lithuania will use it when "a clear added-value is evident". Additionally, Estonia mentions this possibility in general terms and Finland considers that it can help addressing goals that require close transnational cooperation, such as risk assessment and management, preparedness for extreme climate events and accidents in maritime transport. However, such statements are generally not translated into more specific strategic options at programme level.

Managing authorities of regional and national OPs often do not have an in-depth knowledge of ETC programmes and their implementation. Inversely, ETC programmes have limited interaction with regional and national programmes. This lack of mutual understanding limits possibilities of coordination. By way of consequence, possible synergies of relevance for the achievement of EUSBSR objectives are not exploited. Different programmes are elaborated and implemented separately.

3.3. Foreseen contributions to the EUSBSR are mainly indirect

Reviews of OPs and interviews with MAs demonstrate that foreseen contributions of the OPs and of the CP to the EUSBSR are mainly indirect. Although the objectives of the EUSBSR and the programmes are congruent, the OPs generally fail to adopt a Baltic approach and to formulate a direct contribution to the objectives of the EUSBSR. This seems to be mainly a result of the deve-

lopment of the programme strategies and objectives based on regional and national needs and ambitions. While issues and impacting factors that operate across regional and national border are identified, this does not lead to the formulation of ambitions at the cross-border or macro-regional level. This for example concerns marine pollution, maritime safety, security, climate change, transport and accessibility, energy and innovation.

As a result, the managing authorities often see the contribution to the EUSBSR rather on an indirect level. The congruent objectives are regarded as the programme's contribution to the EUSBSR. The practical input and more direct contribution is delegated to the project level.

Some OPs fund major infrastructure programmes with a possible impact on the Baltic Sea Region as a whole or large parts of it (e.g. rail ways and roads, sewage plants). Even these OPs do not always perceive the EUSBSR as an input to their strategy for the programme area. This for example concerns the Polish OP 'Infrastructure and Environment'. Its managing authority does not envisage an involvement in macro-regional cooperation due to the nature of the programme with large investments on national level. On the other hand the programme coordinates the investments on energy grids and in the Rail Baltica project with Lithuania.

Managing authorities rely strongly on bottom-up approaches, expecting project applicants to deliver a contribution to the EUSBSR, e.g.:

- the Latvian OP 'Growth and Employment' claims it cannot define 'exact interfaces' with the EUSBSR, and that relations will become more tangible when the actual project proposals will be generated.
- In Denmark, the regional growth forums will decide whether they wish to support the EUSBSR and open the programme to cooperation.
- The Lithuanian rural development programmes only envisages to fund cooperation with actors outside the programme area as part of the Leader measure, but this will depend on the local actors.

Very few top-down initiatives at national or regional level to stimulate, guide and support the development of cooperation processes and activities can be identified. The Polish OP 'Knowledge and Education Development' for example foresees to organise a forum of partners dedicated to the EUSBSR. However, this initiative is not coordinated with programmes from other countries.

3.4. Low involvement of EUSBSR actors and limited coordination between programmes

EUSBSR actors are not systematically involved in the elaboration of the programmes. Even when they appear in the lists of actors annexed to most OPs and the CP, their concrete contributions and influence are in most cases limited. This was the fact even in countries where the partnership agreement and/or the OPs suggest a significant involvement of EUSBSR actors.

Only the South Baltic Cooperation Programme tried to systematically involve PACs of relevance considering its selection of Thematic Objective. The output was variable: some PACs participated in meetings of the programming committee, while no feedback could be obtained from others.

While interviewees in Denmark, Mecklenburg-Vorpommern and for both EMFF programmes stated that there was no involvement of PACs, HACs or other EUSBSR actors at all, most programmes had at least a discussion of the programmes with national working groups for the EUSBSR (e.g. Estonia, Poland), an involvement of the National Coordinator (NC) (e.g. Lithuania) or the national PACs or HACs (e.g. Finland, Sweden).

A transnational involvement of PACs or HACs or other stakeholders from the BSR countries in the elaboration of national and regional ESI Funds programmes did not take place in any of the programmes. This is understandable, given that PACs and HACs have insufficient resources to support all programmes. The initiative should come from the managing authorities, like the South Baltic Cooperation Programme showed exemplary.

3.5. Regulations perceived as an obstacle to further cooperation

The CPR provides examples of how cooperation between ESI Funds programmes can be approached, by “organising specific calls for [operations deriving from macro-regional strategies]” or by identifying “operations which can be jointly financed from different programmes”. It also lists thematic fields where ESI Funds can be used, i.e. “in the context of macro-regional strategies, for the creation of European transport corridors, including supporting modernisation of customs, the prevention, preparedness and response to natural disasters, water management at river basin level, green infrastructure, integrated maritime cooperation across borders and sectors, R&I and ICT networks and management of shared marine resources in the sea basin and

protection of marine biodiversity”.

In spite of these concrete suggestions, interviewees consider that regulations do not describe possible contributions of the ESI Funds to the objectives of the EUSBSR with sufficient clarity:

- The proposals of ESI Funds regulations on how macro-regional strategies should be dealt with in ‘mainstream programmes’ and ETC programmes are perceived as unclear.
- It is claimed that regulations do not specify which kinds of contributions OPs should make to macro-regional strategies, leaving room interpretation within each programme.
- During the negotiations between the European Commission and the MAs, the section of the OPs where the MAs describe the contribution to the macro-regional strategies was not systematically focused on.
- Generally, interviewees would like to see a clearer division of responsibilities for the implementation of macro-regional strategies. Some MAs state that the European Commission tries to shift responsibilities to the Member States, and that respective positions of different services of the European Commission are not fully aligned.
- Some MAs also state that contributions to complex initiatives such as macro-regional strategies require more flexibility than current regulations allow for.

