

**Proposals and Recommendations for (A) Integrating the European Strategy for Baltic Sea Region into Programming, Implementation and Financial Support of the EU Structural Funds 2014-2020 and Other Financial Instruments and (B) Improving the EUSBSR Monitoring and Indicators System**

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## INTRODUCTION: THE NEW MULTIANNUAL FINANCIAL AND REGULATORY FRAMEWORK AND INTEGRATION OF THE EUSBSR INTO THE 2014-2020 PROGRAMMING

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### The financial framework

After the endorsement by several Member States of the EU Strategy for the Baltic Sea Region (EUSBSR) in 2009 and the EU Strategy for the Danube Region (EUSDR), macro-regional strategies became explicitly a full component of the European structural and investment policies. Due to the direct relevance to territorial development and the relative significance of their budgetary resources, the European Common Strategic Framework Funds and in particular the European Regional Development and the Cohesion Funds represent, by far, the most important EU policy instruments to support the implementation of the macro-regional strategies.

#### *Budgetary importance of the Common Strategic Framework Funds*

The draft 2014-2020 Multiannual Financial Framework amended by the European Council forecasts 325 billion-euro for European Structural and Investment Funds (ESI Funds) of which 8.9 billion-euro for European Territorial cooperation and 25% of the total allocation for 85 billion-euro for Rural Development and 7.5 billion-euro for European Maritime and Fisheries Fund. The Member states have a direct influence on the utilisation of the budgetary resources provided by the European Structural and Investment Funds, while direct management by the European Commission services and agencies generally rule the majority of the interventions supported by other European financial instruments. Direct management is performed on individual project basis and leaves any or very little influence to national institutions on the final allocation of their (relatively modest) budgetary resources (e.g. COSME for supporting Competitiveness of Small and Medium Enterprises and LIFE+ promoting bottom-up initiatives for nature protection with respective draft allocation of 2.4 billion euro). Only European financial instruments such as Horizon 2020 that provides support to international research projects and targets development of research excellence and Connecting Europe Facility that will support trans-European transport, energy and telecommunication networks and cross border interconnections should be allocated more substantial budgetary resources<sup>1</sup>. While Horizon 2020 and Connecting Europe facility have a clear international cooperation dimension only a few of the other instruments (e.g. ERASMUS for ALL, Creative Europe programme, Programme for Social Change and Innovation) include a clear transnational cooperation dimension. Because of their relatively low funding capacity and restricted coverage, they can be considered as secondary funding sources and implementation instruments for the Baltic Sea Region Strategy.

According to the remarks above, the proposals made in this document will focus on the main important financing and implementation instruments with explicit reference to the support of macro-regional and sea basin strategies.

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<sup>1</sup> European Commission proposal was 80 billion-euro for Horizon 2020 and 40 billion-euro for Connecting Europe facility that the European Council intended to reduce to 29 billion euro.

## The regulatory framework

Common Provision Regulation<sup>2</sup> (CPR) ruling the modalities of intervention of the European Common strategic framework Funds during the 2014-2020 programming period gives some guidelines<sup>3</sup> on how to embed the EUSBSR into the future ESI funds programmes.

The new regulatory provisions aim at:

- Reinforcing the strategic framework of the interventions to implement with the support of the European Structural and Investments Funds and other European Union and national policy and funding instruments. To strengthen the strategic approach requires closer alignment and stronger focus of national and regional strategic planning on EU2020 strategy goals and Country Specific Recommendations (National Reform Programmes) and macro-regional and Sea Basin strategic objectives in order to better address common challenges, exploit common or complementary potentialities and achieved shared benefits.
- Systematic identification of cooperation /coordination needs and interests in the strategic planning and programming phases at the various territorial levels (transnational in EU, macro-regional, national, regional, cross-border, international outside EU). In order to achieve better the respective national /regional strategic objectives, the national and regional authorities should agree on the actions they would like and are ready to implement in the framework of the EUSBSR through stronger synergy and complementarity, and increased coherence and convergence.
- Effective and efficient support of cooperation activities by:
  - aligning of the European Union and national funding sources and policy instruments with the achievement of macro-regional objectives;

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<sup>2</sup> Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006

<sup>3</sup> The Common Provision Regulation includes in particular following articles providing the legal basis for the preparation of the strategic and operational documents at EU and national levels and through which EUSBSR should be embedded in the programming process.

- Article 11 outlines that priorities for cooperation have to be embedded in the Common Strategic Framework, which serves as the highest level strategic document. The article says:

*“priorities for cooperation for the CSF Funds, where appropriate, **taking account of macro-regional and sea basin strategies**”;*

- Article 14 defines what the Partnership Agreement should include –

*“The Partnership Contract shall set out: (...) (a) arrangements to ensure alignment with the Union strategy for smart, sustainable and inclusive growth, including: (...) (v) the main priority areas for cooperation, **taking account, where appropriate, of macro-regional and sea basin strategies**”;*

- Article 87 states that macro regional strategies should be taken into account not only in territorial cooperation programmes, but also in programmes which cover objectives are Jobs and Growth :“each programme should present when appropriate macro regional cooperation (...) 2. An operational programme shall set out: (...) (c) the contribution to the integrated approach for territorial development set out in the Partnership Contract, including: (...) (vi) **where appropriate, the contribution of the planned interventions towards macro regional strategies and sea basin strategies**.
- Article 60 stipulates the possibility and the resources that could be invested outside the programme area by each European Structural and Investment Funds.

- utilizing the full set of tools provided by the different types of programmes existing at national and regional levels and no more reducing the cooperation dimension to the sole European Territorial Cooperation objective and programmes.

Macro-regional strategies present both economic and social development and territorial cooperation dimensions. Consequently other instruments and funding sources than ETC programmes available at national and regional levels are now expected to contribute to the implementation of the socio-economic development and territorial cooperation objectives of the Member States and thus to macro-regional strategies. Among the set of available EU and national instruments, EU Growth and Jobs objective and European Territorial Cooperation programmes represent with European Agricultural and Rural development and European Maritime and Fisheries Funds programmes represent important financial and operational tools for supporting and implementing national investments policies both in their national and international dimension.

In respect to the international dimension of national policy, macro-regional strategies, indeed, are a way to:

- provide an operational framework for shaping and implementing transnational strategic approaches between neighbouring countries sharing complementary potentialities and strengths and common challenges. More profitable solutions can be built at transnational level to address issues which cannot be handled satisfactory in an isolated way but instead require implementation of joint, coordinated, complementary and convergent efforts.
- enhance formal and informal coordination and cooperation processes and mechanisms in the macro-region both at the highest political and administrative institutions at national and local level, bringing together key policy-makers and implementers, reinforcing existing networks and cooperation platforms and creating new ones.
- drive and support joint and individual actions and give impulses to new projects to the benefit of each partner to respond to common challenges and complementary opportunities.
- align EU, national and regional financing sources available for h sector and territory development and fund actions and projects contributing to the achievement of the national/regional objectives at the macro-region level.

## Global strategic approach and coherence between EUSBSR and national strategic objectives and priorities

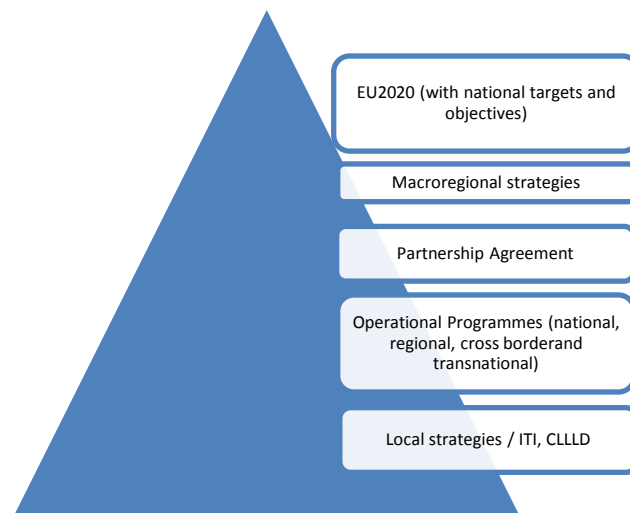
### *EU2020, EUSBSR and national strategies are grounded on common bases*

Due to the construction work of the EUSBSR by the Commission in consultation with the Member States during the same period of time where EU 2020 strategy was in preparation, there are obvious links and similarities between the respective objectives of both strategies. In addition, the preparation process of the EUSBSR elaborated in close cooperation with the stakeholders in the concerned Member States and its endorsement by the European Council should prevent any conflict of interest between the EUSBSR objectives and the national objectives of the participating Member States. Therefore, to take into account the objectives of EU 2020 and EUSBSR strategies in the preparation of the strategic and operational documents should not pose any problems of contradicting or conflicting interests at national and regional levels. Developing cooperation on common grounds should not be too difficult as the benefits to work together in fields of shared interests like research and innovation. The Member States have already agreed to act together in order to boost productivity and competitively, remedy to the pollution of the Baltic Sea and other environmental risks, improve the transport and communication networks in the Baltic Sea Region (BSR) and achieve tangible results for the benefit of all of them.



The following graph represents the articulation of the different strategic planning and programming levels.

**Figure 1. Graphic representation of different strategic planning and programming levels**



A greater involvement of the sectorial and territorial policy makers and implementers in the Member States would contribute to consolidate the policy-making pyramid. It will improve the vertical and horizontal coordination of the strategic planning and the effective implementation of the EUSBSR objectives through the mobilization of all relevant existing policy instruments at local, national and transnational levels and the regular reviews of their contribution to the achievement of the shared goals (see Chapter I and in particular recommendations 10, 12 and 14).

**RECOMMENDATION 1:**

- **Integrate, align, prioritize and agree on the strategic objectives and the necessary actions to implement through top-down and bottom-up processes.**

This would not set new parallel processes to the usual local and national policy planning and implementation mechanisms but should strengthen the transnational coherence of the policy forming and implementation. As already recommended by the European Commission, the Member States themselves should promote the consolidation of the political dynamic, and EUSBSR Secretariat functions support logistically the development of the process (see proposals in chapter III).

**RECOMMENDATIONS 2:**

- **Consolidate the strategic planning and the effective implementation of the EUSBSR objectives through greater and direct involvement of the builders and implementers of the sectorial and territorial development strategies.**
- **Involve all relevant policy instruments existing at local, national and trans-national level to implement the EUSBSR objectives.**
- **Settle a EUSBSR Secretariat to promote and support the development of the EUSBSR cooperation process.**

However, more challenging might be some discrepancies in the situation of participating countries that differ in their economic development situation, eligibility restrictions and level of financial support by EU. For example, in Nordic States (Denmark, Finland, Sweden) and Germany there are restrictions on

what the European Structural and Investment Funds can finance, while Baltic States (Estonia, Latvia, Lithuania) and Poland benefit from a higher financial support with wider eligibility rules for interventions. Such differences have to be taken into account when selecting the EU 2020 and the EUSBSR objectives and types of activities to be implemented by the available and relevant policy instruments.

#### **RECOMMENDATION 3:**

- **Take into account of the respective situation of each partner when building cooperation agreements Even when the partners benefit from the same funding sources, important discrepancies might exist in the eligibility rules (depending on the country and the sector of activity), the financial amounts at their disposal, and the co-funding rates they can use.**

#### *Overview of the working method to embed EUSBSR in national and regional programmes*

(1).The national strategy builders, the Partnership Agreement coordinators and Operational Programme drafters need to start with the identification and prioritization of the national/regional objectives, and their anchorage in and contribution to EU 2020 and EUSBSR objectives. They need to identify and specify areas where cooperation with (an) other Member State(s) can bring potential benefit: what common problems and complementary/strengthening opportunities are? What are the actions to decide and implement? It can happen that convergent, complementary, coordinated and/or joint efforts with another country/region could help to better tackle some national/regional problems to the mutual benefit of each partner.

#### **RECOMMENDATION 4:**

- **Consider and take on board cooperation needs and benefits from the beginning of the strategy building phase.**

(2) Secondly, they need to identify working methods for dealing with cooperation/coordination problems and decide on what to embed into their national programmes in order to reach the expected results. More coordination of funding sources and alignment of policies should prove most helpful (for example through smart specialization strategies). In some cases, the way of dealing with the challenges would be to act jointly and to utilize joint structure and mechanisms to implement the joint actions or to coordinate the respective efforts. However, less demanding and simpler approach could often be sufficient and more adequate: many actions can be identified in a cooperation and coordination framework, but decided and implemented under the sole responsibility of each partner. Convergent and complementary actions implemented separately by each partner will allow all together reaching the expected results and benefits.

#### **RECOMMENDATIONS 5:**

- **Try to achieve the desired results with the lowest bureaucracy and in the most cost effective way.**
- **Use the most effective, simple, flexible and easy way to implement cooperation activities, considering the problem to tackle and the different parameters of the solution to implement.**
- **Consider that usually to act jointly is more demanding and difficult.**

(3) The next stage is to embed into the national/regional programming exercise the cooperation objectives and corresponding cooperation activities (including those to be organized in the Baltic Sea Region) by inserting into the strategic documents of the respective Member States the objectives and

actions which will guide the selection and funding decisions during all the duration of the implementation period.

(4) In the following stage, the appropriateness of the delivery system has to be screened to ensure the successful contribution of the programmes to the EUSBSR objectives: not all instruments suit and fit equally to the nature of the activities to implement and the objectives to reach. The respective qualities and relevance of selection and decision making systems, the funding capacity and the accuracy of mechanisms, tools and procedures for implementation, monitoring, reporting and control need to be assessed.

**RECOMMENDATION 6:**

- **Consider the respective advantages, disadvantages and appropriateness of the delivery systems, in respect to the characteristics of the actions to implement and the objectives to reach.**

(5) Last step in the programming focuses on achieving results. New mechanisms are triggering the preparation of the next generation programmes in order to further strengthen the result-oriented approach than in the period of 2007-2013. One of such tools is the performance framework that should prevent from setting vague goals. New programmes should present precise objectives and targets in connection to baselines values and data collection system at national level (see chapters IV and V).

**RECOMMENDATION 7:**

- **Define the performance framework by setting ambitious but reachable targets and relevant indicators to steer the implementation towards the expected results (see chapters IV and V).**

## I- STRENGTHENING THE OVERALL COHERENCE OF THE STRATEGIC FRAMEWORK FOR OPERATIONAL INTERVENTIONS WITH THE EUSBSR OBJECTIVES

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### Existing weaknesses and bottlenecks in programming cooperation activities

#### *Difficult inter-ministerial coordination*

For the preparation and implementation of the national/sub national development strategy, some countries have established explicit coordination mandate at government level. In some cases, this mandate relates, exclusively or more or less explicitly, to the coordinating tasks at national level of EUSBSR objectives. But more seldom this decision is supported by the designation of governmental authority fully empowered and having the necessary authority for leading and coordinating the identification, articulation, prioritization and selection of the national objectives and corresponding actions to be proposed to the government decision.

In addition, often the EUSBSR governance system relies at national level on parallel structures and responsibilities disconnected from the national institutional and administrative arrangements and responsibility involved usually in the policy making and implementation system of the Member states. Immediate results of these discrepancies, could be seen in the difficulty frequently experimented, despite the endorsement of the EUSBSR at the highest political level of the Member States, to obtain the budgetary support of the strategic actions and corresponding projects already indicated in the EUSBSR Action Plan.

The design of an integrated and coherent set of objectives and priorities for action requires strong political willingness and efforts for coordinating the line ministries and focusing the policy-making. While having to take into account the most important needs, available resources and achievable impact, the decisions are usually the result of political compromises reflecting the equilibrium of powers between the different ministries and governmental parties. The decisional process does not always succeed to ensure the full coherence and effectiveness of the choices made in order to respond to crucial needs and develop strategic opportunities. It happens that the result of the deliberative process fails to produce a rational, robust, integrated and coherent strategic framework to direct the implementation efforts and concentrate the national budgetary resources during all the implementation period for producing significant and durable impact.

#### *Misleading understanding of cooperation*

Spontaneous perception of national/regional interests often generates scepticism about the interests of cooperation in terms of added value and return on investment, without really trying to consider the possible benefits due to synergetic effects, complementarity and optimization in the use of resources and exploitation of potentialities. The consequence of this limited and frequent understanding of the national or regional interests is that the analysis of the political, economic and social situation is often limited to the territorial and administrative borders of the specific country/region/sector department. There is no real attempt to ensure a wider and deeper analysis of the respective situation and trends in the neighbouring countries/regions/cities. This approach limits the possibilities to have a comprehensive understanding of the challenges and opportunities in the global context. It reduces the capacity to avoid fragmentation, redundancies and unproductive investments and to benefit from synergies and win-win alliances (e.g. between ministries or between regions and municipalities in the same country and between countries in the same area where each one can better reach his respective objectives and expected gains through better coordination and cooperation).

#### RECOMMENDATION 8:

- **When envisaging needs and opportunities, enlarge the territorial framework across the national/sub-national borders.**

#### *Erroneous perception of the role of cooperation programmes*

The traditional tendency is also to perceive the European Territorial Cooperation programmes as “the” genuine tools for dealing with transnational and cross-border issues while they are not always the most accurate instruments and surely have not the sufficient financial critical mass to finance the most costly investment needs at the level of an entire macro-region. In reality, the cross border programmes have been designed for responding to specific local situation on a limited territory with the improvement of the relationship and the remediation to common challenges of the population living on each side of a national border. This specific mission of the ETC programmes could explain the reluctance of the concerned authorities and management teams to integrate the role of the cross border programmes in a wider strategic context at national and at macro-regional levels, where the objectives are more related to macro socio-economic development issues. It is also the reason why cross border cooperation programmes often remained an isolated and fragmented process in regards to the national/subnational programming, due to its own specificities and, in general, more complex administrative procedures referring in theory to the “joint implementation” model. Consequently, the ETC cooperation programmes are often doomed to heavier management and implementation mechanisms while in many cases the implementation of convergent, complementary or coordinated actions, which are easier to implement, would often be sufficient to reach the pursued objectives.

#### RECOMMENDATION 9:

- **Use the full set of available instruments to support the implementation of macro-regional cooperation activities. Do not consider the ETC programmes as the sole possible instruments, while their design responds more to local cross border needs and involve heavier management and implementation procedures.**

#### *Negative consequences on EUSBSR objectives implementation*

The weaknesses and bottlenecks affecting the coordination of the strategic framework at national and subnational level and between Members States result into the following consequences:

Governing and administrative bodies have difficulty in embedding steadily the strategic priorities into the policy implementation and in demonstrating sufficient ownership and support across the time to the achievement of the macro regional strategic objectives.

Cooperation objectives are not strongly rooted into national, regional//local policy decision making and not systematically integrated into the usual implementation system.

Consequently, the budgetary decisions made by the national and local authorities often do not secure the financial resources to promote, develop and support the implementation of cooperation activities and processes.

### **Needs for organizational and methodological changes in the preparation of the strategic framework**

#### *For more involvement of the line ministries and inter-ministerial coordination*

The strengthening of the national or sub-national strategic framework and the search for cost efficiency with the maximum leverage effects, added value and impact would probably request changes in the governance system.

While the sector policies objectives and strategies are usually made up and implemented separately by each line ministry, the interests for cooperation can only stem from sufficient awareness and acknowledgment of the potential benefits brought by searching for and building up synergy, coordination and complementarity.

To remedy to the identified deficiencies in the formation and implementation of the sectorial and territorial development strategies and to the lack of links with the EUSBSR, it seems necessary to review and adapt the institutional organization, and working methods by involving closely the line ministries into the collaboration process.

#### **RECOMMENDATION 10:**

- **Take the necessary measures in order that national policies planners and implementers feel themselves fully involved in and responsible of the EUSBSR and consider they have to work closely together and with the National Contact points, the relevant priority Area Coordinators and the corresponding ministries in their country and in the partner countries.**

The efforts towards increased coherence and integration should start by government's decision and effective support to build the national/sub-national strategic framework on a sufficiently strong and efficient coordination of the planning exercise between the administrative and technical departments in charge of the sector policies.

Coordination mechanisms between ministries/departments in charge of the policy forming and managing authorities/bodies responsible for the implementation of programmes should include for example dispositions such as setting-up a national Coordination Committee with regular inter-ministerial meetings.

#### **RECOMMENDATION 11:**

- **Strengthen national inter-ministerial coordinating function and responsibility for the strategic planning, operational implementation and monitoring of the EUSBSR (e.g. EUSBSR Coordination Committee), taking into account of the governmental organization and the respective coordination and leadership capacity of the different governmental institutions.**

#### *Reinforcing the strategic framework through open partnership*

For the strategic framework to be truly effective as a tool for focusing the attention of all agents, its elaboration must be the result of a participatory process and an informed and informative public debate to take place at national, regional and local level. All views need to be given a chance to come to the fore and public scrutiny of their soundness and merits must take place in an open way.

The deliberative process should be structured in such a way that the responsibilities of the different actors are clearly attributed and the final choice must be public and motivated.