Overall, interviews suggest that not all MAs fully perceive the possibilities offered by the new ESI Funds regulations. Some of them tend to reproduce working methods and project development approaches from the previous programming period. Renewing these ‘established cultures of ESI Funds programme administration’ would probably have required further efforts of communication. It is in this respect a problem that individual MAs perceive that the European Commission does not speak with a single voice when it comes to macro-regional strategies. However, as the macro-regional strategy is a Member States initiative, challenging and renewing such ‘established culture of public administration’ primary appears as a responsibility of individual Member States.

4. Perceived and observed cooperation challenges

As described in the introduction, macro-regional interaction, cooperation and coordination are key to the pursuit of the EUSBSR. National authorities of Baltic Sea Region and a majority of reviewed OPs are aware of this and have developed measures and organisational arrangements to this end. However, the effects that can be expected from these initiatives are limited by a number of factors:

- Lack of coordination: proposals from different countries and OPs are insufficiently coordinated, and to a significant extent incompatible with each other;
- Reliance on bottom-up initiatives: a number of partnership agreements and OPs rely on individual applicants to develop and submit projects that involve interaction, cooperation and coordination with other Baltic Sea Region countries.
- Narrow perspective on cooperation focusing on joint project implementation: In some instances, the perspective on interaction, cooperation and coordination is limited to joint project implementation by partners from different countries. This narrow understanding of cooperation may have been involuntarily encouraged by ETC programmes, which mainly fund projects with joint transnational implementation. It leads some national and regional ESI Funds programmes to consider that macro-regional cooperation requires excessive resources or is of limited relevance.
- Variable strategic perspective on the added-value of cooperation: Some partnership agreements and OPs make concrete proposals on cooperation fields and methods, while others advocate cooperation in general.
- Variable positioning in the Baltic Sea Region: The Baltic Sea Region is a diverse territory, e.g. in terms of development potentials, economic wealth, centrality in relation to freight and passenger flows, industrial profiles, geopolitical tensions and exposure to environmental hazards. Only some partnership agreements and OPs formulate interaction, cooperation and coordination perspectives based on an analysis of their positioning in the Baltic Sea Region.

These different limitations are further elaborated below, with examples of good practice observed in the Baltic Sea Region.

4.1. Lack of coordination

Partnership agreements and OPs propose a number of interesting cooperation ideas, e.g.:

- joint calls for projects of EUSBSR relevance (Lithuania);
- targeted calls focusing in EUSBSR projects (Poland, Sweden, also envisaged in southern Finland).
- joint implementation of projects, in which the partners receive funding from the programmes of their respective country or region (Denmark, Finland, Sweden and, in very general terms, Latvia);
- possibility of broadening the geographical scope of existing projects beyond the programme area (Denmark, Sweden);
- fostering the development of common projects at regular meetings between Baltic Sea Region countries (Latvia).

This diversity of solutions reflects variable preparedness to commit ESI Funds programmes to macro-regional cooperation. Considering the diversity of cooperation frameworks established at the level of partnership agreements and OPs, it may prove difficult to implement cooperation projects. A number of solutions are envisaged, but they are often not compatible with each other and focus on different issues and themes. It can therefore be feared that cooperative projects will either be limited to countries sharing similar approaches, or be forced to limit their level of ambition to the ‘least common denominator’ across the Baltic Sea Region.

During interviews, discussions between national authorities of the Baltic Sea Region were mentioned, where some advocated that support to selected Flagship projects should be enacted already in the programming phase. Some stakeholders of the EUSBSR perceive the rejection of this idea as a major obstacle to a substantial involvement of ESI Funds programmes to the Strategy.

However, such a proposal contradicts the governance principles of at least some programmes, in which intermediate bodies (IBs) play a key role in deciding on appropriate topics and forms of cooperation. Other programmes maintain that the level of demand for macro-regional cooperation among project applicants during the 2007-2013 programming period is a limiting factor to be taken into account. Short-circuiting IBs and the ‘market of potential project applicants’ by deciding on joint funding of selected Flagship projects already in the programme elaboration phase would be a significant break with the principles that have governed a majority of ESI Funds programmes.

The challenge is to therefore to arrive at a shared perspective on interaction, cooperation and coordination models while taking into account multi-level governance ambitions that prevail in a majority of ESI Funds programmes.

4.2. Reliance on bottom-up initiatives

A number of OPs use their commitment to a bottom-up emergence of project ideas as a justification for not developing precise interaction, cooperation and coordination models. From this point of view, it is up to individual project applicants to demonstrate the added-value of macro-regional cooperation and to design corresponding arrangements for cooperation with partners from other EUSBSR countries.

Such a stance limits the capacity of ESI Funds to generate structural change. Change can be generated by embedding a new macro-regional perspective in the practice of projects. Such new methods of designing and implementing measures then progressively influence a wider range of actors. Presuming that the motivation to ‘think and act macro-regionally’ should come from projects presupposes that they would spontaneously adopt the ideals and methods of macro-regional cooperation. Interviews confirm that this is not generally the case, especially at the regional and local levels.

This is partly a consequence of the way ‘EUSBSR relevance’ is approached in the CPR. The CPR has made it compulsory for OPs to describe their respective contributions to the EUSBSR but has, due to the wording of its articles, encouraged a focus on ‘priorities’ and ‘topics’ of cooperation. Many programmes therefore carefully consider whether their priority axes and investment priorities correspond to the objectives, sub-objectives, policy areas and horizontal actions of the EUSBSR. However, only a limited number of projects describe how they will enable and stimulate individual project protagonists to ‘think and act macro-regionally’. EUSBSR flagship project status is perceived as attractive, and may contribute to encourage macro-regional approaches. Some partnership agreements and OPs make reference to flagship project status. The Estonian partnership agreement for example specifies that “the programmes are intended to use the Flagship Project status established within the EUSBSR for co-financed projects in order to contribute to the achievement of objectives of the EUSBSR and to achieve good visibility of the co-financed projects” (p. 203, English version). The CP of the South Baltic Cooperation Programme also declares that “targeted calls for the strategic/flagship projects implementing one or several of the actions in the EUSBSR could be envisaged”. However, most references to ‘flagship’ status refer to already established projects, rather than to the possibility of generating new ones. The OPs therefore seek to capitalise on past strategic project initiatives, rather

than to propose new ones.

Overall, the reliance on bottom-up initiatives therefore either appears as a pipedream, or as an alibi to preserve the status quo in ESI Funds implementation. Programmes relying on bottom-up initiatives may only substantially contribute to the EUSBSR insofar as they implement pro-active measures to support and encourage the generation of projects with a distinct cooperative macro-regional perspective. Enabling potential project applicants to identify the possible added-value of macro-regional interaction, cooperation and coordination when addressing the challenges or opportunities they focus on is key in this regards. Only few and limited such initiatives could be identified in the reviewed OPs.

The capacity building initiatives implemented under HA Capacity (former HA Involve) in cooperation with INTERACT are therefore of critical importance. These efforts focus on five groups of actors:

- NCs, PACs, HACs;
- PA focal points, Steering groups;
- local and regional authorities, NGOs, business and academia in the Member States;
- flagship leaders, project developers, project managers;
- programmes (managing authorities and joint secretariats).

Capacity building is in these courses considered to result from improved knowledge, ability to learn and leadership competence in a complex and sometimes confusing context of the EUSBSR. The fact that there is no identified ‘EUSBSR authority’ implies that individual projects to a large extent need to judge the degree of EUSBSR relevance of their own initiatives autonomously. HA Capacity (former HA Involve) seeks to support individual projects confronted to this responsibility.

4.3. Narrow perspective on cooperation focusing on joint project implementation

Joint transnational project implementation may be necessary in some instances to strengthen the dialogue across national borders. However it is costly, and often difficult to make durable without external funding. ETC programmes have typically funded such project as part of efforts to enhance the awareness of competences, potentials and possibilities on the other side of borders.

The previously mentioned ESTEP study (see p. 8) foresees the possibility of projects with joint planning, decision-making, funding and/or implementation. A wide range of cooperation schemes can be envisaged on this basis. The EUSBSR is a useful instrument for looser cooperation and coordination initiatives, as it can constitute a reference framework for actions that are not managed jointly.

Notions such as ‘cumulative impact’ (Lithuanian partnership agreement), ‘complementary actions’ and ‘mirror projects’ (South Baltic Cooperation Programme) could inspire wider perspectives on interaction, cooperation and coordination across the Baltic Sea Region. However, a more strategic identification of meaningful forms of cooperation in relation to specific topics, issues, challenges and opportunities is needed.

4.4. Joint strategic perspective on macro-regional cooperation for selected themes and issues only

Most partnership agreements and OPs identify EUSBSR objectives, sub-objectives, PAs and, in some instances, flagship projects to which contributions are foreseen. Many OPs focus on similar aspects. Innovation and SMEs are for example mentioned in most OPs with support from the ERDF. Both the Finnish and Polish EMFF programmes foresee contributions to former PAs Agri and Bio, later merged in the new PA Bioeconomy, even if their perspectives on the nature of these contributions are different. These recurring themes could be natural themes for macro-regional cooperation.

It could therefore be useful to produce more systematic overviews of these recurring themes and issues and to disseminate them among MAs and potential project applicants. This could then be the basis for dialogues and exchanges between programme actors allowing more converging positions to emerge on how to tackle them and on possible opportunities for interaction, cooperation and coordination.

Differences between decision making processes and structures of OPs make it challenging to organise such dialogues. The actors that would need to be involved are generally MAs and potential project applicants, but also in some countries IBs. The OPs often describe EUSBSR-relevant issues or themes of intervention, but only seldom identify the strategic levers to be focused on within them. This makes it possible for EUSBSR actors (typically PACs) to encourage a convergence in the identification of these strategic levers, within the few themes and issues for which a significant number of OPs foresee to contribute to the Strategy.

4.5. Variable positioning in the Baltic Sea Region

The Swedish partnership agreement considers ‘integrated and coordinated multi-level governance’ as a success factor for the EUSBSR, while the Finnish and Estonian partnership agreements refer to ‘smart specialisation’. Concepts such as these help to address the diversity of situations and ambitions within a complex system such as the EUSBSR. They help individual actors to position their own needs, objectives, opportunities and challenges in relation to those of others, in view of promoting a more coherent overall development. However, the question is whether ESI Funds are equipped to contribute to cooperation which supports the strategic objectives across programming areas.