The experience surveyed by the OECD Global Project suggests that:

- it should be the responsibility of the political level to make goals explicit in terms of clear-cut outcomes;
- administrators, with the support of academics and experts, should have the responsibility for turning these outcomes into appropriate targets and indicators and for designing feasible ways to communicate them;
- social and economic partners and active citizenship organizations should have the responsibility and the room to voice their consent and dissent on the choices made by politicians and administrators and to advance proposals.

The role of informed debate and participatory process must not be limited to the preliminary phase of selecting the strategic goals but must also cover the definition of targets and outcome indicators and the monitoring of the implementation during the whole programming period. Informing the community on the progress towards the identified objectives is one of the very reasons for targets and result indicators to be designed (see chapters IV and V).

Designated bodies (such as “Managing Authorities” for ERDF, ESF, EAFDR and EMFF programmes and Monitoring Committees” or ETC programmes”) guide and supervise the administration and implementation of the programmes by accredited intermediate bodies in compliance with the rules and procedures to be respected and in accordance with the goals to achieve and the financial resources allocated.

For ensuring these monitoring and guiding functions the line ministries, EUSBSR National Contact Point and responsible persons for Priority Area Coordination at national level should also participate with the programmes responsible bodies (Managing Authorities) in the Coordination Committee set at national level and seat in the Monitoring Committees of the relevant programmes. Regular meetings and reciprocal membership would facilitate the coordination of policy instruments implementation. Closer cooperation between all the actors involved in the implementation of the territorial and sectorial policies will contribute to better organize synergy, avoid fragmented/ redundant or contradictory investments, and share and disseminate good practices. The intensification of the coordination and collaboration process should result in making the best use of the respective instruments in order to support the achievement of the objectives at sub-national, national and macro-regional levels.

#### **RECOMMENDATION 12:**

- **Ensure the effective participation and collaboration of the partnership actors, public authorities and relevant ministries in the strategic planning, the implementation and the monitoring of the EUSBSR.**
- **Ensure the participation of the Bodies responsible for the implementation of policy instruments, the local authorities and the relevant public and partnership actors in the Coordination Committee set at national level and in the Monitoring Committees of the operational programmes.**

#### *Systematic integration of cooperation as a core component of the territorial and sectorial development strategies*

The building process and the implementation mechanisms of the sectorial and territorial development strategies should integrate systematically cooperation dimension.

#### **RECOMMENDATION 13:**

- **Consider cooperation and coordination activities as a core component of the global strategy, and from the beginning of the strategy building clarify, through internal and external consultation and coordination processes, cooperation interests to serve and activities to implement.**

When elaborating the strategic document, the preparation of the operational decisions and the budgetary allocations, must identify cooperation interests and corresponding activities with the view to better serve and achieve the targeted objectives.

All participants have to consider that (i) each partner does not necessarily share the same objectives but expects individual benefits from the results to be achieved, (ii) each partner has its specific possibilities and constraints and finally that (iii) solutions could be found by combining various cooperation models



(e.g. by combining joint, coordinated, complementary or/and convergent actions. For more details see Chapter III).

#### **RECOMMENDATIONS 14:**

- **Set-up or use existing transnational platforms for informal and formal dialogue between the public administrations and the different actors;**
- **Take the coordination initiatives to build the necessary transnational/interregional cooperation agreements with the relevant public authorities and social and economic.**

#### *The role and content of strategic reference framework documents*

The Common Strategic Framework sets out the means to achieve coherence and consistency between European Union and national/sub-national sectorial and territorial policies when utilizing the budgetary resources provided by the ESI Funds. The Common Strategic Framework specifies the needs for coordination mechanisms between the CSF Funds and other relevant European, macro-regional and national policies and instruments, in order to ensure the respect of horizontal principles and crosscutting objectives. It claims for settling the arrangements to address territorial cooperation needs and priorities and the guiding principles for ensuring an efficient delivery system.

We have already seen in the introductory part of this document the process leading to global, integrated and coherent strategic approach linking EU2020, EUSBSR and national /sub-national strategic objectives and priorities in programming the utilization of the European funds.

Of course, the content of the strategic documents concerning particular thematic sector or territory is in principle fully aligned with the overall and long-term development strategy established at national level. All these strategic documents shall establish more specific reference framework for the policy interventions they will financially support. They are expected to describe for each intervention area, the needs, objectives and main activities for cooperation. Concerning the cooperation activities related to EUSBSR the description should include the operational arrangements - organisation, platforms and mechanisms- for promoting, coordinating and supporting the development of the corresponding cooperation processes and activities.

Each strategic document will constitute, during all the implementation period, the specific reference framework for the policy interventions and its corresponding and funding/implementing instrument.

#### **RECOMMENDATIONS 15:**

- **Reflect in the strategic documents the objectives pursued, their contribution to the overall strategy and indicate their relationship with other activities supported by other instruments (in particular precise this information in the Partnership Agreement, or when more relevant in the ESI funds operational programmes, for policy actions to be supported by EU instruments**
- **Specify, under each priority, the interventions planned (including the cooperation activities in particular concerning the EUSBSR) and the corresponding operational and financial dispositions for their implementation. (see in chapter III the recommendations related to the selection of funding sources, instruments, mechanisms and tools for implementation).**

The Partnership Agreements and other strategic documents are prepared by the Member States for planning the utilization of EU financial support provided by European Regional Development Fund (ERDF), Cohesion Fund (CF), European Social Fund (ESF), European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). These documents aim to bridge the national needs and priorities with the strategic orientations at European level (Common



Strategic Framework) and concretise the commitment by the Member States to contribute, when utilizing the European budgetary resources, to the achievement of European Union objectives.<sup>4</sup>

In order to provide a sufficient understanding of the contribution of the actions undertaken to the overall development strategy at national/sub-national level, the considered strategic document should also give sufficient information on the complementarity and synergy effects with interventions implemented under other strategic documents and their related implementing instruments.

#### **RECOMMENDATIONS 16:**

##### **When preparing the strategic and operational framework,**

- **Define national strategic framework, integrating strategic orientations and thematic concentration in line with EU 2020 and EUSBSR macro-regional objectives.**
- **Focus the efforts on determining and prioritizing areas for action and the corresponding investments which could contribute the most to the cost effective achievement of the sectorial and territorial development objectives (due to leverage and long lasting effects of the expected results) at national and sub-national level.**
- **Integrate the corresponding cooperation components into the strategic and operational programming.**
- **Set-up a delivery system capable to provide results corresponding fully to the strategic objectives.**

#### ***Regular up-date of the EUSBSR Action Plan***

The EUSBSR Action Plan result from a top down and bottom- up processes and needs to be adapted on a regular basis to reflect the agreements reached by the countries on new cooperation needs and the corresponding actions to be taken.

#### **RECOMMENDATIONS 17:**

- **Proceed periodically (at least every two years) to the review of the EUSBSR based on the monitoring and evaluation, results (see chapter IV).**
- **When up-dating EUSBSR, strengthen the strategic dimension (ownership, leadership and coordination responsibilities; cooperation processes, platforms, and tool; strategic character of the actions to implement).**

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<sup>4</sup> The distribution between the Partnership Agreements and the operational programmes, of the information on the cooperation needs, interests and objectives and the coordination mechanisms will depend on the institutional arrangement in each Member state. Consequently in this section, the strategic documents like the Partnership Agreement and the implementing instruments (operational programmes) will not be dealt in a distinct manner as regards the selection of areas of intervention (thematic priorities), the corresponding types of actions to be implemented (investment priorities) and the organizational arrangements.

## II- STRENGTHENING FOCUS AND PRIORITIZATION IN LINE WITH EUSBSR

### Strategic concentration and prioritization for actions

Due to constraints on available human and financial resources and the necessity and willingness to increase efficiency, the policy interventions need to concentrate deliberately on a restricted number of areas during the 2014-2020 programming period. The necessity of increased concentration of the human and financial means will apply also to cooperation activities able to generate the most efficient results and the highest durable benefits for the development of the national/regional economy and the welfare of the society.

The Member States in the Baltic Sea region have recently confirmed in the last up-dated version of the EUSBSR Action Plan the crucial importance of the objectives (i) saving the sea, (ii) connecting the region and (iii) increasing prosperity. Leverage effects and optimization of impact should be searched by focusing the efforts on the sectors for which Member States in the macro-region acknowledge high priority, considering the urgency of the problems to remedy and the significance of the results achievable at the end of the programming period.

The provisions of the draft regulations for 2014-2020 require to concentrating the financial support of CSF Funds on mandatory thematic priorities. A significant proportion of the resources shall be concentrated on

- strengthening research, technological development and innovation and enhancing the competitiveness of small and medium-sized enterprises (ERDF), the agricultural sector (EAFRD) and the fisheries and aquaculture sector (EMFF) with at least 60% in more developed regions and 10% (12%?) in less developed regions;
- supporting the shift towards a low-carbon economy in all sectors with a minimum of 20 % (22 %?) in more developed regions and 10 % (12 %?) in less developed regions (?depending of the final agreement between the European Council and Parliament)

Similar provisions exist also for ESF.

The revised Action plan indicates also priority areas for actions for each one of the three mentioned EUSBSR objectives. Some of these priority areas request urgent intervention and concrete coordinated actions could already generate significant and durable impact. Some actions have already been agreed between the states, other remain subject to further agreements and could be implemented individually by each Member State (by convergent, complementary and coordinated efforts) or jointly during the 2014-2020 programming period.

#### RECOMMENDATIONS 18:

- **Make the strategic content of the EUSBSR stronger, more concise and streamlined in order to reduce the complexity of the strategy and be able to concentrate the implementation efforts on the most important but still achievable results**
- **When prioritizing the actions and the cooperation activities apply the thematic concentration principles and in the three EUSBSR pillars for (i) saving the sea, (ii) connecting the region, (iii) increasing prosperity, focus the implementation efforts on a limited number of strategic priority areas and actions.**

All EUSBSR Member states should reflect in priority the following priorities in their national strategic and implementation documents and concentrate the implementation efforts on a few activities realistically able to produce the desired results during the considered period.

## Under the pillar “Save the Sea”

The Baltic Sea environmental status (one of the most polluted in the world) and the human, environmental and economic consequences of eutrophication, heavy ship traffic, overfishing and marine litter, influence negatively all coastal countries and call for urgent and more coordinated remedial actions. In accordance with the EUSBSR ‘Save the Sea’ objective and sub-objectives, the coordination efforts between the Member states should now aim at accelerating the achievement of a clean and sustainable maritime environment of the Baltic Sea as targeted in the resource efficiency flagship and the proposed 7th Environment Action Programme.

### *Improve and accelerate the implementation of the EU directives and HELCOM Action Plan for the Baltic Sea<sup>5</sup>.*

Large-scale investments in wastewater treatment plants and key decisions on cleaner shipping had already an important impact on decreasing the nutrient load during last decade. However, further and continued actions are needed, on which progress in fighting against eutrophication of the seawater greatly depends now, mainly by reducing nitrates, phosphorus and hazardous substances leakages in the Baltic Sea from agriculture, aquaculture, industries and urban sources.

The strategic planning and the 2014-2020 programming exercises should reinforce and accelerate the fulfilment of the environmental standards agreed in the HELCOM Action Plan and the implementation by the Member states of the relevant EU and national environmental legislation<sup>6</sup>. ERDF, CF, EARD and EMFF and Life + programmes can contribute to support measures and projects to restore the water quality of rivers, lakes and coastal areas and improve the marine environment of the Baltic Sea.

The designation of the Baltic Sea as a Particularly Sensitive Sea Area (PSSA) and a SO<sub>x</sub> Emission Control Area (SECA), and policy-driven and fully integrated initiatives such as the Joint Baltic Sea Research and Development Programme BONUS, facilitate cooperative and effective actions in order to increase the sustainability of the maritime environment of the Baltic.

### *Reinforce convergent, complementary and coordinated actions for cleaning the sea*

Member States continue, in cooperation with Russia and Belarus in the framework of the Northern Dimension Environmental Partnership (NDEP,) to implement many convergent and complementary actions and projects in water, wastewater, solid waste management and energy efficiency. The Council of Baltic Sea States (CBSS), HELCOM Action Plan for the Baltic Sea, and other new initiatives like the South East Baltic Area (SEBA) and the so-called Turku process contribute to strengthen the transnational cooperation process and deliver solutions to address environmental challenges. All these efforts provide new business opportunities in the whole area extending from the Baltic Sea to the Barents Euro-Arctic region, in line with the overall objectives of the Integrated Maritime Policy and the Marine Strategy Framework Directive (MSFD).

The region could also benefit from the development of cooperation projects under the EUSBSR in order to extend the application of agro-environmental measures with the support of EAFRD. The cooperation across agricultural and environment sectors has raised a number of important crosscutting issues concerning the interaction between agriculture and environment and shown the possibilities offered by focusing on multi-benefit measures. The role of agriculture, not only in reducing nutrient inputs to the sea, but also in providing solutions for ecosystem management, renewable energy production and climate change adaptation should be more recognized and supported in the future agriculture and rural development programmes.

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<sup>5</sup> The Action Plan of the Baltic Marine Environmental Protection Commission, known as Helsinki Commission or HELCOM.

<sup>6</sup> The EU relevant Directives include the Water Framework Directive, Nitrates Directive, Urban Waste Water Directive, Industrial Emissions Directive, and the Marine Strategy Framework Directive

Table 1 shows the inter-relations between the Save Sea sub-objectives and the corresponding Priority Areas and Horizontal Actions of the EUSBSR Action Plan.

**Table 1. Sub-objectives of Save Sea and corresponding areas and actions of the EUSBSR**

	PA Nutri	PA Hazards	PA Bio	PA Agri	PA Ship	PA Safe	PA Transport	PA Energy	PA Crime	PA Market	HA Spatial	HA Sustainable
<b>Objective 1: Save the Sea</b>												
Clear water in the sea	✓	✓	✓	✓	✓							✓
Rich and healthy wildlife	✓	✓	✓	✓	✓						✓	✓
Clean and safe shipping	✓	✓			✓	✓	✓			✓		
Better cooperation	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓

✓ **Dark check** - the PA or HA primarily addresses this sub-objective

✓ **Light check** - the PA also addresses these sub-objectives, though not as directly

## Under the pillar “Connect the Region”

The remote geography, very long distances (especially to the Northern parts) and EU external borders, the extent of the sea that links but also divides the sub-regions, all pose special challenges to physical accessibility and communication in the Baltic sea macro-region. In particular, the historical and geographical position of the Eastern Baltic Member States, with their internal communication and energy networks largely oriented East-West, creates obstacles to the Internal Market and to the goal of territorial cohesion. Consequently substantial and costly investment are needed in communication, transport and energy infrastructures in order to better integrate and connect this part of the European Union to central and western Europe and improve the internal transport and communication system in the macro-region itself.

The main and urgent strategic priority is to strengthen the coordination between the Member States in order to improve the internal and external links and avoid non-coherent national/regional transport and communication infrastructure undermining the benefits of the investments done in the whole area by each Member State.

### Improve internal and external transport links

As the region is made-up of many relatively small countries in term of population and size of the national economy, non-concerted actions are not enough, and even bi-lateral cooperation cannot provide all the necessary solutions. Wider and deeper regional cooperation is necessary to overcome the transport bottlenecks at the level of the macro-region. To overcome the infrastructure shortfalls in Easter and Southeaster sides of the sea, effective North- South and East-West links are missing. Better connections with Russia and other EU neighbours and further connections in direction to Asia, the Black Sea and the Mediterranean regions need also to be developed.

The new TEN-T Guidelines and the EU proposal establishing a Connecting Europe facility (CEF) instrument for financing the construction of the missing links in the Europe networks for energy, transport and digital communication feature a dual layer approach. The plans define a wider comprehensive network and a core network, which represent a selection of the strategically most

important nodes and links of the EU transportation system for passengers and goods to be established. Existing bottlenecks have to be removed, infrastructure upgraded and connections improved between different modes of transport in order to streamline the trans-national transport operations, via a resource-efficient transport system characterized by multimodal integration, seamless connections, and interoperability, coordinated development and management of infrastructure as urban nodes. Due to the increasing importance of intelligent transportation systems, the approach shall also include the benefits of electronic applications and telematics systems as well as enabling conditions for alternative solutions to fuel vehicles and for low-carbon transport modes along the TEN-T corridors. Therefore, international coordination between national and regional authorities as well as with other operators and relevant actors is essential.

### *Main priorities of the transport sector in the EUSBSR*

Presently, the main priorities of the transport sector already identified and mentioned in the Action Plan of the EUSBSR are:

i) completion of the following major infrastructure projects:

- Upgrading of road, rail and maritime infrastructure in Sweden and Finland across borders on the Nordic Triangle
- Rail Baltica linking Poland, Lithuania, Latvia and Estonia (as well as Finland through a rail-ferry link);
- Fehmarnbelt Fixed Link between Denmark and Germany with improved access to railways from Copenhagen and Hannover/Bremen via Hamburg (part of Green STRING Corridor);
- Railway axis Gdańsk-Warsaw-Brno/Bratislava-Vienna (Rail freight Corridor No 5);
- Motorway axis Gdansk-Brno/Bratislava-Vienna;
- Railway axis Stockholm-Malmö-Copenhagen-Hamburg-Innsbruck-Verona-Palermo (Rail freight corridor No 3).

ii) Efficient and sustainable Baltic passenger and freight transport solutions.

Freight transport solutions can be supported through a number of initiatives, e.g. by removing bottlenecks non-related to infrastructure, promoting inter-modal connections, developing infrastructure, supporting logistics providers, establishing coordinated electronic administrative procedures and harmonising control procedures and by developing the Green Corridor concept. Since the adoption of the EU Freight Action Plan in 2007, several countries, regions and operators in northern Europe have engaged in Green Corridors development to enable the transformation of the freight and logistics sector towards cleaner and more efficient transportation system, improving the connections between alternative modes and reducing the societal and environmental negative impacts.

### *Improve access to, efficiency, and security of energy markets*

Despite the European Council Conclusions in 2011 and 2012 (calling for the completion of ‘the internal energy market by 2014 and stating that no EU Member State should remain isolated from the European networks after 2015), the Baltic States (Estonia, Latvia and Lithuania) are not yet properly integrated into the wider energy networks of the rest of the EU. At present, the only electricity power connection is the Estlink between Finland and Estonia. However, the planned second connection – Estlink 2 – between Finland and Estonia, the cable between Sweden and Lithuania (NordBalt) and the new link between Lithuania and Poland (LitPol Link I) are expected to improve the connections of the Baltic States with the Nordic and Continental European electricity markets by the end of 2015. Decisions on gas interconnections and regional LNG terminal are still pending. This hampers proper gas integration or other ways to diversify gas supply in the Baltic States (although a LNG terminal will be operational in Lithuania by the end of 2014 to satisfy a part of its gas needs). As a result, the Baltic States are

practically isolated in terms of gas supply and therefore represent an ‘energy island’ in the EU. Consequently, further actions for creating a fully interconnected and integrated regional energy market should remain the goal for all EUSBSR states.

The development and integration of energy markets is therefore a key challenge, aiming to:

- 1) Improve the security of energy supply, particularly in the eastern Baltic Sea region.
- 2) Facilitate the diversification of energy sources and investments in renewable energy contributing to the economic growth and competitiveness of the region;
- 3) Decrease greenhouse gas emissions through more efficient energy distribution, increased use of renewable energies, and reduction of the energy demand.

### Connect people in the region: improve cooperation

To achieve the objectives of the Strategy, the cooperation process between all the actors involved needs to be improved in a way to create a wide and common feeling of ownership and commitment to the Strategy, for all people concerned. In this respect, the development of the cooperation and coordination processes, structures, and mechanisms has to be considered under each pillar, Priority Area and Horizontal Action, as a major objective of the EUSBSR. All the implementation instruments available, even when they are managed individually by the Member States(see Chapter III), have to be used to better connect the people in the region, set-up new networks and new platforms of cooperation, and strengthen the existing ones.

Connecting the people also includes improved access to communications networks and the internet as basis for seamless flow of information and closer and instantaneous exchange and cooperation.

Table 2 illustrates the most important relationship of the Connect the region sub-priorities with the Priority areas and horizontal actions of the EUSBSR Action Plan.

**Table 2. Relationship of the Connect the region sub-priorities with the priority areas and horizontal actions of the EUSBSR Action Plan**

	PA Bio	PA Ship	PA Safe	PA Transport	PA Energy	PA Tourism	PA Culture	PA Crime	PA Market	PA Innovation	PA SME	HA Spatial	HA Neighbourhood	HA Involve
<b>Objective 2: Connect the Region</b>														
Good transport conditions		✓	✓	✓						✓	✓			
Reliable energy markets					✓					✓	✓	✓		
Connecting people in the region	✓	✓		✓	✓	✓	✓		✓			✓	✓	
Better cooperation in fighting cross-border crime and trafficking			✓					✓						✓

✓ **Dark check - the PA or HA primarily addresses this sub-objective**

✓ **Light check - the PA also addresses these sub-objectives, though not as directly**

Synergy and complementarity of actions should be searched by better coordination of the national planning and investment in transport, communication and energy sector.

### Under the pillar “Increase Prosperity”

The Baltic Sea region includes some of the most successful and innovative economies in the world, and regions that are fast catching up with the European average. Intensive trade flows between the



countries around the Baltic Sea make the BSR the dominant foreign trade area for smaller economies, like Estonia and Lithuania (share of the BSR in total trade over 50%) and a very important one for the three Nordic countries and Poland (more than one third of their total trade is made in the BSR). Only in Germany the share of BSR trade is significantly lower, due to the total volume of German trade. Entrepreneurship development and performing education system are crucial to recover from the economic downturn and help the last generation of Member States in the BSR to fill the economic development gap by increasing their productivity and competitiveness in order that all countries can maintain and develop capacity for growth and development. Therefore, to increase the prosperity of the BSR, it is important to support fully actions to promote entrepreneurship, innovation and trade and improve business opportunities in the BSR Member States. To maintain and boost the region's competitiveness, cooperation between educational institutions and between educational and research institutions and companies need to increase and ensure a well-functioning geographical and professional mobility supporting the labour market and the quality of education and research.

In order to maximise the national and regional innovation potential and increase the competitiveness of the Member States and their regions, more strategic and integrated approach is needed. Being a part of Europe 2020 Strategy the flagship initiative "Innovation Union" highlights the concept of smart specialization as a way to achieve smart, sustainable and inclusive growth in Europe. It underlines the importance to reform the national and regional R&D and innovation systems to foster excellence and reinforce cooperation between universities, research and business. Consequently, the Innovation Union initiative recommends redirecting funding and strengthening cooperation, based on a smart specialisation approach, which focuses on the exploitation of strengths and opportunities

Table 3 illustrates the most important relationship of Increased Prosperity sub-priorities with the Priority areas and horizontal actions of the EUSBSR Action Plan.

**Table 3. Relationship of Increased Prosperity sub-priorities with the priority areas and horizontal actions of the EUSBSR Action Plan**

	PA Nutri	PA Hazards	PA Bio	PA Agri	PA Ship	PA Safe	PA Secure	PA Transport	PA Energy	PA Tourism	PA Culture	PA Crime	PA Market	PA Innovation	PA SME	PA Health	PA Education	HA Spatial	HA Sustainable	HA Involve
<b>Objective 3: Increase Prosperity</b>																				
Single market					✓			✓	✓				✓						✓	
Europe 2020	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓
Global competitiveness				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓
Climate change	✓	✓	✓	✓	✓			✓	✓					✓	✓			✓	✓	✓
	<p>✓ Dark check - the PA or HA primarily addresses this sub-objective</p> <p>✓ Light check - the PA also addresses these sub-objectives, though not as directly</p>																			

### Improve global competitiveness of the Baltic Sea Region

Promoting a pan-Baltic Sea Innovation Region will require concerted efforts between the Member States to align available resources through a programmatic approach. Increased resources need to be allocated to research and innovation in order to face the key challenges of the future: resource efficiency and protection of the environment, health, energy, innovative and sustainable use of marine resources, sustainable transports and digital business and services. Several Innovation Partnerships, such as the Innovation Partnerships on Water, on Agricultural Productivity and Sustainability and on Raw Materials

could be of importance for the region. Full use should be made of the opportunities created by the new Horizon 2020 framework. The Member States concerned need to develop and deepen their cooperation both at policy and business level, creating critical mass of competences and synergies between initiatives to improve innovative and competitive capacity in key market areas. Such a holistic approach will depend heavily on effective partnerships between governmental bodies (both national and regional) and business, industry, and civil society groups

The process of world economic globalisation results in both increased competition and collaboration between countries and regions, regarding investments in production, knowledge, and innovation. At business level, the development of knowledge-intensive products and services is crucial for ensuring the competitiveness of companies in the global market. At policy level, countries and regions must develop efficient innovation strategies and systems in key economic areas to boost entrepreneurial dynamism and intensive links between top-level knowledge institutions, private investors, incubators and businesses and services companies. Baltic Sea region has strong common interests and potential in specific fields of research, innovation, entrepreneurship and education that create scope for a more (cost) effective mobilisation of the available human, infrastructural and financial resources.

### *Deepening and fulfilling the single market*

The consultation and analysis carried out to prepare the 2010 Single Market Review have shown that, in many areas and sectors of the Single Market, the legal framework does not yet function as well as it should. Institutional barriers frequently too restrictive and complex hamper substantially the activities of SMEs in the BSR. Strengthening trade links within the region by reducing unjustified barriers is a cost-efficient way of revitalizing the economy. Quality of the institutional and legal operating framework differs much between individual states in the BSR. Hence, the first priority is to create an institutional framework setting harmonized and simplified rules to facilitate entrepreneurship development and to implement fully the recommendations from the Small Business Act, thus reducing the administrative burden for smaller companies. Competitive advantages could be developed on traditional and new business strengths existing in the region, including tourism and creative industries. Synergy and complementarity of actions to open further the national markets could be obtained by better coordination of the national policies and interventions and better use of the policy instruments, among which the Structural and Cohesion Funds, HORIZON 2020 and COSME programmes.

### *Include the macro-regional dimension in Smart Specialisation Strategy; Concrete recommendations to improve cooperation*

In the framework of the EUSBSR, the elaboration of Smart Specialisation Strategies at national and macro-regional levels plays an important role in achieving the objective “Increase Prosperity”. As it stated in the Action Plan of the EUSBSR “by applying the smart specialisation concept, combining strengths, competences, R&D and players in the whole Baltic Sea region in a smart way, there are good opportunities for the Baltic Sea region to become a globally leading innovation player in several specific fields. This will make the BSR attractive as a partner for cooperation with other strong innovative regions in the world and will support companies in the BSR to increase their global competitiveness”.

Technopolis Group’s study 2011 provided a mapping of the situation, needs and innovation policy priorities in the Baltic Sea region. It identified a number of common areas where national funding is already focused, including: ICT, Life science (notably biotechnology), Healthcare (and ‘wellness’) services, Agro-food, “Cleantech” (notably in Denmark and Finland), Energy (in particular renewables, with some overlap with Cleantech field), Materials (ranging from nano- and plasma- technologies to more traditional materials).

The Technopolis study concludes with clear recommendations for more strategic and integrated approach to research and innovation at the macro-regional level in order to maximise the national and regional innovation potential and increase the competitiveness of Member States/regions:

1. Increase coordination of innovation strategies; ‘joint programming’ in a number of fields rather than project based funding of Baltic Sea region research and innovation programmes;



2. Further develop macro-region clusters and 'competence centres' (business-academia, R&D consortia);
3. Create Baltic Sea Fund (seed and early-stage funds) for financing innovative enterprises;
4. Develop an open access network of Baltic Sea region research infrastructures;
5. Create a Mobile Expertise programme in the Baltic Sea region.

These recommendations provide very interesting proposals to ground the elaboration of the macro-regional and national Smart Specialization Strategies in the Baltic Sea Region, when combined with the potentialities of key economic areas and dynamic clusters already existing in the BSR (Technopolis Group Study 2011 on Innovation in the BSR).

Initiatives such as *BSR Stars* (a programme for R&I, clusters and SME networks in the BSR), *ScanBalt Health Region* (to develop cross-sectorial and transnational projects for innovation in health and in life sciences), *Submariner* (for sustainable and innovative use of Baltic marine resources), *Baltic Business Arena* (development of platforms for SMEs to support cooperation in terms of innovation, trade, exports with joint delivery across borders), *Baltic Ring* (establishing an infrastructure for free movement of knowledge in the Baltic Sea Area) and *Baltic Science Link* (building a strong network between universities, research institutes and industries), are examples of cooperation activities supporting sustainable growth and resource efficiency, risk prevention and management, as well as climate adaptation and mitigation.

## RECOMMENDATIONS 19:

- **Focus the implementation on the opportunities for complementarity and synergies and the reduction of redundant efforts and vast of resources, concentrating the efforts on**
  - **Implementation of the most urgent and impacting measures of the HELCOM Action Plan for cleaning the Baltic Sea, including reduction of nutrients loads to the sea, maritime traffic safety, spill over pollution prevention and remediation measures**
  - **Construction and up-grading of the major transport infrastructure and transport corridors of international importance(TEN-T) for the macro-region;**
  - **Inter-connectivity of the national energy grids between the MSs in the Baltic Sea region;**
  - **Integration of the macro-regional dimension in the Smart Specialisation Strategy and deepening of the single market framework for enterprises;**
  - **Promotion, development and support of the cooperation structures, processes and d tools.**

### **III- SELECTION OF THE MOST APPROPRIATE FUNDING SOURCES, INSTRUMENTS, MECHANISMS AND TOOLS FOR DELIVERING EUSBSR OBJECTIVES**

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#### **Existing weaknesses in the implementation system**

Often weaknesses in the strategy and in the policy intervention logic result from insulation and lack of articulation in the global planning processes. The result is a juxtaposition of fragmented proposals for action in each specific sector and at territorial level with no clear distribution of the tasks between the different actors, instruments and funding sources.

Consequently, the fragmentation of the design process automatically reflects into the implementation system. Thematic priorities without real concentration and coherent articulation of the different policy measures leave open the possibility to do everything. The lack of coherence, integration and focus in the strategic and implementation framework hamper the efficiency of selection criteria and procedures and could lead to the support of irrelevant, redundant or contradictory projects. Finally, the global performance would be negatively impacted and budgetary resources wasted.

#### **How to ensure more strategic and operational coherence in setting the EUSBSR delivery system**

When setting out the main priorities for intervention and designing the necessary activities, including the cooperation activities to support for achieving the goals, the builders of the national/regional strategies and operational implementation programmes should ensure the overall coherence of the intervention logic.

#### ***Need for strategic and operational coherence in the intervention logic***

The intervention logic coherence has two folds:

##### 1) The need for strategic coherence

The planned actions must serve the strategic objectives of the country or region. The cooperation activities participate to the achievement of the aims by:

- (i) Organizing the common answer to the necessity to act together for addressing common challenges that cannot be solved individually;
- (ii) Opening the possibility to benefit from opportunity where each partner can better reach his individual and specific objectives by convergent, complementary, coordinated or joint actions.

##### 2) The need for operational coherence:

The operational coherence aims to prevent contradictory and non-coherent actions and to conciliate competing activities inside the same programme or between several programmes in order to avoid waste of resources and optimize the benefits of the investments.

These two distinct categories of coherence needs could shape differently the activities that the national/regional authorities would like to promote and influence the choice of the operational instruments /funding sources and mechanisms for their implementation.

To ensure both strategic and operational coherence, the identification and selection of the most relevant operational instruments and funding sources need to support the judicious and coherent design of the activities.

Often the choice of the implementing instrument determines also the selection of the implementing instrument. Consequently, there are very logical and strong links between the needs to respond to, the

objectives to be achieved, the most effective activities to be implemented, the most suited mechanisms and tools to be used for their implementation and the decision on the mobilization and articulation of the most relevant instrument(s) and funding source(s).

### *Bridging the operational coherence to the strategic coherence of the intervention logic*

Therefore, the overall intervention logic should result from a very methodical approach setting-up the performance framework.

The selection and design of appropriate convergent, complementary, coordinated or joint measures and activities pertain to the intervention logic to fulfil the strategy objectives and aim at producing the necessary outputs in order to obtain the expected outcomes (results). The starting point is to identify the problem(s) to address and the objective(s) to achieve, considering the timeframe for implementing the actions and the available resources allocated for tackling the issue. In general the available resources are not sufficient and do not allow to satisfy all the perceived needs. Furthermore, not all public interventions are equally efficient in the results and effects they produce. When considering on which sectors and specific actions to concentrate the efforts and resources, multiplier effect and sustainability of the investments and quality and durability of their impact are- with the urgency to remedy to serious situations that hamper any possibility of development, and the advantages and possibility to operate- the most critical factors to be taken into consideration. As public investment programmes dispose of limited resources, often they cannot support all types of activities and beneficiaries potentially concerned. Hence, the effective design of the intervention logic shall also include the decisions on the results to obtain, the beneficiaries to target and the selection criteria to choose.

Of course, such decisions on the needs to which focus efforts in priority and the identification of the desired change and realistic targets to reach are the result of political and partnership deliberative process. In order to ensure the strategic and operational coherence, it is the policymakers' responsibility to examine the factors driving the implementation of activities towards or away from the expected results and finally conclude on which one(s) the public policy can intervene with the maximum impact and greatest benefit. The final decision has also to take into consideration the investments costs and the available resources. Thus the financial and human resources allocated to the management and implementation of the policy instruments have also to be compliant with the policymakers' decisions.

The following table try to illustrate a systematic approach where the selection of the funding sources and implementation instruments results from the prior identification of the content and specific characteristics of each activity to implement in order to achieve the objectives set in the development strategy.

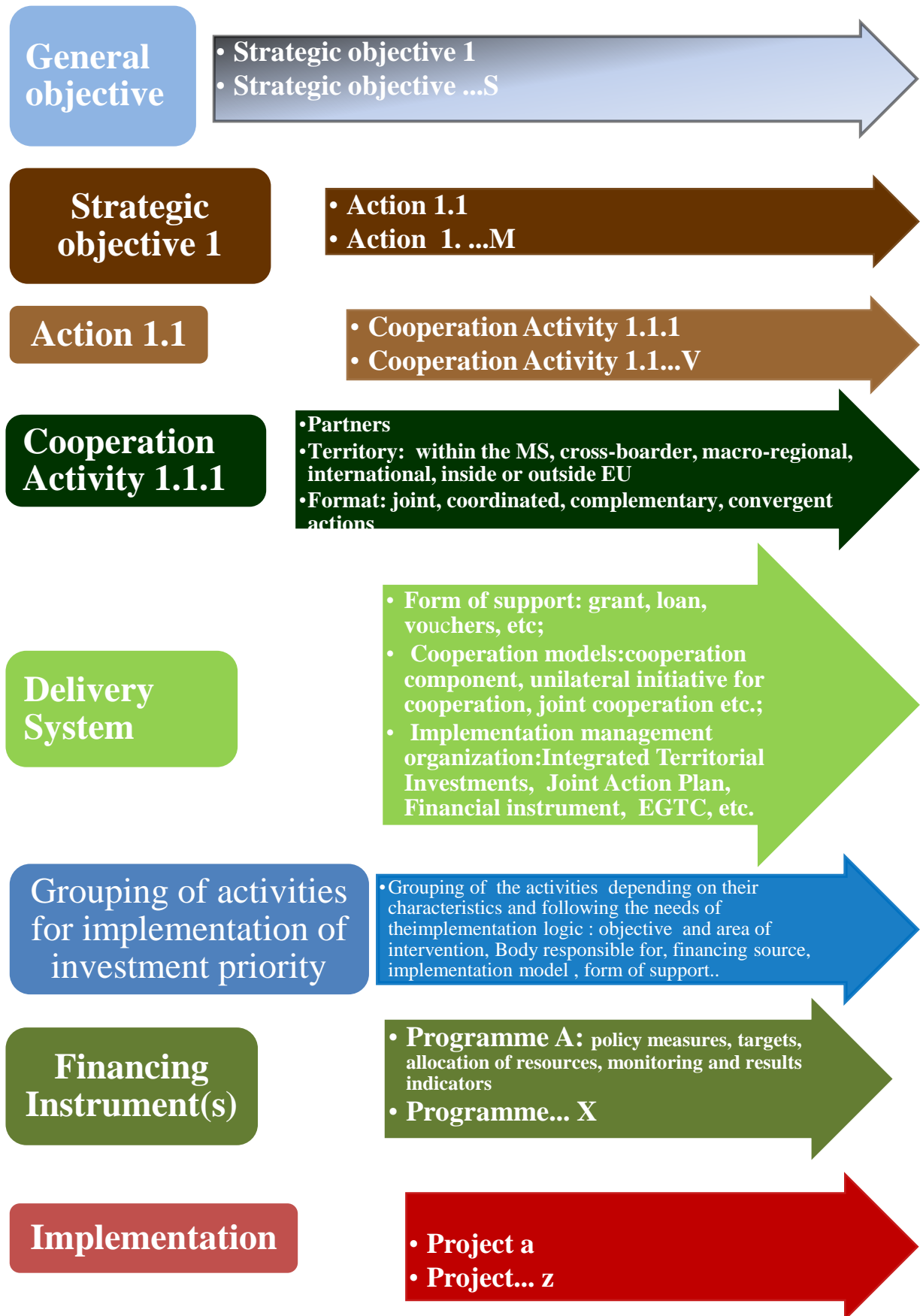
#### **RECOMMENDATION 20:**

**For coherent and efficient linkage between the delivery system and the strategic objectives, follow a logical working method and respect the following sequential steps (see illustration in the following graphic).**

- 1- Identification and prioritization of the needs, including cooperation needs and opportunities.**
- 2- Definition of the objectives with their targets and timeframe (related to each specific strategic thematic priority (e.g. Strategic Objectives 1 to S)).**
- 3- Identification of the action (e.g. Action 1.1 to 1.M) required to achieve the strategic objectives.**
- 4- Identification of the cooperation activities necessary or helpful to ensure an efficient implementation of the actions (e.g. Cooperation Activities 1.1.1 to 1.1.V).**

- 5- Determination of the delivery system that matches the best with the characteristics of the activity to implement.**
- 6- Grouping of the activities according to the implementation needs of the investments logic: objective and thematic area of action, their characteristics, Body responsible for, implementation model, form of support...etc.**
- 7- Selection of the most appropriate implementation and financing instrument(s), (e.g. Programme A or Programme X), in coherence with the investment logic and depending on the funding capacity, eligibility criteria, easiness and relevance of the selection, financial and administrative management procedures, etc..**
- 8- Setting-up of the most appropriate mechanisms and tools (T) for implementing the projects (P) under each activity in order to achieve the targets and align the performance framework (coherent definition of relevant selection criteria and monitoring indicators) with the intervention logic.**

Figure 2. Strategic tree to assist in defining co-operation goals, strategy and implementation



## The choice of the implementation instrument and the funding source

When deciding on the best way to use the different available instruments and funding sources for achieving the strategic objectives, the following keys for success have to be considered carefully:

- The selection of adequate instruments, mechanisms, tools and procedures...) capable to respond the most efficiently and easily to the specificities of the measures to implement.
- The availability and coherent allocation of the resources

In order to minimize the risks of suboptimal distribution of the activities - including the cooperation activities - between the different possible funding/implementing instruments, it is more relevant to consider each activity/measure previously identified as an individual building block, with its own characteristics and then to assemble the blocks according to a logic facilitating the implementation (bottom-up method). In this stage of the work, the analysis has to be done independently of the results of the initial work in which the identification of each set of measures to be implemented was made according to each of the specific objectives settled down in order to fulfil the decided strategy (top down method). The method is to build and organize the structure and content of the delivering system considering the specific operational needs of each activity. Each activity is grouped with other activities into coherent sets of measures for implementation by the most relevant instrument. The same intermediate body generally manages the implementation of homogeneous and complementary activities, according to identical or very similar implementation rules and procedures. In the European Structural and Investment Funds the measures to implement are grouped under the “investment priority” (intermediate level) and “thematic priority” (highest level of the structure of the implementation system).

### RECOMMENDATION 21:

- **Identify the “measures”, “thematic priorities” and “Investment priorities”, starting from the activities to implement and then select the instrument for implementation.**

As the choice of the implementing instrument determines also the selection of the associated funding source the parameters to be taken into consideration when defining the optimal allocation of the resources available are often closely related to the parameters considered when deciding on the most appropriate implementation instrument.

**Table 4. Possible financial instruments for funding of interventions under the thematic priorities listed in the regulations of the EU investment funds**

	1 TO	2 TO	3 TO	4 TO	5 TO	6 TO	7 TO	8 TO	9 TO	10 TO	11 TO
<b>ESI funds</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
EAFRD	✓		✓	✓	✓	✓		✓	✓	✓	
EMFF	✓		✓			✓		✓			
Horizon 2020	✓	✓				✓	✓	✓		✓	
COSME	✓		✓					✓	✓	✓	
NER300	✓			✓	✓	✓					
LIFE			✓	✓	✓	✓					✓
ERASMUS for ALL	✓	✓						✓	✓	✓	
Programme for Social Change and Innovation								✓	✓	✓	✓
Connecting Europe Facility		✓					✓				
Health for Growth programme	✓										
Asylum and Migration Fund									✓		
Funds for External Relations									✓		✓
Creative Europe programme	✓	✓				✓		✓	✓	✓	
EU Solidarity Fund		✓			✓	✓	✓			✓	✓
European Territorial Cooperation	✓		✓				✓	✓	✓	✓	✓
EIB		✓	✓		✓	✓	✓	✓	✓	✓	
EEE ir Norway	✓		✓	✓		✓			✓	✓	✓
Assistance from Switzerland	✓			✓						✓	✓

Note: identification made by the Lithuanian authorities

The table above lists the funding sources available in Lithuania for supporting the thematic priorities indicated in the European Investment Funds regulations. But it doesn't provide crucial information for each associated implementation instrument on:

- budgetary amounts allocated and the co-financing needs associated at national level
- flexibility and characteristics of the delivery systems, in particular:
  - decision making system (by the Member State or by external organisation);
  - sector and territorial eligibility coverage;
  - possibility to support cooperation activities;
  - possible cooperation models;

- relevance of selection and implementation systems;
- easiness versus complexity of use.