The objectives can be diverse. A number of ESI Funds programmes have sought to define their role in macro-regional cooperation and foreseen contributions to the EUSBSR in relation to the position of their respective programme area in the Baltic Sea Region. The regional OP for Mecklenburg-Vorpommern for example consider that, as a centrally located ‘hub region’, its initiatives with an impact on transport infrastructure and flows are naturally connected to other parts of the Baltic Sea Region. Inversely, the regional OP for Upper Norrland in northern Sweden describes the Baltic Sea Region as one cooperation context among others, together with the arctic Barents region. These programmes’ respective approaches to macro-regional cooperation will therefore quite naturally be different.

Similarly, national perspectives on the Baltic Sea Region are different. The Lithuanian partnership agreement considers the importance of ensuring that Lithuania becomes a significant component of the transport system that will organise Eurasian transport flows through the Baltic. Improved energy networks are also considered to be needed to “become an integral part of the EU Baltic Sea Region and to enter other geopolitical area based on competition of energy market participants, equality and transparency” (p. 101, English version). By comparison, the Swedish partnership agreement emphasizes that half of its EU trade occurs within the Baltic Sea Region. Similarly, the German partnership agreement states that the Baltic Sea Region is an “important trade context for the north German Länder” (p. 225). Priorities for macro-regional cooperation will therefore be different; effective cooperation presupposes a mutual recognition of respective priorities, and a commitment to combine actions focusing on internal priorities and on those of external Baltic Sea region partners. This may be challenging to achieve in the context of ESI Funds programmes, which have from the outset been asked to focus funding on a limited number of thematic objectives on the basis of opportunities and challenges identified within each programme area.

5. Project selection, monitoring and evaluation

A majority of partnership agreements and OPs foresee one or more solutions to encourage projects applications of EUSBSR relevance, e.g.:

- giving priority to project applications of EUSBSR relevance;
- using EUSBSR relevance as one of the selection criteria;
- organising calls with an explicit EUSBSR focus;
- making project applications with a transnational dimension possible;
- making it possible to add a transnational dimension to existing projects.

However, foreseen solutions are different from country to country and from programme to programme. Furthermore, it is often left up to programme monitoring committees and intermediate bodies to decide whether these envisaged solutions should be implemented. Extensive exchanges with relevant actors involved in the implementation of ESI Funds programmes across the Baltic Sea Region would therefore be needed to ensure that these solutions are applied in a coordinated way.

- Decentralised management can be combined with concrete incentives to select EUSBSR relevant projects. For example, the Danish ESF OP and OP ‘Innovation and Sustainable Growth in Businesses’ having a specific nationally managed budget line corresponding to approximately 7.5% of the total budget. Approving projects with an EUSBSR focus or adding an EUSBSR component to existing projects is one of the solutions allowing Danish regional growth forums to access funds from this budget line.

EUSBSR representation in ESI Funds programmes monitoring committees is variable; this issue is considered premature by most countries. Only the Danish OP ‘Innovation and Sustainable Growth in Businesses’, the Finnish ‘Rural Development Programme’ and the Lithuanian OP ‘EU Structural Funds Investments’ gave a clear confirmation, that one or more PACs (Denmark and Finland) or the national EUSBSR coordinator (Lithuania) will become members of their Monitoring Committee. It is striking that many partnership agreement and OPs focus on national PACs and HACs, thereby implicitly downplaying the importance of PAs and HAS coordinated or led by other countries.

ESI Funds programme monitoring is complex, and MAs are generally reluctant at adding an additional EUSBSR dimension to the monitoring procedures. In some cases, it appears that monitoring of contributions to the EUSBSR is assimilated to monitoring of projects initially categorised as EUSBSR relevant. It is seldom envisaged to collect EUSBSR indicators unless they are already included in the foreseen list of ESI Funds programme indicators, and discussions on

issues of scales of measurement and observation are limited. Current monitoring systems are not constructed to identify possible effects of programmes beyond the programme areas, e.g. at the level of the Baltic Sea Region.

Project evaluation methods focusing on contributions to the EUSBSR (e.g. macro-regional cooperation) are foreseen in some countries. Other countries foresee to produce dedicated reports on EUSBSR contributions if the number of relevant projects is judged sufficient. Overall, it is considered premature to discuss evaluations of contributions to the EUSBSR, and there are obviously no common principles or frameworks in place to allow for a general assessment of combined effects of all ESI Funds programmes in the Baltic Sea Region.

6. Recommendations

The present section lists recommendations derived from general findings and observations. Each group of recommendations is introduced by presenting the general findings that have inspired them, followed by a series of observations guided their formulation.

Some recommendations suggest a more active role for the PACs, HACs and national focal points. This presupposes that the resources available to these actors are adjusted accordingly.

6.1. Clarify what macro-regional cooperation should be about and its specific features and added-value

General finding

Reflections on the definition of EUSBSR relevance and on the organisational implications of a commitment to contribute to the EUSBSR could be further developed in Baltic Sea Region countries and regions. Most importantly, discussions of this issue that are reflected in e.g. partnership agreements have only to a limited extent been taken up by a wider range of institutions and individuals involved in ESI Funds programme elaboration and implementation.

Stakeholders tend to consider that the EUSBSR adds an ‘additional dimension’ to existing transnational cooperation in the Baltic Sea Region. The exact nature of this ‘additional dimension’ remains relatively unspecific.

Observations

Some partnership agreements provide a definition of EUSBSR relevance, either focusing on “clear macro-regional influence” (Sweden) or on international partnerships and on the “cumulative impacts” of parallel projects (Lithuania). However, even in countries where discussions on EUSBSR relevance are advanced, this has not led in-depth changes in the ways individual programmes are operated. Typically, project monitoring methods only change marginally. The monitoring of EUSBSR relevant results will primarily consist in monitoring of projects that declare themselves EUSBSR relevant when they apply for funding.

The operational added-value of the EUSBSR is therefore generally not well-identified. PACs and HACs are not sufficiently involved in the definition of priority axes and investment priorities and in the development of projects. Typically, only national PACs and HACs are referred to as partners in the OP elaboration and implementation. The impact of PA and HA activities on project elaboration are only described to a limited extent. PACs and HACs should become more established partners of ESI Funds programmes. They should support them through the provision of recommendations at programme level, the organisation of capacity-building activities for managing authorities and project applicants and by functioning as links. These regular contacts would make it possible to bridge the ‘two worlds’ of EUSBSR and ESI Funds programmes.

Recommendations

Further discussions between Member States of the Baltic Sea Region are needed to better align positions on the definition of EUSBSR relevance, and to agree on corresponding adjustments to the working methods of ESI Funds programmes for their respective contributions to the EUSBSR.

On this basis, PACs and HACs could design more consistent plans to support ESI Funds programmes across the Baltic Sea Region and better help them developing cooperation projects. National focal points should assist them in this task. However, PACs, HACs and national focal points do not have a mandate to instruct OPs and CPs in any way. If they are to be considered as serious partners for ESI Funds Programmes, they first have to demonstrate which added-value they (and thus the macro-regional dimension) bring to the programmes and in what way it helps them to achieve their objectives and targets more efficiently or effectively.

Building on this recognition of their usefulness, PACs and HACs should, in cooperation with ESI Funds programmes, elaborate guidelines for how more project applications with a well-formulated Baltic dimension can be developed. As a result, transnational collaboration processes leading to EUSBSR contributions would be based on series of guidelines defined within each PA and HA at the level of the Baltic Sea Macro-region. These guidelines would indicate how

ESI Funds programmes could make a difference, and contribute most effectively to the achievement of the objectives of the PA.

For example, the coordinators of PA Nutri could provide some criteria for projects to be considered EUSBSR-relevant within their field. They could for example state that project would need to both investigate innovative cost-efficient nutrient reduction mechanisms and promote exchanges of new solutions and good practice. Already existing initiatives would be taken into account when drafting such guidelines, so as to encourage ESI Funds programmes to complement them. They would also need to demonstrate the added value of macro-regional cooperation for individual programme areas, e.g. that it would make it possible to benefit from additional expertise and technology.

Compared to current descriptions of PAs and HAs in the EUSBSR Action Plan, these guidelines would target ESI Funds programmes and identify how projects should organise their activities to best contribute to their targets and objectives. ESI Funds programmes could then use compliance with these guidelines as a criterion of EUSBSR relevance. This would help ensuring that EUSBSR related initiatives within different programmes apply consistent methods.

6.2. Make the EUSBSR more concrete and action-oriented in collaboration with ESI Funds programmes

General finding

The EUSBSR contains a large number of objectives and sub-objectives. Partnership agreements and ESI Funds programmes focus on identifying which of these objectives and sub-objectives they will contribute to. This is not sufficient to design a strategy for contributions to the EUSBSR. The selection of objectives needs to be accompanied by a description of concrete measures, including e.g. actors to be targeted, information to be disseminated, competences to be acquired and structural barriers to be overcome. Some such action plans can be found in OPs, but they are often described rather generally.

Observations

Often ESI Funds programmes identify the extent to which their thematic objectives, priority axes and investment priorities correspond to EUSBSR list of objectives. However, this does not create the preconditions for macro-regional cooperation insofar as foreseen working methods are heterogeneous.

The ways in which implementation logics are extended to cover the EUSBSR tend to be trivial, speculative or formulated too vaguely. For example, when

the Latvian partnership agreement specifies that its implementation of the cohesion policy thematic objective ‘shift towards a low-carbon economy’ will contribute to climate change mitigation-related targets of the EUSBSR (p. 187, English version), or when the German partnership agreement states that the focus on the thematic objective ‘strengthening research, technological development and innovation’ will contribute to the previous EUSBSR priority area ‘Innovation’ (p. 226), this does not help to understand how ESI Fund programmes are foreseen to make a difference. When the Danish OP ‘Innovation and Sustainable Growth in Businesses’ lists programme indicators “annual reduction in energy consumption” and “annual reduction in material consumption” as linked to EUSBSR indicators “employment rate” and “productivity” (p. 76), it presupposes a causal connection which appears speculative in the absence of additional explanations.

Complementarities to other European instruments and national and regional policies are in particular not sufficiently discussed in reviewed ESI Funds OPs and CP. Further descriptions of foreseen measures, explaining how they reflect the intervention logic of each specific OP and how they complement actions undertaken by other actors and at other levels, would help to pinpoint the EUSBSR contribution it could be expected to provide. By keeping a level of ambition that is consistent with the intervention logic of each OP and CP, contributions can be designed in a more concrete and targeted way.

ESI Funds programmes with more limited resources (such as ERDF cooperation programmes) may increasingly focus on supporting soft cooperation activities. This could prepare the ground for future more costly macro-regional cooperation initiatives to be funded by other sources with more significant budgetary resources. These initiatives will for example benefit from support from the ESI Funds, the Cohesion Fund, the Connecting Europe Facility and other funding instruments made available at national and regional level. Such a division of roles implies that each programme and funding source designs its contribution to the EUSBSR in relation to other actors, rather than trying to maximise a hypothetical autonomous contribution.

Recommendations

Integrating the intervention logics of the EUSBSR and of ESI Funds programmes implies that one should agree not only on intended results, but also identify factors that will be the object of specific measures to arrive at this result, and choose ways in which these factors will be influenced.