#### **RECOMMENDATIONS 22:**

- **Ground the selection of the most suited implementation/ funding instrument on a global view of all alternative solutions in relation to the needs.**
- **Review the compliance of the activity with each of the envisaged implementation instrument and funding source, according to the following criteria:**
  - **respective objectives and mission of the budgetary source or fund;**
  - **sectorial and territorial eligibility;**
  - **relative simplicity and easiness /complexity of the rules and procedures to be respected when applying for financial support and during and after the implementation, taking into consideration the own characteristics and specific needs of each activity;**
  - **accuracy of the selection process in regard to the objectives and characteristics of the projects to be implemented;**
  - **volume of financial amounts available for support in regard to the financial requirements for implementation.**

### **Coherence check of the implementation instruments to select**

As the delivery system has to be closely related to the strategy to deliver and the characteristics of the actions to implement, the programming logic needs to be checked both from the strategic and operational coherence perspectives (intervention logic). Before finalizing the design of the programmes with the planned cooperation activities and the envisaged delivery mechanisms, the following issues need to be scrutinized at (i) objectives and (ii) activities/measures level:

- Consistency and alignment of
  - the objectives with the most important challenges to address, needs to respond, and opportunities to exploit;
  - the strategy with the objectives.
- Relevance of the envisaged activities for meeting the needs and achieving the goals.
- Territorial and sectorial consistency, with, in particular, due attention to the risk of parallel, contradictory, redundant and oversized investments in competing regions and sectors.
- Relevance of cooperation activities retained in order to serve the objectives; in particular, those related the macro-regional cooperation.
- Adequacy and expected efficiency of the implementation systems chosen, considering:
  - the resources allocated;
  - the instruments used;



- the delivery mechanisms set (eligibility rules, selection procedures, cooperation management tools, etc.).

The coherence tests could be combined with the ex-ante evaluation exercise or performed separately; but they always have to be performed sufficiently in time before taking the final decision on the funding/implementation instrument to use.

#### RECOMMENDATIONS 23:

➤ **Perform systematically coherence checks to remedy to- or eliminate- weak logical alignment between the objectives, the activities and the delivery system. Consolidate the thematic content and the territorial components of the intervention logic and reduce the risks of ineffective use of the resources.**

➤ **Focus the risks analysis on:**

- **The lack of strategic alignment between the objectives pursued, the cooperation activities designed (or missing) and the delivery system chosen (eligibility rules, selection procedures, financial envelopes available).**
- **The inappropriateness of the instruments and tools in regards of the nature, characteristics and needs of the activities to implement.**
- **The redundancy, duplication, overlapping between the different implementation instruments**
- **The lack of support at activity level (and consequently also at project level).**

## How to cooperate for implementing the EUSBSR?

### *There are several ways to cooperate*

The decision on cooperation modalities requires to consider the different implementation formats and mechanisms under which the collaboration between partners can be established and work. There is not one single cooperation model but various formats of collaboration that can contribute to satisfy the cooperation needs, depending of the objective(s) pursued and the characteristics of the action to implement.

Many actions contributing to the achievement of common goals can be implemented as individual projects, but will producing all together the targeted results. In some cases, more coordinated actions are necessary. In very specific cases only joint actions with fully integrated processes for planning, decision- making, funding and implementing can bring the suitable answers to the problems to solve.

### *Typology of cooperation projects according to their degree of integration*

The following table presents different possible models of cooperation, depending of the level of coordination/integration in the planning, decision-making, funding and implementing processes.

**Table 5. Typology of co-operation projects according to their degree of integration**

	Type A	Type B	Type C	Type D	Type E
Joint strategic planning	yes	yes	yes	yes	no
Joint decision making	yes	Yes	yes	no	no
Joint funding	yes	yes	no	no	no
Joint implementation	yes	no	no	no	no

All models are allowed under the European Structural and Investment Funds regulations and under other funding/implementation instrument.

Models A, B, C have potentially higher administrative costs than models D and E for which it may even happen that any cooperation costs are incurred.

## JOINT PROJECTS

The joint model A is the most integrated and consequently requires the highest coordination efforts (e.g. financial instrument set-up and managed jointly). Joint actions are only necessary in a small number of cases demanding completely integrated processes (common financial instruments, common coordination and management platform for R&D). Due to the complexity and difficulty of implementing and managing the joint approach, it is recommended to use it only when relevant, realistic and it provides clear added-value.

## COORDINATED PROJECTS

Coordinated actions request variable degrees of coordination process in terms of agreement setting, planning, etc. But in most cases they remain actions to finally be funded and implemented under the sole responsibility of the relevant national/sub-national authorities (examples: common academic curricula and research programmes, cross-border international transport or energy grid connections).

Both co-ordinated and complementary projects correspond mainly to types B to D of cooperation activities with more or less coordination efforts and integration at the level of the different processes necessary for their implementation (e.g. transnational transport corridor or energy grid connection, cooperation programmes between universities or research centres).

## COMPLEMENTARY PROJECTS

The objectives targeted by the different partners could be reached by measures and actions agreed by the Member states, but funded and implemented under the responsibility of the relevant national/sub-national authorities: the results of these complementary actions benefit to all partners (examples: complementary infrastructure or equipment in hospitals or research centres, cross border connections between national TEN-T sections).

## CONVERGENT PROJECTS (correspond mainly to Type E)

Generally, in the convergent projects, the coordination efforts are not necessary (e.g. implementation of water treatment stations) or are very light. The objectives targeted by the different partners could be reached by measures and actions decided separately by the Member states, funded and implemented under the sole responsibility of the relevant national/regional authorities. The results of these individual actions contribute to the common benefit of various Member states/ regions in the area (examples: remedial measures to environmental challenges, construction on the national/regional territory of national/regional main transport axes improving the international connectivity of the whole area...). The convergent model is the less integrated among the cooperation mechanisms and often can be used in the implementation of programmes without any particular dispositions.

A sound management principle is to tailor the organization of the solution to the needs. When deciding on how to address common challenges or exploit shared opportunities/possible complementarities, rational approach is to examine which model will produce the expected results in the easiest, most efficient and less costly manner and finally to choose the most relevant solution.

Since the endorsement of the macro-regional strategies for the Baltic Sea region and the Danube region, different proposals have been made and some solutions have already been experimented in order to take into account cooperation needs and support cooperation actions and projects in other programmes than the programmes specifically devoted to territorial cooperation activities. Envisaged solutions were mainly:

- 1) Setting a priority axis for developing interregional and transnational cooperation (horizontal or vertical one);

- 2) Identifying potential cooperation projects (projects idea) and partners in the Partnership Agreement and/or Operational Programmes;
- 3) Introducing selection procedure which gives priority to flagship projects as listed in the EUSBSR Action Plan, or other projects having a clear macro-regional impact, contributing to the targets and objectives and to the implementation of one or more actions in the Action Plan;
- 4) Allocating a certain amount of funding to activities/projects that are in line with the Strategy;
- 5) Describing how the implementation of the programme corresponds to the objectives and priorities of the EUSBSR.

While the proposal 5) corresponds to future regulatory requirements for the CSF Funds, the other proposals, are not always satisfactory as they may be not compliant with the future programmes structure(e.g. solution 1) or rise certain doubts on their relevance(e.g. solutions 2, 3.and 4).

In fact, as already indicated, many actions contributing to the achievement of common goals, like actions for reducing the nutrients leakage into the Baltic Sea, can be implemented in all the countries without requiring any additional cooperation provisions for their implementation.

### *Typology of cooperation management solutions*

#### **A very easy and universal cooperation management solution: the “Cooperation Component”**

However, in order to be able to support also any kind of cooperation activities in addition to purely individual actions, the easiest solution is the systematic and generalized introduction, whenever possible, of a “*cooperation component*” into the implementation instruments.

The “cooperation component solution” consists in explicitly making possible and eligible, the management and implementation costs related to the support of cooperation projects and processes, under the same conditions and following the same selection, decision and management procedures that are valid for “regular” projects pertaining to the programme.

#### **Main advantages of the “cooperation component” solution**

##### *Flexibility*

Both, Bodies in charge of implementing the programmes/funding instruments and projects owners benefit from a flexible system introducing the eligibility and possibility of supporting cooperation activities before or during the project implementation.

The cooperation component model is also independent of the specific selection systems used in the different programmes and allow cooperation activities between projects selected through different selection procedures (e.g. with or without calls for projects).

##### *Universality*

The system could be used indifferently in all kind of programmes and funding sources i.e. for usual operational programmes or more elaborated delivery systems and tools such as Integrated Territorial Investments (ITI), Joint action Plan, Community Led Local Development, Urban policy, Financial instruments, European Grouping of Territorial Cooperation, transnational and cross-border cooperation programmes.

It enables different kind of cooperation, formats, including inter-regional and transnational cooperation, without having to organize formal coordination processes at programme level and synchronize project decisions between the different programmes. It does not require pooling of financial and human resources for its management.

### *Minimization of administrative burden and simplification*

The cooperation component does not need any change in the usual selection, decision making and monitoring procedures of the programme.

There is no need for a specific budget line or specific pre-allocation of financial resources in the programme for the “cooperation component”

The cooperation component provides a simple, non-bureaucratic solution without any additional procedure and administrative burden, new mechanisms and structure, to support, when necessary, the cooperation elements of projects. Only a modification decision - or a separate mini-project decision - would be necessary when the initial financial support of existing project need to be increased following the introduction of cooperation components not planned in the initial project decision.

In addition to the usual financial management system of reimbursement of the eligible costs actually incurred and paid, the cooperation component model could also use simplification measures. The simplification measures consist in applying standard scales of unit costs, lump sums not exceeding EUR 100 000 of public contribution, flat-rate financing (determined by the application of a percentage to one or several defined categories of costs). Simplification measures have just started to be implemented in the EUSBSR Seed Money Facility and are also promoted by the EU new regulations on CSF Funds.

### *Risk mitigation*

The cooperation component is a clearly identified integral part aside the other technical components of the project. The cooperation component needs just to comply with the respective regulatory provisions specific to each funding instruments, including in terms of territorial eligibility, maximum amounts of expenditure, co-financing rates, collection of financial data and monitoring information concerning the supported project. Consequently the implementation is done under the established national budget and control systems and rules.

### *Acceptance*

The cooperation component financial support is always and only to the benefit of the beneficiary in the programme area. It is clear for managing authorities that it is not «to give my money to others.”

Usual practice is that each programme supports its own beneficiary to develop a cooperation activity for its own benefit. The cooperation partner can be located in the same or in another programme area.

There is no need and obligation for a specific budget line or specific pre-allocation of financial resources in the programme for the “cooperation component”.

But of course the possibilities offered by the cooperation component model need to be explicitly translated into the definition of the national regulatory framework (national laws, decrees and eligibility and selection criteria) governing the implementation of the activities supported by the policy and operational instruments.

### **RECOMMENDATIONS 24:**

- **Introduce systematically the cooperation component solution in the programming, in order to open in each programme the possibility to support the management costs of cooperation activities incurred by the programme beneficiaries.**
- **The cooperation component solution will entitle every beneficiary, under whatever programme, to implement cooperation actions with partners from other programmes.**
- **The ex-ante inclusion of the cooperation component and of its related estimated costs - even if at the end, there would be any spending - will prevent and limit needs for further administrative steps.**

The cooperation component could suit for both convergent and complementary projects (in general with any or only light coordination costs). It is particularly relevant for supporting the costs associated

to the management of coordinated and joint projects, including of course when they are implemented under Integrated Territorial Investments (ITI), Joint Action Plan, Community Led Local Development, Urban plan, Financial instruments, European Grouping of Territorial Cooperation, transnational and cross-border cooperation programmes.

If the beneficiaries would want to do so, the cooperation component model allows for funding cooperation between beneficiaries of the different ESI Funds to enable maximum alignment of funding: e.g. including the cooperation between EAFRD and ERDF beneficiaries, or between cooperation programmes and growth and jobs or other relevant national programmes in the same or in different countries. It can be used including by EU external instruments and other non EU instruments depending of their respective eligibility rules (nature of eligible costs and territoriality<sup>7</sup>).

In all the cases the expenditures must to be incurred and paid according to the Member State and EU rules applicable to the operational programme benefitting from the investment.

### More steering cooperation management models

In order to steer the implementation towards more specific and targeted cooperation objective(s) and operational need(s), other more voluntary management models can be included in the programmes for managing cooperation activities. These delivery systems could also be combined with the simplest “Cooperation Component” solution described above. In principle these models could present the advantages to give stronger incentive in order to develop cooperation in specific sectors and territories, but they all present a higher degree of complexity for their implementation than the cooperation component solution.

#### RECOMMENDATION 25:

- **Always keep the process as simple as possible. Do not use complex mechanisms that are not bringing additional benefits or are too costly in terms of human, time and financial resources in comparison with the expected results and impact.**

### The unilateral cooperation management solution

In this model, the responsible authority is willing to stimulate and develop cooperation activities of the beneficiaries of the programme in specific areas in order to respond better to the strategic goal(s) of the programme. The responsible body has to preliminary design and set-up the mechanisms able to stimulate, develop and support the initiation and implementation of cooperation projects responding to the specific needs and objectives:

- (i) Definition of priorities/measures/actions to be covered and expected contribution of the cooperation activities developed to the objectives and targets to be reached (links with indicators);
- (ii) Organization of the selection and decision-making systems (selection criteria implementation rules and procedures for cooperation projects; what, where, when, how?)

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<sup>7</sup>In addition to the territorial eligibility of the programme area, the new regulation provides also the possibility to support, in specific cases and always in the interest of the specific programme, investment done outside the programme area. According to art 60 in the General Regulation max 4-5% ( to be confirmed in final regulation) of the budget on programme level for EAFRD and 10-15% (to be confirmed in final regulation) on priority level for ERDF, Cohesion Fund and EMFF can also be used outside the programme area. For ESF there is no financial limit for investing outside the programme area. In addition, according to article 13 of ESF regulation 5% of ESF allocation to a programme is eligible outside the Union provided the expenditure concern research and innovation, education and training activities. For ERDF ETC programmes, the programme area may cover some regions from non-EU countries (Articles 3 of ETC regulation) and 20% (30% in specific cases) of the programme allocation can be used outside the programme area (article 19 of ETC regulation).

- (iii) If necessary or relevant, pre-allocation of a certain amount of EU funding and specific financial rules,

This model remains quite simple. It was already used during 2007-2013 period in some mainstream programmes (i.e. Thuringia in Germany and Limousin in France) under specific priority axis including cooperation activities. Only the beneficiaries of the programmes are concerned and supported under the programme scheme. However, in the new programming period, the partners from other programmes could also be supported easily by their own programmes in the implementation of the cooperation activities/projects thanks to the cooperation component facility.

The unilateral model allows targeting the development of cooperation activities of high interest for the specific programme, without the responsible authority for the programme has to engage in coordination efforts and pre-agreements with partners from other programmes.

### **The parallel cooperation implementation agreement**

In this model, different programmes try to stimulate and develop cooperation activities between them but without going to a complete joint implementation system. They should agree and set-up:

- Common agreement on priorities/ measures/ actions to be covered;
- Common rules on project selection and implementation (what, where, when, how);
- Pre-allocations of certain amounts of funding.

This model is more complex than the cooperation component and the unilateral cooperation models, as it requires preliminary efforts between the programmes authorities to agree on the above implementation arrangements before or during the programming phase. The inclusion in each of the programmes involved of the cooperation component facility can contribute to ease the parallel process by mitigating the difficulty to be able to synchronize fully the selection and decision-making processes between the different programmes. The responsible authorities and the beneficiaries can use the cooperation component system in order to “fill the gaps” and enable the necessary bridging activities between different programmes

Nevertheless, the system will generate additional administrative tasks both for the beneficiaries and for the implementing bodies of the programmes: while it would be very difficult under the parallel cooperation model to synchronize the selection and decision-making procedures between each of the partner programmes, they would thus continue to be handled separately by each programme. As each beneficiary would only have a relation to his own programme concerning application, selection (with or without specific calls) decision making, financial flows, reporting, etc.... there should finally be stronger coordination needs in each programme and between them. It is obvious that the only effective way to achieve a better coordination would be to set-up a common steering group to secure the respect of the objectives and ease the coordination process.

Finally, the parallel cooperation solution will end with a management system very close from the joint management model with the risks to be even more complicated to be run efficiently due to the parallel managerial structure and responsibility of the different processes involved.

### **The joint implementation model(s)**

To achieve a more integrated approach and secure coherent common decisions for cooperation projects a joint approach could be chosen. However, the joint management solution itself does not represent a unique model as it could leave the possibility to be operated under one single programme or create a stronger and formalized coordination system between several programmes. The practical organisation can take various formats going from less integrated delivery systems with:

- Common agreement on priorities/measures/actions to be covered



- Common rules (What? Where? When? How?), for project selection and implementation with joint project selection and decision making procedures (instead of separate ones, as in “the parallel” model);
- Pre-allocation of a certain amount of EU funding for the implementation of joint activities to more completely integrated delivery systems, with the following additional options:
  - Joint structure, ensuring responsibility for implementing and monitoring each program;
  - Joint reporting system (with joint set of indicators and data collection system instead of separate ones);

until the most completely integrated models of joint management.

The totally “joint cooperation” model corresponds in principle to the management model in use under the European Territorial Cooperation programmes and could integrate the new possibilities for joint and integrated management instruments proposed in the new regulatory framework for European Structural and Investment Funds.

The 2007-2013 ERDF regional programme for South Finland has developed a joint cooperation model for promoting inter-regional cooperation between public and private partners from the different sub-regions in Southern Finland through specific delivery mechanism including annual thematic calls (for interest first and for project submission secondly) and project engineering assistance to the applicants.

The joint models would all require the designation of a joint body that would handle the cooperation projects (e.g. for selection of projects financed by a joint financial instrument) on behalf of all programmes involved. The joint body could be one of the Managing Authorities or a distinct legal body. In order to better target the implementation activities towards the very specific goals, the financial resources are provided by a unique funding source, or are virtually or really pooled from the participating programmes. The model presents added value mainly in these specific cases as it requires more complicated and more time and resources consuming processes to be established and managed. But the possibility to systematically enable all possible partners to act in a more coordinated way might deliver in some situation more considerable impact from cooperation activities.

## RECOMMENDATIONS 26

- **When the pursued objectives are demanding more oriented and voluntary solutions for developing cooperation, more complex delivery systems have to be set-up. The combination with the cooperation component model will always enable to keep open maximal flexibility and adaptation capacity.**
- **For more complex solutions and depending of the goals to reach, the programmes could use:**
  - **unilateral mechanisms (“Unilateral solution for cooperation”) to encourage and develop cooperation in specific sectors of high strategic interest for the programme area; or**
  - **joint mechanisms, (“Joint cooperation models”) where more integrated approach - with close involvement of partners from outside the country or the programme area - is needed in order to achieve the objectives.**

## EUSBSR and European Structural funds

### *Large theoretical possibilities*

Already in the current programming period 2007-2013 ordinary supportive mechanisms provided by European Structural fund regulations are used to encourage cooperation activities serving the



programmes objectives (e.g. specific priority axis for cooperation in Thuringia, Limousin and South Finland ERDF regional programmes).

The 2007-2013 General Regulation for Structural Funds gives also the possibility to fund cooperation activities outside the programme eligibility area (Art 37 6.b).

Even more possibilities to integrate cooperation objectives will exist in the 2014-2020 European Structural and Investment Fund programmes. All ERDF, ESF, CF, EAFRD, and EMFF "mainstream" programmes can support (Art.87 of draft General Regulation) coordinated, complementary, convergent and also joint activities on their territory but also - under certain conditions - outside their own territory (Art.60 of draft General Regulation).

In addition to the significant funding capacities available in the "mainstream" operational programmes (as indicated above), the European Structural and Investment Funds offer also the possibility to use a set of diversified tools that extends considerably the operational and financial possibilities to support integrated and cooperation activities during 2014-2020 in comparison of 2007-2013 programming period.

These integrated management tools: Joint Action Plans, Integrated Territorial Investments, Local and Urban Development Strategies and Plans, Financial Instruments complement the already existing possibilities offered by the Territorial Cooperation Programmes (cross-border, transnational, inter-regional) and European Grouping for Territorial Cooperation (EGTC) management structures.

All these tools increase considerably the operational means that can be mobilized under the EU programmes to promote, develop and support all kind of cooperation activities and can be widely used by all the Member States and their regions for implementing the macro-regional Strategy during the coming years.

### *But real reluctances and limited results*

However, only very few convergence and competitiveness and employment objectives programmes (i.e. Thuringia, Limousin and South Finland) have clearly demonstrated the possibility and the benefit to encourage and support cooperation activities integrated in their development strategy (with specific priority axis for cooperation and designed measures and delivery mechanisms). The support to macro-regional strategies remains until now limited to passive "contribution" to the EUSBSR objectives (i.e. to the so call "labelling exercise").

Like in 2007-2013, both the set of cooperation tools and the budgetary resources available through the EU most important funding sources will provide during the 2014-2020 programming period extensive possibilities for the reinforcement of the strategic dimension of the EUSBSR and the implementation of shared objectives between the Member States in the macro-region.

Furthermore, we have seen that the new regulatory framework will extend considerably the instrumental capacity to serve cooperation activities in the new programming period and easy and universal solution such as the "cooperation component solution" can help to open widely and generalize the support of cooperation activities. In this new context the specific role of cooperation programmes (ERDF transnational and cross border programmes and European Neighbourhood and Partnership *Instrument* programmes with Russia) need to be reshaped.

During the last years, only few of the cross border cooperation programmes have explicitly supported some EUSBSR cooperation flagship projects but mainly without any official and strong commitment to participate to the implementation of the macro-regional strategy. The European Neighbourhood and Partnership *Instrument* programme with Russia was until now more a theoretical possibility than a real one.

In fact it seems that the use of ETC programmes, both at national and local level, is deeply rooted more in budgetary than in strategic considerations and real risk exists that this situation will continue during the 2014-2020 period.

## *How to use cooperation programmes in relation to EUSBSR?*

The original and fundamental purpose of ETC cross border programmes is to reduce the negative impact of administrative barriers by encouraging common local initiatives across the borders. Consequently, a bottom-up approach, with little anchorage into the national/regional/global development strategy, was supporting, until now, the programming and the implementation of the cross border programmes.

As any macro-regional framework existed, the transnational cooperation programmes were also built without any explicit and common reference to a broader context, embracing the convergent issues pointed out by the respective national strategic frameworks. Hence there was little solid reflection on how to optimize the utilization of the potential added value of joint cooperation instruments for responding to specific strategic needs and shared opportunities (probably due to a process principally based on a local and bottom up approach in the identification of the measures to implement).

As a result, it can be observed that often, cooperation programmes are used for supporting the same types of projects than operations supported by national and regional programmes, even if they involve more complex management and implementation procedures and are not systematically producing significant increased added value in comparison of other types of programmes.

The emergence of macro-regional strategies and the development of common strategic framework at supra-national level bring new requirements for sectorial and territorial coherence in order to better address common challenges and exploit the benefits that can be drawn from existing potentialities and possible opportunities...

The macro-regional dimension introduces a new approach and raises the analytical and operational frameworks from local/regional/national level to macro-economic and social international level. Due to this fundamental change impacting both the objectives setting and the working methods, transnational and cross-border cooperation programmes should now necessarily be much more interconnected to the cooperation needs in the macro-region and consequently to the national strategic reference frameworks (and to the Partnership Agreement when European Structural and Investment Funds are involved: see Chapter I).

To depart from the traditional ways of programming and implementing the cooperation programmes, their respective role and content need to be re-defined by integrating implicit reference to the macro-regional and national strategic frameworks, their objectives and the corresponding joint cooperation activities to be implemented in the specific cross border or macro-regional context.

### **RECOMMENDATIONS 27:**

- **Extend the planning at national level to include the utilization of the ETC Programmes in a broader strategic perspective and more coherent operational framework;**
- **Adopt visible and attractive implementation systems for promoting, developing and supporting cooperation processes and activities;**
- **Diversify the delivery system tools and mechanisms in order to provide the adequate responses to the different types of cooperation activities and actors' needs (continuous selection, specific calls for tender, intergovernmental decision, etc...);**
- **Combine and coordinate the different funding sources and implementation instruments (at both strategic planning and operational levels).**
- **Assess the coherent and integrated use of cooperation programme on the following criteria:**
  - **necessity to operate the activity under joint management;**
  - **eligibility of the operations;**

- **adequacy of the cooperation geography with the programme geography;**
- **existence of cooperation agreements between the partners;**
- **availability of financial resources;**
- **relevance of the selection, decision-making and implementation procedures to be used under the programme in regards to the nature and characteristics of the individual cooperation projects to be implemented;**
- **conclusion whether the cooperation programme is the most suitable solution, or it would be preferable to select another more flexible and simpler instrument providing also the expected results and benefits, but with less constraints.**

As already mentioned, the implementation of “joint cooperation model” is complex; consequently, it is also more resources and time demanding. However, its specific advantages lie in the capacity to steer the project selection and implementation towards more suitable solutions by using appropriate terms of reference, and selection procedures. It can also provide relevant tools such as innovative and expert technical guidance and assistance services in order to encourage and help the potential partners to better engineer their joint activities (e.g. such services are already provided successfully in the Danube macro-region to entrepreneurs for promoting and generating cooperation projects).

#### **RECOMMENDATION 28:**

- **Focus the utilization of cooperation programmes on joint operations** corresponding to the following criteria:
  - **specificity of issues to solve, or existence of “niches,” where implementation of joint projects can bring specific added value, which cannot be provided by other programmes;**
  - **provision of expert and supportive structures and mechanisms for developing generic and horizontal solutions and services to prepare and implement joint cooperation projects;**
  - **preparation, organisation and implementation of integrated approach.**

For example, in a cross-border or transnational context, joint cooperation investment in the field of research and innovation can be used to identify the specific research areas on which to focus and the most suited implementation modalities to be utilized in the framework of a common Smart Specialisation Strategy for the participating regions. To prepare macro-regional network of transport infrastructure, transnational and cross border programmes can participate to the preparation and the design of the overall transport strategy pursued by the governments in the Member States and regions concerned. The cooperation programmes can also support the relevant coordination structures and mechanisms involved in the preparatory work and provide some of the tools for coherent planning and implementation of environmentally friendly and interoperable transport modes.

The transnational Baltic Sea programmes should not be seen as the main funding sources of the EUSBSR, but rather as a powerful tool to enhance the strategy development and implementation. While, pursuant to the draft regulatory provisions, the future Baltic Sea transnational programme could support (joint) projects falling under the thematic objectives selected for the respective programme, it could also be used as the most relevant instrument to promote and develop the general cooperation and coordination processes at macro-regional level. The Baltic Sea transnational programme would be probably one of the most suited instruments to ensure in collaboration with Interact programme the role of a EUSBSR Secretariat. The secretarial functions should involve the organization and delivery of the necessary actions to (i) promote, develop and support the cooperation process, mechanisms and tools, (ii) coordinate the mobilization of the existing funding sources and give advices for their utilisation and (iii) supervise and coordinate the information and communication activities on the EUSBSR

directed to the different target groups. In particular, it could provide the structure and means for interconnecting the core functions of the EUSBSR such as the line ministries, the responsible Bodies in charge of the implementation of the programmes/financial instrument, the Priority Area Coordinators and National Contact Points. Other instruments could be associated to contribute in their respective area of responsibility to the coordination and cooperation processes with partners and stakeholders inside and outside the country/region. For example, the European Maritime and Fisheries Fund might also be used for supporting the secretariat functions related to the coordination activities related to the sea-basin strategy support.

#### **RECOMMENDATIONS 29:**

- **Use the transnational programme(s) corresponding to the geography of the macro region to ensure in collaboration with Interact programme the function of a EUSBSR Secretariat and promote, develop and support the overall coordination and cooperation process**
- **Complement the facilities supplied by the EUSBSR Secretariat functions with appropriate supportive measures (e.g. concerning information dissemination, collection of data, etc...) provided by the different policy instruments operating in the macro-region.**

#### *Coordination and complementarity between programmes*

The authorities responsible of the policy instruments and the bodies in charge of implementing the future programmes are invited to collaborate together in order to facilitate convergent and coordinated and steer, when necessary, efforts towards joint actions. The draft Common Provisions Regulation invites the EU Structural and Investment Funds to coordinate, wherever relevant, their actions with the funding and implementation instruments listed in its Annex I.

For example, depending on necessary and available resources, an investment could be financed either, from the relevant Investment for Growth and Jobs programmes (Cohesion Fund, European Regional and Development Fund), or/and through Connecting Europe Facility and/or other funding programmes and international banks in a complementary manner.

For sake of coherence and coordination, each programme should set out how envisaged cooperation investments would contribute to the achievement of European objectives, in line with the overall strategies of the Member State and regions concerned.

When translating the development strategy of a given Member State or region into an operational programme, the programming should indicate how the implementation of cooperation activities will be supported, e.g. through the introduction of the “cooperation component “solution or “joint investment plan,” etc...). The programme should also specify bi-or multilateral cooperation activities under cross-border and transnational programmes, or convergent/complementary/coordinated measures and projects under other national and EU programme(s) that will complement and reinforce the investment made under the operational programme

In order to ensure an articulated use of the Funds, coordination arrangements specifying responsible structures, mechanisms and tools have to be set up between the respective ministries and bodies responsible for the implementation of the national and regional programmes. The effective functioning of such coordination mechanisms will help to ensure complementarity and avoid redundancy between the respective investments (see Chapter I).

In fact, the coordination possibilities depend widely on the different management mechanisms of the respective funds and the ability of national authorities to associate different systems of programming, decision-making and funding.

#### RECOMMENDATION 30:

- **Precise the coordination and cooperation arrangements between the different Funds and implementation instruments and detail the responsibility, structures and practical coordination mechanisms and monitoring tools.**

### How to implement macro-regional cooperation in the Baltic Sea region

#### *High convergence of the strategic frameworks content between EU Common Strategic Framework and EUSBSR*

When programming the activities to be supported during the 2014-2020 programming period, due attention should be devoted to the objectives adopted under the macro-regional strategy and more concretely to actions and- when relevant flagship projects- indicated in the up-dated version of the EUSBSR Action Plan.

The great majority of priority areas and actions of the EUSBSR Action Plan fall within the scope and priorities of the European Structural and Investment Funds. Many macro-regional initiatives correspond to the priorities for action given by the European Commission in the respective Position Paper addressed to each Member state and could be implemented easily through individual convergent and complementary projects or more integrated forms of coordinated and joint projects.

The identified priorities include:

- (i) creation of trans-European transport corridors by removing bottlenecks in key network infrastructure and the promotion of sustainable transport modes;
- (ii) investment in energy infrastructure in order to interconnect the electricity and gas grids and avoid over-dependence on certain providers;
- (iii) implementation of the HELCOM Action Plan and the prevention, preparedness and response to natural disasters;
- (iv) strengthening of innovation and competitiveness capacities including in the management of marine resources;
- (v) development of joint labour market initiatives to address brain drain, migration and youth unemployment.

Many of these actions correspond already to measures and important projects identified during the preparation of the programming work at national/regional level and to cooperation activities indicated in the EUSBSR Action Plan. Therefore, each partner will benefit at the end from the results obtained through the implementation of convergent, complementary, coordinated and joint actions.

#### RECOMMENDATION 31:

- **In the implementation of policy instruments and operational programmes, take into account of the actions and projects reflecting the convergent interests of the Member states in the macro-region and the objectives indicated in the EUSBSR Action Plan.**

#### *Extensive variety of solutions in the cooperation toolbox*

The European Structural and Investment Fund programmes and in particular the European Regional Development Fund Growth and Job objective programmes and the Territorial Cooperation Programmes offer a wide range of cooperation tools. Due to their respective budgetary significance, extensive coverage of the thematic content of the Action Plan and capacity to support cooperation actions, they

can play a predominant and decisive more role in the implementation of the EUSBSR. The FLAGs initiative of the European Maritime and Fisheries Fund and the LEADER initiative of the Agricultural Fund for Rural Development could also support the implementation of specific aspects of macro-regional and sea-basin strategies. The European Social Fund also supports a macro-regional approach for labour mobility, soft investments (e.g. mutual learning, exchange of experiences), and for social inclusion. A stronger involvement of the private sector and the international financial institutions (European Investment Bank and Nordic Investment Bank) are also encouraged.

**RECOMMENDATIONS 32:**

- **Make use of the wide range of cooperation tools and available financial resources provided by EU, national and international programmes for developing cooperation/coordination activities related to the EUSBSR Action Plan.**
- **Diversify the delivery systems in order to be able to meet the various actors' needs and provide the most adequate responses to the different types of cooperation formats.(from very simple tools, such as the “cooperation component,” to more elaborated management model such as the “joint cooperation model”).**

*Adjustment of the national regulatory framework for implementation*

In order to allow an efficient functioning of the delivery system and the regular implementation of the cooperation activities, the national legislative framework needs to be adapted taking into account the strategic objectives and cooperation interests identified and the priorities for action and the investment planned.

**RECOMMENDATION 33:**

- **Review in time the national rules to open possibilities for cooperation; adjust regulatory framework for easing the efficient functioning of the delivery mechanisms and tools and the promotion, development and support of cooperation processes and actions.**



## **CONCLUSION: NECESSARY STIMULUS TO MACRO-REGIONAL COOPERATION**

Simple solution exists (cooperation component) for supporting cooperation activities and availability of financial resources should no more be an obstacle and pretext when it is clearly understood that money for supporting cooperation is only given to national/regional programme beneficiaries and for the interest of the programme area.

However, development of EUSBSR cooperation requires changes in mind-set, in institutional organisation and working methods, as well as in the programming and implementation of the funding and operational instruments.

To stimulate the cooperation between the Member States and at regional and local level, national governments have to take leadership and initiatives. The policy forming, strategy planning and programming processes must take into consideration already in the initial stages of their preparation the actions corresponding to national interests that pertain to the macro-regional level framework.

When the necessary or relevant cooperation activities have been identified, they need to be coordinated between the relevant actors at each level of the governance system (EU/macro-regional/national/regional/municipal) and between the different available funding sources and implementing instruments (see Chapter I), and as much as possible integrated in the usual implementation mechanisms.

The draft Common Strategic Framework suggests two options in order to prioritize implementation of operations with a clear macro-regional dimension:

- organizing specific calls for projects with a clear cross-border or macro-regional impact, or
- giving priority to these operations in the selection process.

However, as already said, other simpler and better solutions could be set-up when organizing the delivery system in order to facilitate the support of cooperation projects owners as beneficiaries of the programme.

The introduction of the “cooperation component” in all the programmes is the simplest solution. But to steer more pro-actively the implementation of cooperation activities in specific fields of interest “unilateral cooperation management” or “joint management” models are also valid solutions, provided the decision to utilize them will be grounded on a comparative cost/benefit and cost effectiveness analysis of the different possible options.

Of course, it will be up to the relevant national authorities to decide which of the options would be the most appropriate (with possible combination of various solutions) considering also the need of optimizing the utilisation of all the available funding resources.



## **MAIN PROPOSALS FOR INTEGRATING BETTER THE EUSBSR INTO PLANNING AND IMPLEMENTATION OF THE NATIONAL AND LOCAL DEVELOPMENT POLICY**

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- **Invite the national ministries and agencies, national coordinators for the programming and the implementation of the policy instruments, EUSBSR National responsible bodies and relevant regional and local authorities to:**
  - 1- Identify and verify common areas of interest between countries in the macro-region, the objectives to reach, the corresponding needs and opportunities for cooperation activities, the planned actions related to the EUSBSR Priority Areas.**
  - 2- Concentrate the efforts on the main areas, where cooperation needs are identified in the interests of the different partners.**
  - 3- Differentiate between the operations which can be implemented individually (convergent and complementary actions) and those rather requiring coordinated or joint actions.**
  - 4- Take the appropriate steps and enter actively into concrete and active coordination and cooperation dialogue with the relevant partners.**
  - 5- Set-up the necessary organisational and operational framework for establishing sustainable cooperation between the relevant countries.**
  - 6- Build sustainable cooperation and coordination platforms and processes inside the country and with external partners. When needed, agree on activities to coordinate or implement jointly and on the implementation modalities.**
  - 7- Concentrate the coordination and cooperation efforts with the other countries in the Baltic Sea-Region on the planning and implementation of:**
    - **National Smart Specialization Strategies, focusing on the opportunities for complementarity and synergies at macro-regional level, and the need to reduce redundant efforts and vast of resources.**
    - **Coherent and articulated investment in:**
      - **Major transport corridors of international importance for the macro-region (TEN-T links);**
      - **Inter-connexion of the national energy grids between the Member States in the Baltic Sea region;**
      - **HELCOM Action Plan most urgent and impacting measures for cleaning the Baltic Sea and improve maritime traffic safety, spill over pollution prevention, and risks responsiveness.**
  - 8- Translate the cooperation actions into the programming of the sectorial and territorial development interventions and provide the necessary financial resources and relevant delivery tools and mechanisms for their successful implementation.**
  - 9- Introduce systematically the cooperation component element in every programme in order to open the possibility to develop cooperation activities between programmes.**
  - 10- Take into account that some Member states, such as Denmark, Germany, Finland and Sweden, need to mobilize other funding sources than European Structural and Investment Funds in order to cooperate in some of the strategic sectors listed above.**

**(B) IMPROVING THE EUSBSR MONITORING AND INDICATORS SYSTEM**

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## IV- ORIENTATING EUSBSR TOWARDS RESULTS: MONITORING AND INDICATORS SYSTEM

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The content of the following chapter is largely inspired from the European Commission “Guidance document on Monitoring and Evaluation (for European Development Fund and Cohesion Fund)” and the note on “Outcome Indicators and Targets-Towards a new system of monitoring and evaluation in EU Cohesion Policy”.

### Measuring outcomes: a fundamental shift towards performance

Until now, the emphasis of the reporting on EUSBSR was on actions (flagship projects) and financial amounts, rather than on performance and results. The innate and understandable tendency was to disregard outcome and concentrate the monitoring and reporting on inputs and outputs, rather than on ends and goals.

The current shift of focus towards outcome and the utilization of appropriate indicators for monitoring change and progress can contribute to improve policy effectiveness and to shape the agenda for budget decisions.<sup>8</sup> The recent attempt to orient policy to results<sup>9</sup> leads to the introduction in June 2012 of indicators for measuring the EUSBSR achievements in comparison of the set objectives.

Most recurrent difficulties met in the attempt of orienting policy to results come from:

- Considering indicators as reporting tools and neglecting their crucial role in guiding policy intervention definition and operational implementation.
- Unclear distinction between the concepts of input, output, outcome/result and impact.
- Needs for pragmatic compromise between theoretic standards and methodological principles and practical limitations and considerations in selecting among easily available but still meaningful indicators.
- Confusing the achievement of targets with policy achievement, as if no factors other than policy were at work.

Hence, the orientation towards performance and results measurement requires conceptual and methodological clarity. The goal is to build a system whereby the most suitable indicators to track the progress towards the objectives are selected and then observed, analysed and interpreted in order to report about the results and, if necessary, be able to take the appropriate policy and implementation decisions. The observation and interpretation of the results are made through the monitoring and the evaluation processes. Both processes correspond to distinct goals and technics and a common understanding of key concepts and terms of monitoring and evaluation should form the basis of their practical application. Therefore, it is useful to remind the distinct roles of monitoring and evaluation:

- a) Monitoring observes whether allocated means (inputs) are used and expected products (outputs) are delivered and whether implementation is on track. Monitoring also reports induced changes and progress (results achieved) towards outcome targets;
- b) Evaluation attempts to assess the actual impact of projects and programmes on outcomes. Evaluation of impact determines the change (results) that can be credibly attributed to an intervention (effect of an intervention or contribution of an intervention), knowing that the

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<sup>8</sup> Several countries around the world have made significant progress in this direction and the OECD has acted as a catalyst for the international debate with the publication of the 2009 report of the “Commission on the Measurement of Economic Performance and Social Progress” (Stiglitz-Sen-Fitoussi Commission).

<sup>9</sup> As it has been argued in the context of the EU cooperation and coordination in the social field, “concentrating on outcomes means that Member States, in reporting on policy, are encouraged to relate those interventions to the desired/planned impact on outcomes, rather than simply present a catalogue of policy measures. Policy interventions can then play their appropriate role, as means to an end, rather than as they are so often presented, as if they were ends in themselves.

observed change is due to contribution of intervention plus contribution of other factors. Evaluation tries to answer different questions (i) - did the intervention have an effect at all (*Does it work? Is there a causal link?*) and if yes, how big – positive or negative – was this effect, and (ii) - why an intervention produces intended (and unintended) effects. (*“Why and how it works?”*).

Monitoring and evaluating results provide information to each other process: in particular, in the iterative system of programming, policy evaluation has a decisive role in evaluating independently and objectively the progress in producing results, as well as the factors influencing the level of achievement of the targets. Evaluation should allow recommending remedial measures to overcome possible delays/difficulties and offer new insights and ideas on how to revise objectives, allocate resource and improve outcome indicators.

Mainly, conceptual and methodological issues related to monitoring (and principally monitoring of results) are considered in the following chapters.

## Characteristics of the monitoring system for EUSBSR

### *The challenges of a multi-layer governance and implementation system*

EUSBSR management is characterized by its very wide multilevel governance system, where many actors intervene with their respective role and responsibilities. The sector ministries, implementing agencies, programmes managing authorities, EUSBSR National Contact points and Priority area coordinators, National Contact Points, national and European institutions, stakeholders and citizen in general, differ in their information needs. The role of informed debate and participatory process in the planning and implementation stages was already stressed in Chapter I. Involving the different actors of the multi-governance and the community in the strategic planning and in the design of targets and outcome indicators and informing them on the progress towards the identified objectives is a pre-condition for the efficient and successful achievement of the pursued goals. The debate has thus to become public and be kept alive throughout the whole programming period, so as to learn from feedbacks and adjust the necessary actions. To this end all collected data on outcome indicators must be made public and open.