Extending the territorial framework and the environmental, economic and social contexts into which the intervention logic of ESI Fund programmes has to be built and implemented is the responsibility of individual managing authorities and intermediate bodies. The fact that a number OPs and CPs have

dealt rather superficially with their obligation of contributing to the EUSBSR, and that this has been accepted by the European Commission, raises questions with regards to the commitment to the Strategy. A clarification of the positions of Member States and of the European Commission appears necessary, especially in view of forthcoming programme evaluations. As a first step, National Coordinators need to investigate the reasons for which their commitment to the EUSBSR has not yet led to a sufficiently profound revision of working methods and intervention logics at the level of individual managing authorities.

As a second step, and based on a critical assessment of practices that have prevailed up to now, managing authorities need to consider how they could best take the EUSBSR into account within the framework of the existing OPs and CPs. Dialogues with PACs and HACs described in section 6.1 could offer precious support in this task. Programme implementation should in particular focus on complementarities to other European instruments and national and regional policies. This would make it easier to capture the added-value of ESI Funds programmes, and their specific contributions to the wider macro-regional agenda of improved social, economic and territorial cohesion and sustainable development.

6.3. Improve the capacity of ESI Funds programmes to design and implement strategic actions

General finding

The governance of ESI Funds programmes and their implementation methods are insufficiently adapted to EUSBSR strategic actions. To contribute to the EUSBSR, they need to challenge established working methods and understandings of the role and functioning of ESI Funds programmes established over previous programming periods. This could be part of a long term ambition of the EUSBSR, focusing on forthcoming programming periods.

Strategic programming in relation to the EUSBSR also presupposes a positioning within the Baltic Sea Region, e.g. in geographical, economic and functional terms. The variable extent to which Member States and OPs consider their position in the Baltic Sea Region limits their capacity to design strategic contributions to the EUSBSR, on the one hand, and to regional/national development strategies, on the other.

Observations

PACs and HACs provide insufficient guidance on the identification of interdependencies between national/regional interests on the one hand, and transnational strategic objectives on the other hand. This makes it difficult to design strong and sustainable cooperation initiatives.

The effects can be observed in the partnership agreements. Their descriptions of how transnational cooperation could be a lever to achieve these national objectives are mostly limited, except in selected fields such as transport and innovation policy. This leverage effect of transnational cooperation should be the key incentive to promote cooperative actions.

The requirement to “set out the contribution to [the EUSBSR]” in art. 27(3) of the CPR has primarily been interpreted as an obligation to identify shared objectives. This proves not to be sufficient to change the ways in which ESI Funds programmes operate. An inward-looking perspective, focusing on individual programme areas, continues to prevail. An in-depth revision of their working methods and logics of intervention would be required to create a substantial strategic focus on cooperation in the Baltic Sea Region.

The study has shown that current modes of ESI Funds programmes leadership and management significantly limits the capacity of individual OPs to look beyond the programme area. Decision-making, monitoring and evaluation procedures all focus on the needs of programme areas in a narrow way. Some partnership agreement envisage the possibility of organising joint calls that would involve programmes in different countries and focus on EUSBSR-relevant issues. However, the mechanisms that would make this possible are not in place: the diversity of programme schedules, approval procedures, priority axes and investment priorities will make it very challenging to organise such joint calls even when this ambition is shared by multiple managing authorities.

This may explain why only a limited number of partnership agreements and OPs analyse their position in the Baltic Sea Region and formulate contributions to the EUSBSR on that basis. An outward-looking, relational perspective on development appears desirable, but difficult to implement.

Recommendations

Contributing to the EUSBSR is not only an issue of ‘focusing on adequate topics’ and ‘pulling in the right direction’. It also entails a change of working methods and intervention logics. In this respect, one may distinguish between ambitions for the current and forthcoming programming periods.

For the current period, awareness-raising among different categories of ESI

Funds programmes actors may help developing new approaches. This may for example include:

- initiatives to demonstrate the added-value of macro-regional cooperation to selected priority axes and investment priorities of each OP and CP, to be carried out by PACs and HACs;
- a monitoring of ESI Funds programme activities in Baltic Sea Region countries, so as to identify when parallel activities that could potentially benefit from interaction, cooperation and coordination occur. Such opportunities should be used to demonstrate the added-value of macro-regional cooperation.
- Involvement of managing authorities and implementing bodies in the design and implementation processes of the EUSBSR, so as to develop their ownership of the Strategy and their capacity to implement it as part of their responsibilities and tasks.

ESI Funds programmes would, on this basis, develop a proactive bottom-up approach. This implies that they would actively promote a change in attitudes among project applicants and project participants. An increase in their focus on interaction, cooperation and coordination at the level of the Baltic Sea Region should be recognised as a positive programme outcome. However, these efforts would be targeted so as to demonstrate that this change of attitudes can improve the actual results of the OP or CP within the programme area. They would ambition to improve the coordination between programme priority axes, investment priorities and projects.

On the longer term, focusing on forthcoming programming periods, identified structural limitations to the capacity of ESI Funds programmes to look beyond programme areas need to be addressed. These observations should feed into wider discussions on possible reforms of these programmes at national, regional and European levels. Suggestions for such reforms are further described below (see section 6.6). It will be particularly important to encourage, organise and support different types of cooperation activities.

Existing studies on functional interactions and interdependencies between countries and regions of the Baltic Sea Region could to a greater extent inform partnership agreements and ESI Funds programmes. This could strengthen the case for the changes described above. An example of such studies is the report *Innovation in the Baltic Sea Region* produced for the European Commission, DG REGIO, in 2011.