Due to the multiplicity and variety of interests, it would be too difficult to describe and build a unique and detailed monitoring system pretending to correspond to the levels of responsibility and needs of the different actors and stakeholders. In addition, the multi-layer structure of the EUSBSR implementation system results into the co-existence of many monitoring and reporting systems, each one being specific to each implementation instrument. Often it is difficult to exchange information between these systems due to the heterogeneity of monitoring needs and methods and the lack of harmonization and integration of the data used. Nevertheless, when necessary and despite their inherent limitations these monitoring and evaluation systems are able to provide valuable information on specific aspects of the contribution of each policy and operational instrument to the implementation of the EUSBSR Action Plan and on the progress realized at the level of certain territory (national or regional/local level) or sector.

Due to the complexity of the EUSBSR implementation structure, the major challenge and task of the EUSBSR monitoring process is to ensure that all actors can share sufficiently meaningful information through the availability of common data. The access to and dissemination of relevant information enable a deliberative, reasoned and fair choice of policy objectives and clear understanding on the ends of policy interventions and on the expected and achieved concrete outcomes of the political and budgetary efforts. Hence the EUSBSR monitoring system should be able to provide some of the necessary - though no sufficient – tools (the indicators) for answering the questions whether and to which extent the policy is effective in achieving the goals and how to improve the decision making and the allocation of resources.

Therefore, the overall monitoring of EUSBSR requests the availability of common and relevant indicators at least at the level of the most significant activities under each Priority Area of the EUSBSR Action Plan. Hence, the monitoring process requires the capability to gather, and if needed, aggregate

standardized data collected independently or across all the relevant implementation instruments/programmes in order to reflect the achievement of each (or the most representative) of the common goals.. Consequently, the EUSBSR monitoring system needs to concentrate on the collection and presentation of common data with shared, clear and agreed interpretation by all the different actors but without entering at a detailed level of each specific activity. Indicators specific to Flagship Project and individual policy and implementation instrument as such are not sufficient to reflect the progress towards the common objectives and therefore are not suited, without further treatment, to measure the global results and monitor the EUSBSR overall achievements.

#### **RECOMMENDATION 34:**

- **For the sake of simplicity, clarity and easiness the EUSBSR indicators system should be limited to the monitoring of few relevant indicators. These indicators should represent with sufficient significance the progress in implementing the most important Priority Areas and objectives of the EUSBSR, without having to enter at the detailed level of each specific activity.**

#### *Determination of the most relevant type(s) of indicators for monitoring the progress towards EUSBSR objectives achievement*

It is very important to determine well the effect of the policy intervention that we want to measure. Hence, the choice of appropriate indicators with clear target values should make explicit the outcomes at which aim the actions.

The awareness of the difficulties usually met and the mistakes most frequently made until now, should help to settle the EUSBSR monitoring system in order to steer the implementation and cooperation efforts in the right direction and monitor they deliver the expected results.

What matters finally, is to be able to monitor the achievement of the desired global results at the general level of the Priority Areas objectives and not directly the specific outputs of each activity and individual implementation instruments used.

The crucial exercise is to success in establishing a direct and logical link between the definition of the selection and monitoring systems, including the choice of relevant indicators, and the intervention logic (i.e. the strategic objectives, the targets to achieve, the actions to implement, the operational instruments to use, the resources allocated and their cost effective utilization).

Consequently, the definition of the indicators to be associated to the EUSBSR Action Plan has to focus, in principle, on the selection of result indicators and the determination of the baseline, intermediary (milestones) and final values corresponding to the objectives and targets to reach in the considered period.

#### **RECOMMENDATION 35:**

- **The most relevant indicators to be associated to the EUSBSR Action Plan are result indicators. Results indicators should capture the changes resulting from the implementation of the activities pertaining to the Priority Areas.**

#### *Coordination of the monitoring system*

In order to obtain standardized data coming from different sources and to ensure the consistency of the results indicators a continuous coordination process is needed between the different actors and sources of data.

The coordination tasks involve the promotion and the organisation, from the initial stage, of an active cooperation between the national statistical institutes, the responsible bodies for implementing the different programmes and other relevant public organisations, in order to provide in due time reliable,

up-to-date and consistent reporting values for the selected result indicators. The coordination tasks monitoring tasks also include

- the observation and assessment of the progress measured by the relevant indicators and compared to the set targets;
- the analysis of internal and external factors, (i.e. macroeconomic, environmental, social etc.) contributing to or impeding the progress, including the cumulative effects caused by all factors
- the proposal of remedial measures for addressing the barriers/delays.

When coordinating the construction and the functioning of such a monitoring system, the coordinating and reporting functions already designated for the EUSBSR, i.e. the National Contact Points and Priority areas Focal Points at national level and the Priority Areas Coordinators at sectorial level should ensure the pivotal roles. The services usually in charge of the collection and treatment of the data (most often national statistical offices and specific technical departments and units in sectorial ministries, existing organisations and cooperation platforms in the Baltic Sea Region such as HELCOM, FORA etc..., European Commission and other international institutions) are performing the collection and the treatment of the relevant data.

The monitoring of the performance indicators should also be discussed in the NCPs' meetings and the High level group within their respective responsibilities to review the general progress and the achievement towards the individual Priority Area objectives and their role in the preparation of the proposals for up-dating the EUSBSR Action Plan.

The progress in achieving the targets should be reported in annual implementation reports to national (Cabinet of ministers, national Parliament and local authorities) and European Institutions (European Council of Ministers, European Parliament, European Committee of Regions and European Commission) for the purpose of the general monitoring they conducted on the achievements of EUSBSR and the policy decision making process.

The National Contact Points, Priority areas Focal Points and the Priority Areas Coordinators are also responsible for supervising the communication of the results of the monitoring by the different levels of the multi governance structure of the EUSBSR with the administrative and technical support of the secretarial functions indicated in chapter III. The communication of the information produced by the monitoring and evaluation system should contribute to exert an ex-ante disciplinary pressure on the decision-makers at the different levels of the EUSBSR governance system. The availability and dissemination of information strengthen the rationale of policy proposals made by stakeholders and of the means allocated by the public authorities in order to implement the EUSBSR Action Plan. The communication policy on EUSBSR should also ensure the coherence and the continuity in the time of the implementation accordingly to the commonly agreed objectives.

#### **RECOMMENDATIONS 36:**

- **The bodies ensuring the National Contact Point and Priority Areas Focal Point functions at national level, and Priority Area Coordinator function at sectorial level, should be responsible for coordinating the different actors and the necessary tasks to set-up and operate the EUSBSR monitoring and reporting system.**
- **The design of result indicators since the programming stage shall enable the provision of standardized data and agreed interpretation on their signification to all actors and partners.**

## Principles to guide the definition of EUSBSR indicators system

### *The intervention logic and the performance framework as starting point when designing result indicators*

In previous chapters we have seen how to determine where to concentrate the available resources in order to obtain the greatest and durable benefits. Nevertheless, the identification of the needs and desired results, the decisions on priorities on which to focus the resources and cooperation efforts and the selection of the relevant instruments and tools are not sufficient to design fully the interventions to implement. The intervention logic should guide the implementation towards the objectives assigned by establishing a direct and logical link between the strategic objectives, the target(s) to achieve, the actions to implement, the operational instruments to use, the cost-effective utilization of the resources and finally the definition of the relevant target values, selection criteria, inputs, outputs and result indicators constituting the performance framework. All the decisions previously taken determine also the definition of the targets values and associated indicators in order to steer the implementation in the right direction and monitor that it delivers the expected results. Finally, the definition and the use of result indicators pertain fully to the intervention logic and fulfil two essential tasks:

- (i) the understanding of the policy needs and objectives by signalling the targets to be reached and guiding the decision making and the implementation on the ground of the various policy instruments/programmes that contribute to the cost effective achievement of the goals;
- (ii) the assessment whether the implementation is fulfilling- or has fulfilled- the set targets by providing relevant and reliable information on specific measurable aspects of the aimed and achieved results.

The relevance of the monitoring process, with its reporting, early warning, problems solving and follow-up mechanisms, needs to be consolidated by its integration into the intervention logic (see previous chapter III) and the performance framework for the delivery, management and control of the implementation. Both the selection and monitoring system have to reflect how it is planned to reach in a certain timeframe, the specific targets corresponding to the objectives. If it would be useful to differentiate the outcomes and outputs between different target groups, the selection and implementation processes and the expected result(s) have to be determined consequently, taking also into account the set time horizon.

#### **RECOMMENDATION 37:**

##### ➤ **The definition of:**

- **realistic targets, aligned with objectives and coherent with the allocation of resources;**
- **selection criteria, and inputs and outputs indicators necessary to achieve the expected results;**
- **result indicators, which induce and capture the intended changes and include baseline, intermediary (milestones) and final targets values (qualitative or quantitative);**
- **evaluation and control methods to assess the fulfilment of the targets and, when needed, corrective measures,**

**should pertain to the intervention logic and performance framework.**

### *Methodological steps in setting indicators to monitor the progress towards the achievement of EUSBSR objectives*

The relevant result indicators should be capable to induce the introduction in each country of appropriate policy instruments and the implementation of feasible and cost effective operational



measures in order to reach the objectives. The targets should be established by taking into account the specific situation and needs in each country, the effectiveness of the different technical parameters, the magnitude of the financial resources allocated and the social and political support to the envisaged measures.

#### **RECOMMENDATION 38:**

- **When selecting the result indicators, respect the following steps:**
  - **the first step is to determine the most important factors, at national and regional levels, on which human activities can have a direct influence.**
  - **the following step is to select the most cost-effective measures that can be technically and politically implemented (due to their technical, economic, social and political feasibility) and to estimate their real effect.**
  - **the third step is to qualify the expected results of the measures by setting targets and to characterize them by target values and appropriate result indicators, able to measure the progress achieved at national/sub national level towards the fulfilment of the EUSBSR objectives.**

#### *Regulatory, management and operational framework(s) as reference for setting the EUSBSR monitoring system*

The intervention logic should frame the regulatory and operational arrangements defining with more or less details and constraints the strategic development objectives, the policy instruments made available to achieve these objectives and the general conditions and modalities for their management and utilization. Sometimes several states agree on common political objective(s), the targets to reach, the technical standards to respect and the areas of intervention and categories of action to implement and establish between them such regulatory and operational frameworks. In the Baltic Sea region, states involved in the EUSBSR have already settled, sometimes since several decades, cooperation platforms. These cooperation platforms provide more or less developed regulatory, managerial and operational frameworks. Some of them provide also the structure for supporting the implementation of joint activities or coordinating actions taken individually by the states. The EUSBSR itself and its Action Plan constitute such a cooperation framework aiming at promoting, developing and supporting the operational and management dimensions of the cooperation between the Member States in the Baltic Sea region and their neighbouring countries, including by integrating the activities of cooperation platforms and networks already existing in the region.

Generally, while the national legal and operational frameworks are setting mandatory requirements to fulfil the international agreements are often not so strictly binding. Real common policy instruments embracing several countries and having the potential to create more cost-effective solutions are rarely considered. As there is usually no sanction if the measures are not taken, at the end it is up to each country to decide at national level on incentives and strengthened policy instruments for reaching the common objectives that technically, economically, socially and finally politically can be regarded as sufficiently fair and admissible. However, internationally agreed management frameworks present often the advantage to recognize formally shared objectives and establish common standards and references that can guide the individual national efforts towards the achievement of the expected results and be used for selecting already agreed and relevant indicators.

#### **RECOMMENDATIONS 39:**

- **When choosing result indicators refer, if possible and relevant, to objectives, interventions, standards and indicators already agreed by international operational and management framework or by cooperation platforms between the partner countries.**

- **If common policy instrument does not exist yet, and international agreement cannot be used as operational and management reference framework,**
  - **strengthen transnational or interregional cooperation in order to coordinate and harmonize the respective national/regional policies and their regulatory, operational and management frameworks.**
  - **decide at national/regional level on incentives and policy instruments to implement measures producing convergent and/or complementary results and/or agree with partners on joint measures in order to reach the common objectives.**

### *Main characteristics of relevant indicators to measure results*

Often there are several possible indicators available for any given general outcome, but each one reflects only some of the specific aspects of the general result that we intend to measure. Different aspects of the same outcome can send different signals about whether the initial situation is improving or worsening. For example, with reference to the mobility example, the travelling time might be decreasing, but the share of lethal accidents might be increasing. Therefore, more the objectives are formulated in general terms, as it is the case with the EUSBSR objectives, more the appropriate selection of the relevant data for monitoring the progress is a difficult exercise. In addition, the achievement of the general goals of the EUSBSR can be the result of the combined effects of several types of interventions on different categories of beneficiaries. Furthermore, each implementing instruments will present also its own characteristics (e.g. regarding the respective mission, fields of intervention, eligibility rules, operational modalities, etc...) and other factors such as the interactions between the policy interventions and the natural, economic, social and political environment can influence the outcome.

Consequently, it is very difficult and rare to feature in a single indicator many of the aspects embedded in a general objective. However increasing the number of indicators does not represent a feasible solution and often, it will be necessary in order to avoid increasing the number of indicators to monitor, to privilege some of the aspects having a major impact or better reflecting the result in respect of the objective to achieve.

In the universe of result indicators, a distinction can be made between two categories of indicators in respect of their responsiveness to policy intervention:

- (i) The first category includes “context indicators” (traditionally macroeconomic and well-being statistics as GDP for example). Although being possibly affected by policy intervention, so many other factors can influence also context indicators, that their direct responsiveness to policy measures appears very remote. Their analysis hardly represents a way to “focus” policy-makers attention and public debate. Context indicators are generally used to assess the economic and social conditions in a national, regional, sub-regional context by examining changes of variables through time or comparing data across space. The aim is to detect weaknesses and strengths, alert policy-makers and steer policy (for example the productivity of the whole economy of the region can be used a context indicator when the policy aims at promoting knowledge-intensive sectors).
- (ii) The second category includes outcome indicators whose potential responsiveness to a given policy measure is expected to be relatively great and less remote. In principle, it then makes greater sense for policy-makers to choose them as indicators of the specific dimensions that policy action can potentially and directly influence.

When the resources provided are very large compared to the whole resources available for development, it might happen that context indicators are suited as result indicators. However, when resources are small it is very unlikely the case.

When possible and relevant, composite indicators and integrated indicators can be useful to reflect the multiple aspects of the outcome to measure. However, presently such indicators exist only in very few domains and their interpretation needs to be sufficiently straight and easy to allow clear identification of the appropriate changes in policy forming and implementation. The possibility of using a single composite indicator integrating different aspects of the objective or common result indicators, for which standardized data could be collected at the level of each of the relevant instruments in all countries and then aggregated, would remain limited. Such indicators presently exist only in some specific fields of intervention and types of activities (see chapter V).

In practice, it can also be difficult to respect always a very clear-cut distinction between outputs and result indicators in selecting among the available data the most suitable to respond to the various requirements of a result indicator. When it would be necessary to identify and remedy to risks and difficulties in delivering the expected results by the combined effects of several policy instruments, the analysis of inputs and output indicators associated to each instrument mobilized for implementing the considered activity should provide the necessary information. Sometimes, output indicators can also monitor the results of certain types of activities, because their fulfilment is strongly interrelated with the general objectives and the concrete targets to reach. For example, the output indicator measuring the length in kilometres of new and up-graded roads can be a valid result indicator towards the objective of improving the transport conditions. The assumption implicitly made is that the construction and renovation of road infrastructure represent a major contribution to the improvement of land transportation objective and respect automatically the other technical and security standards in force for ensuring good transport conditions. Financial amounts spent under the different implementation instruments and contributing to the achievement of the goals of the EUSBSR Priority areas are useful inputs indicators to monitor the alignment of the financial resources from the different sources for implementing EUSBSR objectives. However, for logical and practical reasons, the analysis and interpretation of these indicators must be kept, the most frequently, at the level of the individual policy and implementation instrument.

#### **RECOMMENDATIONS 40:**

- **A systematic and rigorous use of well-defined outcome indicators, and in appropriate cases context indicators, corresponding to achievement of specific goals of the EUSBSR can be a very powerful tool for guiding the policy makers and increasing the effectiveness of the implementation.**
- **When needed, the availability of financial inputs and output indicators should provide additional information to reflect the respective contribution of the various implementation instruments to the EUSBSR objectives.**

Result indicators are expressed in quantitative or qualitative terms; they can be either objective, i.e. verified by convincing documentary evidence, or subjective, i.e. based on respondents' own judgment. Subjective indicators might be necessary in some important fields – for example, when attempting to measure outcome in the provision of public goods (especially environmental ones) via “hypothetical statements of willingness to pay”. However, great care should be put in the selection, measurement, interpretation and use of qualitative and subjective indicators as their values may be subject to non-coherent variations in the time and according to the place of measurement. As a rule, preference has to be given to relevant quantitative indicators.

Result indicators can capture a short- or a long-term feature of the outcome. In particular, they can differ according to the stage they are expected to capture the result of the “process of change” initiated by the policy action. Once outcome indicators have been chosen, it is necessary to establish the value of the outcome indicator before the new policy intervention at stake is undertaken (baseline value) and the estimate of the future value of the result indicator depending on the expected trend until the end of the reference period. Of course, the target and the baseline values have to be expressed using the same unit for measurement and relate to same potential beneficiaries.

The definition and selection of the right indicators to monitor adequately the progress towards milestones, outputs and results are demanding exercises that can rapidly become very complex and resources consuming. Therefore, when defining and choosing result indicators the practical feasibility and easiness to collect and aggregate the data are, with the reliability and technical relevance of their signification, the crucial criteria to be considered. The pre-existence at international or national level of reliable data bases and agreed common definition and interpretation of the available data, or the technical feasibility and capacity to easily and rapidly build new cost-efficient data collection and storage system will help to reduce the administrative burden and keep the related administrative and management costs as low as possible.

As much as possible, indicators already agreed at national and inter-national levels and already used by instruments/programmes contributing to the implementation of the EUSBSR, have to be favoured when selecting result indicators for the EUSBSR. Most of the time, such indicators can be found among the indicators associated to agreed common objectives and international action plans already existing in the Baltic Sea region (e.g. HELCOM Action Plan indicators). More or less standardized indicators already used at national level to monitor the results of EU co-funded programmes (e.g. ESI Funds programmes) or the implementation of European policies and directives (e.g. TEN-T, environmental directives, etc...) can constitute also valid statistical sources of information.

When needed, appropriate initiatives and effective coordination processes at national and inter-national levels (see above and chapter I) have to establish harmonized definitions and reliable collection of the necessary data and improve the standardization, collection, aggregation and interpretation of the indicators.

In specific cases, specific surveys at particular points in time and data provided by specific information sources such as registry of enterprises or administrative data are used. Nevertheless, considering that the EUSBSR covers several countries, most often, such solutions will be technically difficult and costly to implement and the reliability and common understanding of the collected data would be probably questionable

When complexity of the result to capture requires more than one indicator, in general it would be preferable to limit the selection of result indicators to only one indicator in order to facilitate the management and the clarity of the monitoring system. Even when accepting not to reflect all the aspects of the achieved results, the limitation of the number of indicators at the level of each Priority Area will contribute to increase the cost efficiency of the monitoring system. The voluntary limitation in the number of result indicators will contribute to make the monitoring information more clearly visible and understandable, while containing the administrative and financial burden. Where meaningful and possible, qualitative information, or commentary on the special circumstances that might influence the value of the indicators, could accompany measurement and publication of outcome indicators.

#### **RECOMMENDATIONS 41:**

- **Select a limited number of result indicators which are**
  - a) relevant and can reasonably capture the essence of the desired outcome;**
  - b) normative with a clear and accepted interpretation;**
  - c) robust, statistically and analytically validated and complying with international standards and methodologies;**
  - d) responsive to policy;**
  - e) feasible, i.e. built on easily available data, without imposing too heavy technical constraints and financial burden;**
  - f) debatable: timely and openly available and understandable by all stakeholders, with room for public debate and motivated revision when needed.**

## V- ILLUSTRATIVE EXAMPLES OF THE SELECTION OF RESULT INDICATORS

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In the framework of this work, it is not possible to consider individually the definition and the selection of all the requested and most suitable result indicators related to the implementation of each Priority Area and Horizontal Action of the EUSBSR Action Plan. In addition, in order to illustrate the recommended approach, concrete examples will be suggested, concerning in particular some of the most important aspects of one chief Priority Area for each one of the three EUSBSR pillars of (i) Save the Sea, (ii) Connect the region, (iii) Increase prosperity.

These examples should give sufficient clarification on the principles to respect and factors to consider when determining and selecting the most relevant result indicators to be associated to each priority area and their related activities (when they correspond to the fulfilment of a homogeneous target).