6.4. Create preconditions for diverse types of cooperation

General finding

Many actors of Baltic Sea Region ESI Funds programmes have an unnecessarily restrictive understanding of macro-regional cooperation. From their point of view, only projects with joint implementation would qualify. This in turn leads actors to consider that cooperation necessarily requires substantial resources, is difficult to maintain after the end of an initial project phase and may in the end not prove cost-efficient.

Observations

Notions such as ‘cumulative impact’, ‘complementary actions’ and ‘mirror’ or ‘sister’ projects are referred to in OPs/CP and during interviews. However, a more strategic identification of meaningful forms of cooperation in relation to specific topics, issues, challenges and opportunities is needed.

Some programmes note a lack of interest in cooperation among potential project applicants and intermediate bodies. Using this observation to justify a lack of involvement in macro-regional cooperation reflects a ‘passive bottom-up approach’, which needs to be replaced with a ‘pro-active bottom-up approach’.

Recommendations

Developing a ‘pro-active bottom-up approach’ at the national and regional levels paradoxically presupposes a number of top-down initiatives. Managing authorities could for example:

- improve the awareness of the wide range of possible forms of cooperation among programme managing authorities and potential project applicants;
- enhance project applicants capacity to think ‘outside of the box’ and beyond programme area borders;
- actively encourage and support cooperation activities, e.g. by promoting them as instruments to better serve national/regional development needs and interests;
- increase the number of project applications with a macro-regional cooperation component.

To complement such initiatives, the European Commission and INTERACT could:

- make it clearer for individual OPs that changes in attitudes to macro-regional cooperation at project level would constitute an asset in view of their evaluation;
- provide OPs with tools to better identify how cooperation can enhance development within their programme area, and to communicate these effects to relevant stakeholders.

The diversity of cooperation forms that can be envisaged to contribute to the EUSBSR could be better communicated both to programmes and to potential project applicants. This would contribute to improve the quality of project proposals submitted to ESI Funds programmes. PACs and HACs have an important role to play in this respect, together with intermediate bodies and national sectoral ministries.

These actors could together further encourage potential project applicants to submit proposals applying these different forms of cooperation. Each PA and HA could develop solutions on how to trigger thinking ‘out of the box’, motivate partners for cooperative action and help them focus on EUSBSR objectives and targets.

A strengthening of the dialogue between managing authorities of ESI Funds programmes is needed. This would enable them to use possibilities to fund macro-regional cooperation offered by the CPR within the framework of current OPs. INTERACT could play a key role in this dialogue at programme level by promoting a strengthened focus on cooperation and by showing how these funding solutions could work in practice. Relating it to more specific initiatives by the different PACs and HACs could also help to motivate managing authorities to participate, and to show the concrete advantages of cooperation within the policy area.

6.5. Establish the complementarity of different ESI Funds programmes and other sources of funding for the EUSBSR

General finding

A number of ESI Funds programmes, PACs and HACs see a need to define the roles of different types of ESI Funds programmes and of other sources of funding such as the Connecting Europe Facility or the Horizon 2020 programme in

relation to the EUSBSR. The provisions of the EUSBSR Action Plan are in these respects insufficiently known or understood. This would for example help to clarify the types of macro-regional cooperation that regional and national ESI programmes are expected to support, and the ways in which such cooperation projects would complement the activities of ETC programmes.

Observations

Complementarities between ESI Funds programmes are mentioned in different ways. Some managing authorities refer to them when arguing that macro-regional cooperation would be matter for ETC programme only. Others emphasize that a better division of responsibilities between ESI Funds programmes would improve their overall capacity to contribute to the EUSBSR.

Some regional programmes for example consider that their EUSBSR-relevant activities would be easier to define in dialogue with national programmes. Similarly, national programmes wish to understand how their activities could better feed into those of ETC programmes, and inversely. The requirement to contribute to the EUSBSR has revealed a lack of coordination and dialogue.

The respective roles of ESI Funds programmes, other European funding mechanisms and national/regional authorities vary from country to country, and can be difficult to circumscribe also within countries. The need to strengthen the strategic approach in the use of different instruments and funding sources becomes apparent when considering foreseen contributions to the EUSBSR. There are some discrepancies between the challenges and opportunities ESI Funds programmes ambition to address, on the one hand, and the issues for which PACs, HACs and regional stakeholders think such funding would be appropriate, on the other. A more precise positioning in relation to other sources of funding, including regional, national and European ones, would help to define their role and to sharpen their strategies.

Recommendations

Proposing more precise definitions of the respective roles of different types of ESI Funds programmes in relation to the EUSBSR would help to clarify some misunderstanding among managing authorities observed in the study. This could for example be done as part of Priority 4 of the Baltic Sea Region Programme. On this basis, further dialogues between managing authorities may be initiated, in view of specifying how their different contributions may complement and feed into each other.

Relations between ESI funds programmes and other sources of funding are already mentioned in a number of partnership agreements as well as in the EUSBSR Action Plan. These considerations need to be addressed at the level of Baltic Sea Region, in order to arrive at more consistent approaches. However,

national and regional budgetary resources also more consistently need to be considered as possible sources of funding.