### Under the pillar “Save the sea”

#### *Selection of the Priority Area Nutri: Reducing nutrients inputs to the sea to acceptable level*

The pollution of the Baltic Sea is the main challenge at the origin of the mandate given by the European Council to the Commission to propose the European Strategy for the Baltic Sea Region. One of the most severe environmental problems of the Baltic Sea is eutrophication caused by increased loads of nutrients (mainly nitrogen and phosphorus) from agriculture, wastewater, industry and transport. Therefore, it seems very appropriate for illustrating the issues related to the methodological approach when setting result indicators to select the sub-objective “Clean the sea” and the “Priority Area NUTRI: Reducing nutrient inputs to the sea to acceptable levels” pertaining to the first pillar “Save the sea” of the EUSBSR.

The following analysis, grounded on the recommendations made in the previous chapter, will allow the confirmation or adaptation of the proposed indicators already included in the last up-date of the EUSBSR for the Priority Area Nutri. It will provide an example of the principles and considerations through which to screen the result indicators envisaged for other Priority areas presenting similar features.

#### *Review of the indicators for the Priority Area Nutri*

#### **Considerations related to the intervention logic**

Even if some uncertainties remain, there are sufficiently solid research results and knowledge on how to remedy to the eutrophication issues of the Baltic Sea. Some measures have already been undertaken, such as under the European Urban Wastewater Treatment Directive and the HELCOM Action Plan, producing already good effects. An integrated regional strategy involving all the sectors (agriculture, forestry and fisheries, municipal and industrial wastewater treatment, hazardous substances, polluting air emissions, traffic and shipping activities and their interrelated aspects) and based on an ecosystem approach is still under development between the Baltic Sea countries to reach the targets already settled in the HELCOM Baltic Sea Action Plan.

But there is still a gap between what is done and what remains to be done and the reduction of the nutrients loads to the Baltic Sea is acknowledged to continue to be one of the most urgent and priority task for improving the ecological status of the Baltic Sea.

In addition to the Fifth Baltic Sea Pollution Load Compilation<sup>10</sup>, the report «The Baltic Sea - Our Common Treasure” published recently by BalticSTERN<sup>11</sup> presents complementary and very interesting approach

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<sup>10</sup> Baltic Sea Environment Proceedings No. 128, Helsinki Commission (Baltic Marine Environment Protection Commission), 2011.

<sup>11</sup> The final report “The Baltic Sea – Our Common Treasure! Economics of Saving the Sea” was published in March 2013.



for conciliating the needs of reducing nutrients (nitrogen and phosphorus) amounts in the Baltic Sea water based on cost-benefit-effectiveness analysis with technical, economic, social and political considerations. The technical and economic computations conclude to recommendations and targets for the Baltic Sea water protection that support and reinforce the HELCOM Baltic Sea Action Plan objectives. The results of population surveys in the coastal countries indicate also that significant welfare gains can still be expected and achieved from further investments in water protection in the Baltic Sea. However, while reducing eutrophication is the interest of citizens in all riparian countries, the distribution of benefits and costs is uneven and influences the cost-benefit-effectiveness of the respective measures in each country.

Data presented in afore mentioned reports illustrated the proportion of polluting different sources (respective share in % of total nutrient input by country) contributing to the total water and air borne inputs of phosphorus and nitrogen to the Baltic Sea. Globally in all countries agriculture, forestry and fish farming are representing with municipal, industrial and scattered dwelling the most important sources of nitrogen and phosphorus loads. Usually, some of the most cost effective and feasible remedial measures are to continue to reduce nutrient loads from wastewater treatment plants and to intensify the measures to reduce application of fertilizers, extend catch-crops and wetlands to reduce nitrogen leakage, ban phosphorus in detergents and invest in ponds serving as sinks for phosphorus. But the results of the cost/benefit-effectiveness analysis vary also widely between countries and shall determine the selection of the most effective measures to be taken depending of the national/regional situation. Consequently, they should guide the choice of the polluting sources to be addressed, the selection of the remedial measures to be implemented and finally the definition of the abatement targets for nitrogen and phosphorus. In addition to the size effects (i.e. population and territory dimension: e.g. Poland) the specific characteristics of the national economic activities and the degree of reduction already reached determine the actual magnitude of the reduction needs (e.g. they vary considerably between Denmark or Sweden and Finland for nitrogen or between Denmark and Lithuania for phosphorus).

The respective impact and total and relative costs (i.e. cost per kg load reduction) are influenced by the extent to which the countries have already implemented different measures. The more a country has already done to reduce the loads (and increase the drawing -out of nutrients) the higher the cost will be for any further abatement. For example, while in Poland wastewater treatment plants are estimated to account for 88 per cent of the phosphorus and 72 per cent of the nitrogen loads reduction, the corresponding numbers for Sweden are only 58 and 8 per cent respectively. This means that Sweden to be cost effective needs to implement now other measures in order to increase the nutrient abatement, in comparison to countries which have still a large capacity of improving the efficiency of their wastewater treatment plants.

A specific measure implemented where the impact on the Baltic Sea is the largest (i.e. retention is small) will be more cost-effective compared to the same measure with the same cost but implemented where the impact is lower (i.e. retention is high).

Therefore, it is recommended to implemented firstly low cost measures in locations where they produce larger effect on the nutrient abatement (e.g.in general, measures implemented closer to the coast are more cost-effective) and more costly measures with relatively smaller impact when they are necessary in order to fulfil higher reduction targets.<sup>12</sup>

Economic, social and political readiness aspects have also to be taken into consideration. For example, agricultural fertilizers and manure represent, following the estimations made, the largest share of the total inputs of both phosphorus and nitrogen into the Baltic Sea originated from diffuse sources including natural background losses. But the reduction of fertilizers and pesticides in the agricultural sector remains socially and politically a sensitive issue due to its economic impact on the farmers 'revenue and consequently it seems quite unlikely that the agricultural sector would contribute with the remaining reduction requirement (HELCOM estimations) of 80,000-90,000 tons of nitrogen from

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<sup>12</sup> *Costs of Mitigating Eutrophication*. This Background Paper is one of eight Background Papers, where methods and results from BalticSTERN research are described more in detail. In some of the papers the BalticSTERN case studies are discussed in a wider perspective based on other relevant researches.

agriculture. Even the remaining gap of 2,000 tons per year for the phosphorus target, (reduction by 20%) appears to be a very challenging task, although not an impossible one. In this context, the development of agro-environmental measures in the European Agricultural policy and future agricultural programmes will be of vital importance in contributing to the total nitrogen and phosphorus reduction targets.

The analysis provided by both reports provide the ground for useful and clear directions in order to develop the intervention logic and align the measures to be taken in each country with the challenges and needs, the possible solutions and the most cost-effective measures that can be reasonably accepted and supported from technical, economic, social and political points of view.

Without concrete and realistic targets and convergent and intensive efforts from all concerned countries, the risk remains that there will not be sufficient progress in improving the Baltic Sea marine environmental status and it is unlikely that the preconditions for fulfilling the objective to restore good environmental status of the Baltic Sea by 2021 (HELCOM target) can be achieved.

### **Considerations related to the regulatory, management and operational framework for implementation**

There is no lack of management framework and operational targets to deal with the different environmental problems of the Baltic Sea. To remedy to eutrophication problem of the Baltic Sea, EUSBSR encourages every effort to achieve the targets set under the Marine Strategy Framework Directive, the Water Framework Directive, the Nitrates Directive, the Urban Waste Water Treatment Directive of the European Commission and the HELCOM Action Plan for the Baltic Sea.

In the European framework related to water pollution remediation and marine environmental status improvement, the European directives try to create incentives for the Member States to establish national relevant policy instruments in order to induce the implementation of measures reducing the nutrients loads generated by the human activities and increase the drawing-out of polluting substances from the sea.

In the specific political context where the EUSBSR has to operate, direct reference to European standards may be problematic taking into account that Russia is a non-EU country but an important partner for addressing many of the challenges of the Baltic Sea. Nevertheless, as a HELCOM member, Russia has already agreed with the eight other littoral countries around the Baltic Sea (which all are EU Member States) on HELCOM recommendations. In addition, in many areas, HELCOM recommendations and objectives are more stringent than the requirements set by the European Directives and constitute already a common and agreed management framework between the countries involved.

Consequently both for political and technical reasons, it is definitely preferable, when setting result indicators for improving the state of the Baltic Sea, to refer to HELCOM working and coordinating framework (to be updated by end 2013) that represents the only legitimate and non-disputable international reference for establishing specific targets for each country around the Baltic Sea.

### **Considerations related to the need for intense cooperation through convergent efforts**

The cooperation framework settled by the HELCOM Action Plan invites the states to act in convergent way by taking individual decisions and measures that all together contribute to produce the common intended results. It is an illustrative example of international cooperation principally implemented through convergent individual actions taken and implemented by each government. The development of the cooperation process is important for the fulfilment of the overall objectives and should also be monitored and measured through appropriate cooperation indicators. The development of the cooperation process in the field of the marine protection can be measured by the individual efforts of each partner i.e. by the same indicators already used for verifying the national fulfilment of the nutrients



abatement. However, when the purpose is to stimulate joint actions, other indicators of the development of the cooperation process are necessary.

### Considerations related to the determination of result indicators for the Priority Area Nutri

To be able to guide policy makers' and implementers' decisions and actions, the general objective of reducing nutrients amounts in the Baltic Sea has to be translated into concrete and measurable reduction target values. The reduction targets need to be consistent with the baseline situation, the feasible approaches to tackle the problems and the goals that realistically can be reached in the considered period for implementation.

Consistent data on the relative magnitude of the water and airborne nutrient sources and estimated results of cost benefits analysis for the remedial measures to be taken in each country/region are a pre-requisite for being able to follow the progress towards the reduction target for each of the identified polluting sources.

In the European Directives, maximum allowable long term and peak concentration values often express the objectives to reach and indicators to monitor in association with annual inventories of emissions, discharges and losses of substances, average means and classification into status classes.

In the HELCOM Action Plan, the nitrogen and phosphorus loads in tons are used for setting targets and comparing the gaps with the nitrogen and phosphorus quotas set as objectives by country and by basin.

In the European Regional Development and Cohesion Funds programmes, concentration thresholds are often used as result indicators to assess the in-time compliance of the Member States with the relevant European Directives related to the wastewater treatment sector. However, these indicators are not, from a technical point of view, the most relevant data to measure the nutrients abatement by each country in order to comply with the objectives as mentioned in the EUSBSR Action Plan. In addition, important seasonal and local variations can affect the significance and scientific validity of the concentration values and make difficult to present sufficiently robust target results.

Hence, without being a holistic indicator of the global environmental status of the Baltic Sea, the nitrogen and phosphorus quantities reduction constitutes a sufficiently representative measurement of the results to achieve in improving the quality of the environment of the Baltic Sea. The HELCOM system referring to quantitative loads of nutrients seems definitively a more relevant indicator to guide and measure the reduction efforts made by the members of the Helsinki Convention.

However, while being elaborated by using the same quantitative data, the result indicators to monitor the reduction of nutrients inputs to the sea as presently proposed in the EUSBSR Action Plan fail to refer directly and visibly to quantitative targets of nitrogen and phosphorus input reduction concerning each of the considered polluting sources at national/regional level. They also do not demonstrate how they are taking into account the respective baseline situations and the technical, economic and political feasibility and cost-benefit- effectiveness of the respective remedial measures to implement in each country/region.

Consequently, the risk exists that such expression of the targets might lead to set theoretically valid but in fact unrealistic targets. The result indicators must be determined in order to induce the intended changes in the national policies and cooperation processes and capture the results they achieve.

A more precise formulation of the national reduction targets by country would be preferable. It should encourage more commitment at national/regional level in order to reach the goal determined by each government and strengthen the need to develop national policies and actions on a more cost effectiveness approach, including, when relevant, - through- the geographical concentration of the measures and reinforcement of international collaboration with coordinated/joint actions and costs and information sharing.

The above considerations present sufficiently robust basis to decide in each country how to accelerate the implementation and increase the efficiency of remedial measures as described in the Action Plan for the Baltic Sea (HELCOM) and the EUSBSR. Technical solutions presently existing for drawing-out from the sea significant amounts of pollutants have not yet a sufficient impact to be already included in the

monitoring system. Hence, the measurements of the abatement efforts must still concentrate on the reduction of nutrients loads. However, the situation can evolve in the future according to the agreement reached between the countries when updating the HELCOM Action Plan and/or the relevant European Directives depending of the political willingness to promote technological development for ecosystem service provision.

#### RECOMMENDATIONS 42:

- **Choose result indicators capable to induce in each country the introduction of more appropriate policy instruments and the implementation of more cost effective operational measures, considering**
  - **the most important sources of nitrogen and phosphorus inputs to the Baltic Sea at national and regional level, on which human activities can have a direct influence;**
  - **the most cost-benefit-effective measures, which are technically, economically , socially and politically feasible for each nutrient and the reduction amounts that can reasonably result from their implementation.**

#### *Proposals for adjustment of the result indicators for the Priority Area Nutri*

##### **Adjustments of the indicators related to the target of reducing nutrients inputs in the Baltic Sea**

Consequently, as regards the definition of the most relevant result indicators for the Priority Area Nutri: (Reducing nutrients inputs to the sea to acceptable level), the following conclusions can be drawn using the information given by Baltic STERN report and the 5<sup>th</sup> HELCOM Pollution Load Compilation (HELCOM 2011)

#### RECOMMENDATIONS 43:

- **The national reduction targets in tons of nitrogen and phosphorus abatement (respective contribution of the considered polluting sources at national/regional level and cumulated total by country) is a valid expression of the result indicators for the Priority Area NUTRI.**
- **Determine the deadline: 2021 when referring to the current target in the HELCOM Action Plan for the Baltic Sea or 2023 if aligning the deadline with the end of the implementation of the programming period 2014-2020 (to be confirmed).**
- **The value of the national reduction target will depend on the reasonably expected results of the implementation of the most cost effective remedial measures, taking into account of the different technical parameters, the magnitude of the financial resources allocated and the social and political acceptance and support to the envisaged measures.**

##### **Adjustments of the indicators related to the target of reinforcing cooperation for reducing nutrients inputs in the Baltic Sea**

The result indicators monitoring the national targets of reducing the quantities of nutrients loads to the Baltic Sea will also reflect the national efforts to cooperate to the achievement of common goals by implementing convergent measures with the neighbouring countries. Nevertheless, the definition of distinct result indicators is relevant in order to stimulate the development of coordinated and joint cooperation processes and activities between the countries and observe the achieved results in reinforcing the cooperation process. Specific cooperation indicators could measure, for example, the creation of new common policy instruments between several countries in order to set-up more cost-effective solutions to clean the Baltic Sea or the financial benefit resulting from coordinated or joint implementation between some countries of activities/investments contributing directly to optimize the cost effectiveness of remedial measures. The national reduction targets incorporate already the

expected physical result (nutrient load abatement) of the cooperation process and activities. Therefore, a specific indicator of the result of the cooperation process could be the improvement of the cost-effectiveness of coordinated/ joint projects in comparison of projects if implemented individually by each country. This approach and the suggested result indicator will promote the implementation of the most cost effective measures for the protection of the Baltic Sea environment and the generation of cost savings by encouraging cost effective planning and optimization of the use of available financial resources.

#### RECOMMENDATIONS 44:

- **The results in developing cooperation could be monitored by establishing the list of new common policy instruments set-up in coordination or jointly between several countries in order to implement more cost-effective solutions to clean the Baltic Sea.**
- **If the concerned departments could easily provide the necessary information, the financial benefits resulting from joint and coordinated remedial actions, could probably be also a quantitative result indicators attached to the development of cooperation activities. The saving in Euro/ton of nutrient load reduction in comparison of the cumulated costs of individual projects necessary to get the same physical results (reduction of total cost for equivalent or higher nutrient load reduction or higher nutrient load reduction for equivalent or lower cost) should be measured the value of the result indicator.**

#### *Conclusions concerning the proposed result indicators for the Priority Area Nutri*

It results from the considerations above that while the proposed target indicators in the Action Plan are sufficiently relevant in their nature, their political and operational dimensions need obviously to be more specified and improved. The following comments (in green colour) and the introduction of the proposed amendments (in red colour) aim at guiding their revision.

**Table 6. Proposed improvements to result indicators related to the sub-objective “Clear water “in the Baltic Sea**

Sub-objectives	Indicators	Baseline	Target/Deadline	Data sources
Clear water in the sea	<p>Environmental status, incl. level of inputs of nutrients – in line with (indicators) targets being developed in HELCOM by 2013 and under the Marine Strategy Framework Directive.</p> <p>To precise better the formulation of the targets and related indicators.</p> <p>These indicators are the same as the ones used for the Priority Area Nutri (that represent well the sub-objective “Clear water in the sea”).</p> <p>Total reduction and national reduction targets (in tons by country) for nitrogen and phosphorus to be achieved by 2021 (or 2023? to be confirmed) and calculated by aggregating the respective contributions of the different polluting sources considered at national level.</p> <p>The situation might change in the future depending on agreement reached between the countries when updating the HELCOM Action Plan and the political willingness to develop eco-system service provision.</p> <p>Accordingly, the objective of reducing the net inputs of nutrients to the Baltic Sea (by taking also into account the nutrient amounts drawn out from the sea) could substitute the goal of reducing nutrients inputs to the Baltic Sea.</p>	<p>Situation in 2010</p> <p>To confirm baseline year.</p>	<p>Fulfilment of N and P loads reduction by country by 2023 (to be confirmed)</p> <p>Indicators agreed in 2013 within HELCOM. Good environmental status (GES) by 2021 (or 2023? to be confirmed) is a composite indicator for which national individual values are heavily impacted by other external factors. Consequently, this indicator is not sufficiently policy responsive at national level.</p> <p>Definitive and if possible unique year for deadline (2020, 2021 2022 or 2023) should also be determined; 2023 would be a preferable as it should correspond to the end date (to be confirmed) for the implementation of the programming period 2014-2020</p>	<p>HELCOM and Marine Strategy Framework Directive.</p> <p>National authorities to define national objectives and quantitative reduction targets for the different polluting substances</p>

**REMARK: This indicator is redundant with the result indicator for the Priority Area Nutri, which seems sufficient to reflect also the intended strategic results at the level of the sub-objective “Clear water “in the Baltic Sea.**

**Table 7. Relevance of keeping a result indicator on biodiversity**

Sub-objectives	Indicators	Baseline	Target/Deadline	Data sources
<p><b>Rich and health wildlife</b></p>	<p>Biodiversity status and ecosystem health (incl. fish stocks) and amounts of hazardous substances – in line with indicators being developed in HELCOM by 2013 and under the Marine Strategy Framework Directive. The results indicators have to steer the actions towards concrete results at national level (and not to refer to general objectives for which national authorities cannot feel direct ownership and responsibility. They have to directly correspond to measurable results of the measures taken, be sufficiently representative of the overall objective and their interpretation needs to be easy and simple to understand.</p>	<p>0</p>	<p>Indicators agreed in 2013. Good environmental status (GES) by 2021 (Probably not realistic target and consequently not sufficiently binding for national governments)</p>	<p>Marine Strategy Framework Directive, HELCOM.</p>

**REMARK: The proposal is to retain any indicator related to biodiversity**

**Table 8. Proposed improvements to result indicators related to the target of reducing nutrients inputs in the Baltic Sea**

Sub-objective	Indicator	Baseline	Target	Data sources
Clear water in the sea	<p>Nutrients (P, N) loads reduction (in tons).</p> <p>National reduction targets and total sum of the national reduction targets (in tons by country) for nitrogen and phosphorus to be achieved by 2021(or 2023? to be confirmed) calculated by aggregating the respective contributions of the considered polluting sources at national level).</p> <p>The situation might change in the future depending on agreement reached between the countries when updating the HELCOM Action Plan and the political willingness to develop eco-system service provision. Accordingly, the objective of reducing the net inputs of nutrients to the Baltic Sea (by taking also into account the nutrient amounts drawn out from the sea). could substitute the goal of reducing nutrients inputs</p>	<p>Annual total Nutrients (P, N) loads into the Baltic Sea (HELCOM BSAP baseline 1997 – 2003 average, as reviewed in 2013)</p> <p>- per sub-region - per country</p> <p>and for</p> <p>a) point sources b) diffuse sources</p> <p>To confirm reference year for baselines</p>	<p>Annual total nutrients (N, P) load reduction (in tons by countries) by 2016 (milestones?) and by 2020? (Or 2023? to be confirmed) as revised by end 2013 in HELCOM Baltic Sea Action Plan.</p> <p>Definitive deadline to be determined (2020 or 2023? to be confirmed) 2023 would be preferable as end date for the implementation of the programming period 2014-2020 (to be confirmed).</p>	<p>HELCOM data (PLC-water, PLC-air/EMEP). Annual HELCOM Core pressure indicator for eutrophication? (after 2013).</p> <p>National authorities to define national objectives and quantitative reduction targets for the different polluting substances.</p>

**REMARK: This indicator seems sufficient to reflect the intended strategic results at the level of the Priority Area Nutri and the sub-objective “Clean the Sea”**

**Table 9. Proposed improvements to result indicators related to the reinforcement of cooperation for reducing nutrients inputs in the Baltic Sea**

Sub-objective	Indicators	Baseline	Target/Deadline	Data sources
Better cooperation	HELCOM Baltic Sea Action Plan (BSAP).	2007 (BSAP adoption).	Evaluation in 2013. Full implementation of BSAP by 2021 (to be confirmed).  Not realistic target and consequently not sufficiently binding for national governments.	HELCOM
	Drawing up and application of trans boundary, ecosystem-based, Maritime Spatial Plans.  OK: Could be one example of the setting of transnational common instruments (but not the only one).  a) List of new policy instruments embracing several countries in order to set-up more cost-effective solutions.  b) Total savings in Euro/tonne of nutrient load reduction, compared to the estimated cumulated costs of projects if implemented separately to get the same results	None in 2011.  2013 Baseline?  0 Euro in 2013.	Establishment of Pilot plans in 2013. Feasible? Drawing up and application throughout the region in 2020 (to be confirmed).  List of new policy instruments embracing several countries in order to set-up more cost-effective solutions Target and milestones values to be determined by MSs b) Improvement of the cost effectiveness when acting jointly or in a coordinated manner in comparison of individual national/regional projects (Total savings in Euro/tonne of nutrient load reduction compared to the estimated cumulated costs of projects if implemented separately to get the same results).	European Commission, DG Mare, DG ENV, national ministries, HELCOM-VASAB Maritime Spatial Planning Working Group, European Territorial Cooperation programmes' reports where relevant: Plan Bothnia; BaltSeaPlan projects.  List provided by national ministries and regional/local authorities.  Amounts provided by national ministries and regional/local authorities

**REMARK: This indicator seems more appropriate to induce the desired promotion of more cost effective cooperation to reduce the nutrients loads into the Baltic Sea.**



## Under the pillar “Connect the region”

### *Selection of the Priority Area Transport: Improving internal and external transport links*

The Baltic Sea region, located on the northern and remote periphery of the economic centre of Europe, with long distance and adverse winter climatic conditions depends strongly on well-functioning transport infrastructure to achieve economic and inclusive growth.