6.6. Engage a reflection on how ESI Funds programmes can relate to shared Baltic challenges and opportunities

General finding

The study shows that a focus on regional and national self-interest is inherent to the ways in which programme elaboration, decision-making, monitoring and evaluation processes are organised in ESI Funds programmes. Macro-regional cooperation can be a better lever to address challenges and promote development within programme areas; demonstrating these potential benefits can therefore encourage contributions to EUSBSR. However, regional and national self-interest is not necessarily a sufficient driver of macro-regional cooperation. Addressing challenges, opportunities and threats at the level of the Baltic Sea Region is likely also to require a certain degree of common understanding and solidarity between regions and countries. Their respective hierarchies of priorities therefore need to be related to a wider macro-regional picture.

Observations

In spite of the stipulations of the CPR, the idea that contributing to the EUSBSR should be a main objective of national and regional programmes is not shared by all managing authorities, especially in countries where the budgets of national and regional ESI Funds programmes are limited. Programmes with decentralised management for example declare that it will be up to regional intermediate bodies to decide whether they wish to focus on Baltic issues. However, they generally point out that these intermediate bodies have no a priori reason to do so, except in a limited number of regions that are committed to Baltic cooperation. The main motivation to focus on the Baltic level would be that this would help promote own interests in a better way than if one would concentrate efforts within the programme area.

Therefore, arrangements such as ‘additional points to EUSBSR relevant applications’ or the possibility to use parts of the funding outside the programme area, may be of limited practical significance in a number of regions. The organisational setup of programmes lead them to focus on internal actors and issues.

Recommendations

A reflection on how ESI Funds programmes could be organised in view of contributing to the EUSBSR more effectively and consistently needs to be engaged. These considerations could feed into European debates on ESI Funds programmes, as well as discussions on sectoral and territorial strategies at the national and regional levels. They would help to define the specific objectives and approaches that make macro-regional cooperation different from cross-border, interregional and transnational cooperation.

Parallel capacity-building efforts focusing on regional and local stakeholders would help to widen perspectives on development and on interdependencies between territories and levels of the Baltic Sea Region. For example, current capacity-building activities implemented at the initiative of HA Capacity (former HA Involve) could usefully be widened.

Such combined top-down and bottom-up approaches may progressively lead to required changes in attitudes and modes of action. Existing achievements in terms of EUSBSR contributions could be a source of inspiration. Efforts to give them a high visibility need to be maintained.

6.7. Initiate a discussion on possible future changes in the architecture of ESI Funds and ETC

General finding

Interviews show that ESI Funds programmes continue to consider the EUSBSR as a “different world”. As shown in chapter 2, there are a series of misunderstandings on what macro-regional cooperation is about. Admittedly, only a few programmes regard macro-regional cooperation as a topic for ETC. However, most consider it difficult to approach such cooperation as a lever for development within the programme area. The mind-set and modes of functioning of ESI Funds programmes continue to make it difficult to look beyond the borders of programme areas.

Observations

In spite of the adoption of macro-regional strategies by Member States, the commitment of individual ESI Funds programmes to macro-regional cooperation is generally insufficient. This can be ascribed to different factors, mixed signals from the European Commission being one of them. Furthermore, introducing ‘contributions to macro-regional strategies’ as a component of partnership agreements has led to the adoption of different solutions in each country.

However, the main reason is that established cultures of ESI Funds programme administration in programming committees and MAs have remained largely unchanged. Interviews reveal that new possibilities introduced by the CPR are often ignored or disregarded. Responsibility for the implementation of the EUSBSR tends to be considered either as an issue for ETC programmes or for individual project applicants.

This also explains why ESI Funds programmes have not established platforms of communication and cooperation with EUSBSR actors such as PACs, HACs, focal points and NCs. This would have made it possible to establish internationally coordinated frameworks for macro-regional cooperation.

The review of OPs and the interviews have therefore shown that a more profound revision of the mode of functioning of ESI Funds programmes would be needed to allow them to effectively contribute to the EUSBSR. Such a revision may be envisaged for the 2021-2028 programming period.

Recommendations

It appears necessary to tear down the barrier between ETC programmes and regional/national programmes. After 25 years of INTERREG and ETC programmes, networks across national borders have been strengthened, and an extensive evidence-base on the need for transnational and cross-border integration is available. Addressing such integration more effectively now requires that the responsibility is transferred to regional and national programmes.

Cooperation would then become a horizontal objective for all ESI Funds programmes. The joint secretariats of current ETC programmes could function as facilitators of this cooperation, building on their extensive networks and know-how. They could also monitor cooperation activities, but would not manage own project funds.

Rather than including macro-regional cooperation as a component of national partnership agreements, these aspects would be agreed upon as part of a negotiating procedure involving the Member States concerned by each macro-regional strategy and the European Commission. The Joint Secretariat of the current Baltic Sea Region programme would then follow-up the agreement concerning ESI Funds contributions to the EUSBSR, in interaction with national and regional ESI Funds programmes. Similar arrangements can be envisaged for cross-border programmes in the Baltic Sea Region.

Such a solution would make authorities managing regional and national ESI Funds programmes directly responsible for transnational and cross-border cooperation. This should encourage a more outward looking perspective on development within programme areas, which would in turn make regional and national policy makers more receptive to the EUSBSR and to macro-regional cooperation.

The objective would be to enhance their sense of ownership to the strategy, and their perception of it as an instrument for territorial development at different levels, from the Baltic Sea Region and down to individual regions and localities.

To prepare such a radical change in the organisation of European territorial cooperation, one could imagine to fund cooperation projects between managing authorities under priority 4 of the Baltic Sea Region Programme. This would make it possible to hire staff members within managing authorities that would be specifically in charge of coordinating calls and project implementation with other programmes pursuing similar objectives.