The completion and modernisation of the trans-European corridors and network is a crucial issue for all the countries around the Baltic Sea region in order to connect efficiently the region to Central, South and Western Europe and respond to the needs of increasing traffic between Member States and with non-EU neighbouring countries. The three Baltic States and Poland still need improvement of the main trans-national transport axes across their territory and connexions on the cross-border sections. Up to now, most of transport infrastructure developed under national policy premises is not sufficient to respond to the main common needs and the different countries must reinforced their coordination in order to address the most urgent transport challenges in the Baltic Sea region.

North-South and East-West links are necessary to overcome the infrastructure shortfalls in the northern, eastern and southern-eastern sides of the Baltic Sea. Improved transport connections with non-EU neighbouring countries and in direction to Asia, the Black Sea and the Mediterranean regions could increase the potential of the region as European Union gateway to Russian and Asian markets.

Therefore, considering the political, economic and social relevance of the Priority Area Transport: «Improving internal and external transport links», which pertains to the sub-objective “Good transport conditions” of the pillar “Connect the region, is selected to illustrate the methodological approach in setting result indicators. The results of this review could inspire similar approach for other sub-objectives and Priority Areas of the EUSBSR Action plan.

### *Review of the indicators for the Priority Area Transport*

The target indicators setting exercise should be done taking into account the recommendations previously made and in particular that:

- (i) result indicators should not be just information, but precise targeted signals, to which national planners and decision makers are invited to respond.
- (ii) result indicators are more useful and have more impact on policy if they are set at national/regional level as measurable targets for tangible outcomes. Performance based planning, decision making, management and operational implementation processes should secure unbiased and measurable monitoring of results achievement.
- (iii) when they exist, management and operational frameworks or/and cooperation platforms and networks established at international level can provide preferable reference sources for setting result indicators.
- (iv) when possible it is recommended to use already existing and agreed indicators at international level.
- (v) indicators need to be easily collected, aggregated and interpreted.

### **Considerations related to the intervention logic**

The general objective to improve internal and external transport links should be translated explicitly into the establishment or upgrade of clearly identified connexions and the national programming of transport investment during the period under consideration.

Many major infrastructure projects only make sense if looked from a macro-regional perspective. The legal, management and operation framework provided by the Trans European network for Transport (TEN-T) agreed at European level should determine the intervention logic concerning the transport

connections the Member States have to implement in priority. One of the main challenges for the states in Baltic Sea region is to bring the national strategic planners to a common view on the priorities for improving the transport system<sup>13</sup> and to coordinate their transport infrastructure planning and implementation process.

Consequently, and similarly to the example of the Priority Area “NUTRI” exercise the needs to

- (i) accelerate the operational implementation of the trans-European transport network, and
- (ii) intensify the cooperation process, in particular by better coordination between the countries in the macro-region,

have to determine the targets setting, the planning and the implementation of the national transport infrastructure investments.

### **Considerations related to the regulatory, management and operational framework for implementation**

As the HELCOM Action Plan is providing a reference framework for the policy interventions corresponding to the « Save the Sea » objective, the agreement reached between the European policymakers on the Trans European Transport Network (TEN-T) provide also an agreed management and operational framework for implementing the « Connect the region » and the “Good transport conditions” objectives of the EUSBSR. The agreement contains lists and maps of the routes and international connections on which the Member States have to focus in priority their investment in the transport sector in the coming years including TEN-T projects inside the Baltic Sea macro-region and external connections across the E.U borders.

The new proposal aims at transforming the existing patchwork of European roads, railways, airports and canals resulting from non-sufficiently coordinated national decisions into a more unified transport network by developing gradually the implementation of a dual-layer transport network approach (a core network and a comprehensive network). The aim is to focus the investment during the coming years on a smaller number of more tightly defined transport projects.

The core network consists of the strategically most important parts of the TEN-T network. It constitutes the backbone of the development of a multimodal transport network and concentrates on those components of the TEN-T with the highest European added value: cross border missing links, key bottlenecks and multimodal nodes. A comprehensive network of routes, feeding into the core network at regional and national level completes the core TEN-T network. The comprehensive network will ensure full coverage of the EU and accessibility of all regions in the Union, including the remote areas in the Northern of Europe.

For a workable transport system in the whole Baltic Sea region, the national networks need to interlink with not only EU transport axes but also have their continuations in Norway, Russia. Transport networks in northern area consist of different infrastructure regimes, where the most pressing compatibility and interoperability problems are at the external European borders. The diversity in railway signalling, information and telecommunication systems used in the region constitutes a major obstacle to the integration of the different national transport and logistics systems. In many cases, obstacles and bottlenecks occur due to the lack of policy, administrative and technical harmonisation. Therefore, the compliance with rules and standards that reflect the international practice and seamless logistic processes are important for the implementation of effective transports axes.

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<sup>13</sup>Main conclusion from the EU-financed project Baltic Transport Outlook 2030 (BTO 2030), which was commissioned by the transport ministries of all EU.

The Northern Dimension Partnership on Transportation and Logistics<sup>14</sup> (NDPTL) serves also as a regional forum for transport and logistics issues and complements the work of cooperation structures already in existence. It provides a cooperation framework to define potential priorities in transport infrastructure and logistics and contribute to the preparation of major infrastructure projects within the region. The NDPTL Core network provides a basis for the European TEN-T Core network extension to the neighbouring countries (Norway, Belarus and Russia). For example, the Northern Axis is a backbone of the NDPTL network connecting the European Union Member States and non-EU countries.

The European regulatory framework sets also standards to modernise transport infrastructure and ensure that trains, ships, planes, trucks and cars can use the transport network safely and with any technical problem. It aims at getting the prices right, avoid distortions and create a coherent funding framework. It provides also a time framework to ensure that the Member States will implement with due priority the TEN-T core network corridors by 2030 and the comprehensive network by 2050. The draft Regulations on the Guidelines for the Trans-European Transport Network (TEN-T) and the Connecting European Facility (CEF) list also concrete indicators to measure the achievements in each transport mode of the TEN-T.

### **Considerations related to the need for effective coordination in planning and implementing the Trans European Transport Network**

Taking into account that the new EU infrastructure policy aims at creating a coherent and effective network and no longer focuses on isolated national projects, very effective coordination between the countries is necessary. An integrated, cost efficient and impact optimization logic at macro-regional level has to further strengthen the national transport investment policy. Consequently, target indicators need to catch the real progress towards the achievement of better external and internal connectivity of the region through the coordinated completion of many individual construction and modernization projects contributing to setting up agreed land, hinterland, maritime and air transport routes. The necessity to optimize the benefits of the public investment claims for better coherence in the priorities, scale, timing and financing issues of the new investment made by the national authorities in the different countries.

Strengthening the coordination of the planning and implementation processes between the relevant national/regional ministries and agencies will improve the interoperability and synchronisation of the works. The intervention logic and the regulatory and operational framework provide the national transport ministries and agencies with all the necessary elements to elaborate, through reinforced coordination, a comprehensive action plan involving all the transport modes in the macro-region (and their interrelated aspects), and to agree on the priorities. In order to promote the coordinated and cost effective development of the transport infrastructure, the implementation of the transport corridors network should focus on of the most missing links and critical bottlenecks related to cross border, interoperability and inter-modality. Examples of such projects requiring reinforced coordination are listed page 20. The planning and implementation of the transport infrastructure should integrate the security, environmental protection and energy efficiency needs. European coordinators will support Member States and project promoters in the coordination tasks in order to reap optimal benefit from the investment efforts.

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<sup>14</sup>The Northern Dimension Partnership on Transportation and Logistics (NDPTL) was established in October 2009, and is one of the four existing partnerships of the Northern Dimension. The current members of the NDPTL are Belarus, Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland, Russia, Sweden and the European Commission.

## Considerations related to the determination of the result indicators

The targets have to guide and reflect the completion of construction and renovation of the transport links accordingly with the priorities listed in the annexes of the TEN-T guidelines. In order to fulfil their guiding and monitoring role, result indicators should relate to the completion of the core and comprehensive network for each particular transport mode in each Member State. In the EUSBSR Action Plan, the formulation of the objective to complete the TEN-T core and comprehensive networks in the Baltic Sea region does not reflect sufficiently clearly the concrete transport investments that the Member States have to commit to achieve by the end of the 2014-2020 programming period, according to Connecting Europe Facility and TEN-T plans and timetable. However, the effective fulfilment of the goals will depend on (i) the ability of Member States to coordinate their national priorities and working processes when planning, deciding, funding and implementing their investment in the transport sector, (ii) the budgetary resources available, and (iii) the time scale under consideration.

A comprehensive transport strategy, involving all the transport modes, should also require specifying other targets in addition to the infrastructure completion and up-grading targets. In order to reflect the various and numerous aspects concerning the economic, environmental and societal dimensions corresponding to an integrated definition of «Good Transport conditions» and ensure the continuous improvement of the delivered transport services, national transport agencies use a large variety of performance measurements. These indicators usually refer to different aspects of the perceived performance of transport services from the passenger, agency, and/or community's points of view and integrate measurements of energy efficiency, effects on the environment, users' satisfaction, improvement of transit time and security for passengers and freight, etc...

When selecting result indicators for the cooperation process, it is necessary to put in evidence the progress achieved by the Member States and neighbouring countries in coordinating better their transport investment. When needed, collaboration of the transport national authorities with the European level during the development of the trans-national coordination process should contribute to secure the respect of the TEN-T priorities, and optimize the financial support by the instruments of the European Union (TEN-T programme, Cohesion Fund, European Regional Development Fund and European Investment Bank's loans and credit guarantees).

### *Proposals for adjustment of the result indicators for the Priority Area Transport*

#### **Adjustments of indicators related to the target of improving internal and external transport links in the Baltic Sea region**

When selecting the most relevant result indicators for the Priority Area Transport: «Improving internal and external transport links», the main issue is neither the availability of already agreed, collected that and aggregated data, nor the lack of management framework and specific targets to deal with the different communication bottlenecks and technical issues. On the contrary, there are already solid identification and general political agreement on what to do.

Nevertheless, there is a need to further and clearly specify the formulation of the expected results in improving internal and external transport links and introduce precise targets based on a list of well-identified and realistic transport sections and intermodal/logistic platforms corresponding to transnational and cross border links to implement before end 2023. In order to be able to measure the progress and results reached in each Member State in the set timeframe, target values baseline situation, milestones and final deadlines must characterize targets and result indicator.

As the definition of realistic targets depends highly on the investment decisions taken at national level and on the planned timing for the preparation and implementation phases of the projects, practical care and realist assumptions must guide the assessment of key success factors, i.e.

- a) maturity already reached in the technical preparation of the project;
- b) soundness of the implementation plan proposed;

- c) availability of financial resources;
- d) fulfilment of legal and administrative requirements concerning the environmental impact, risks mitigation, expropriation of land, etc.;
- e) estimation of the duration of the construction and modernization works.

The degree of physical completion and up-grading by country at the end of programming period- e.g. % of completed total length of transport sections and of total number of cross border sections and platforms to be established by 2023 as agreed by the Member states and the European Commission- corresponds more to the definition of output indicator.

Ideally, the targets indicators should be able to also integrate and reflect the various aspects contributing to the determination of the concept of “good transport conditions”. Nevertheless, at European and Baltic Sea region level a relevant composite transport capable to reflect all the different aspects embedded in the concept of “good transport conditions” does not exist.

However, despite the indicators of physical completion cannot pretend to reflect all the various aspects and parameters influencing the transport conditions, they represent reasonable target indicators due to their ability to guide the strategic planning and the decision making towards the strategic goal.

In case there is still a need to complement the physical completion indicators by other more detailed indicators such as indicators suggested in the Connect Europe Facility regulation, the question has to be examined and the decision taken unanimously by all the Member States in the Baltic Sea macro-region. However, as recommended in Chapter IV, care has to be taken of the feasibility, reliability, simplicity and cost effectiveness of adding such elements to the monitoring system at EUSBSR level and the preferred solution should be to keep the monitoring and reporting of such indicators at national level. In fact, it can be assumed that the implementation of the construction and renovation of the TEN-T core and comprehensive transport networks should be done in compliance with the European rules and standards in term of energy efficiency, environmental and security requirements and accessibility objective (travel time necessary to access to the comprehensive network). Consequently, the physical completion and up-grading rates of the transport links and cross border sections should also reflect, although indirectly, the fulfilment of the corresponding objectives. In any case and in order to simplify the collection of data and the interpretation of the proposed indicators, the relevant national/regional ministries and agencies will collect the necessary data and monitor the compliance aspects with the European standards and rules and should always be able to report more in detail on their fulfilment.

#### **RECOMMENDATIONS 45:**

- **A valid result indicator to guide the strategic planning and the decision making towards the achievement of the objective of improving internal and external transport links is the progress in completing the planned TEN-T transport network.**

**The total length and percentage of TEN-T transport sections and the total number and percentage of cross border sections and platforms (by country and transport mode) built and up graded, in comparison of the planned works in each country by 2023, represent the result indicator values.**

- **If necessary, relevant authorities in each country could provide further detailed monitoring information on specific aspects related to the fulfilment of “good transport conditions”.**

#### **Adjustments of indicators related to the target of reinforcing cooperation for improving internal and external transport links in the Baltic Sea region**

In accordance with the need for greater coordination between the national policies in order to achieve more integrated, cost-effective and synchronised transport solutions, a result indicator related to the coordination process has also to be set up.

The indicators and target values presented in the up-dated EUSBSR Action Plan correspond to the measurement of “Increased cooperation in joint planning and implementation of infrastructure.” It refers to two indicators (multilateral agreements and preparatory works) that do not really reflect the expected results concerning the “implementation of international transport infrastructure projects in line with the TEN-T network” but rather describe preliminary conditions in order to be able to fulfil the targets. The third indicator referring to “Start of modernization or construction and progress in Km,” while reflecting directly the physical implementation progress, does not reflect explicitly the coordination dimension and should also be adapted.

**RECOMMENDATION 46:**

- **The recommended amendment would be link the target of improved coordination to the full completion/renovation of entire TEN-T connexions between two hubs (main cities), comprising a cross border section. The proposed result indicator will introduce also a time dimension (measurement of the divergences between the actual and the forecasted dates for completion of the work).**

*Conclusions concerning the proposed result indicators for the Priority Area Transport*

It results from the considerations above that while the proposed targets indicators in the Action Plan are sufficiently relevant in their nature, their political and operational dimensions need obviously to be more specified and improved. The following comments (in green colour) and the introduction of the proposed amendments (in red colour) aim at guiding their revision.



**Table 10. Proposed improvements to result indicators related to the completion of the TEN-T transports connexions in the Baltic Sea region**

Sub-objective	Indicator	Baseline	Target/deadline	Data sources
<p><b>Good transport conditions</b></p>	<p>Internal and external connectivity of the region, including travel time.</p> <p>Connectivity concept and indicators are usually only used in the field of ICT.</p> <p>The indicators have to be reformulated: Total length and % by country of TEN-T transport sections and total number of cross border sections and platforms completed in comparison of the list of planned investment.</p>	<p>The amount of the TEN-T core and comprehensive network elements' meeting the criteria as set out in the TEN-T Regulation.</p> <p>It is acknowledged that all these TEN-T-elements could not be achieved by 2020. Regulatory time targets are 2030 for core network listed elements (subject to revision) and 2050 for comprehensive network.</p> <p>Baseline considers implementation situation at the beginning of the considered period. What matters for measuring the progress is what is really intended to be done in the considered period of time</p>	<p>Completion of the TEN-T core and comprehensive network in the Baltic Sea region according to the CEF and TEN-T list of priority projects and timetables and the links to Russia and Belarus as defined under the framework of NDPTL and involving Eastern Partnership regional transport network.</p> <p>It would be more precise and clearer to indicate by country the respective list corresponding to the different transport modes of TEN-T (i)core and (ii)comprehensive network transport infrastructure to be</p> <p>a) upgraded, b) constructed or established, with their specific milestones and deadlines for completion of the works. (By 2020 or at the end of the implementation of the 2014-2020 programming period: 2023, (to be confirmed?).</p>	<p>TEN-T implementation reports.</p> <p>TENtec portal.</p>

**REMARK: The indicator to retain for reflecting the progress at the level of the Priority Area Transport “Improving internal and external transport links” (TEN-T Transport connexions?), seems reasonably sufficient to reflect also the intended results in achieving “good transport conditions”.**



**Table 11. Proposed improvements to result indicators for the Priority Area Transport: Improving internal and external transport links (TEN-T Transport connections?)**

Objective	Proposed indicator Name and Description	Baseline Value (2011)	Target Values (2020) ? The end of the reference period has to be checked: 2022 will correspond to the end of the implementation of the 2014-2020 programming period.	Information Sources for Baseline and Target
<p>Improve external links of the region.</p> <p>For the missing objective of <b>“improving internal links in the region”</b>, result indicators need also to be adopted: <b>See proposals for Good transport conditions in the previous table and used them for definition of indicators, baselines, target values and sources.</b></p>	<p>Number of projects implemented within the NDPTL framework.</p> <p>This indicator is not sufficiently precise. The result has to be compared with a well determined target (precise national list of projects agreed to be implemented in a precise period of time).</p>	TBC.	<p>(3 to 4, to be decided).</p> <p>National list of commonly agreed international transport infrastructure projects with respective target values for physical implementation (kilometres of new TEN-T roads for example, with measurement (number of days) of discrepancies in the respect of the planned respective deadlines and milestones.</p>	<p>NDPTL secretariat, Transport Ministries and agencies</p> <p>Eastern Partnership regional transport network and other relevant transnational cooperation platforms and networks</p>
	<p>Improvement of traffic flow on the external links of the region.</p> <p>This indicator (context indicator) depends too much on other factors, not all under EU Member States ‘policy intervention control. (recommendation to not use such indicator as EUSBSR result indicator)</p>	TBC.	<p>Waiting time reduction at the international border crossing points at EU border with neighbouring countries;</p> <p>Reduction of days with queues per year at the international border crossing points at EU border with neighbouring countries;</p> <p>Increase of share of vehicles using the electronic queue management system at EU border crossing points with the third countries.</p> <p>(recommendation to not use such indicator as EUSBSR result indicator)</p> <p>Anyway the indicators need to refer to clear and precise values of the reduction targets)</p>	<p>Transport ministries, Transport Associations, Eurostat, custom administrations.</p> <p>(Recommendation to not use such indicator as EUSBSR result indicator)</p>

**REMARK: For the objective of improving internal and external connexions, refer to proposals and remark under previous indicator table.**

**Table 12. Assessment of usefulness of additional result indicators related to Green Corridors in the EUSBSR for measuring the progress towards Smart transport solutions objective**

Objective	Proposed indicator Name and Description	Baseline Value (2011)	Target Values (2020) ? The end of the reference period has to be checked: 2023 (tbc) will correspond to the end of the implementation of the 2014-2020 programming period.	Information Sources for Baseline and Target
Smarter transport solutions.	Development of balanced network of green transport corridors National list of commonly agreed international transport infrastructure projects with respective target values for physical implementation (kilometres of new TEN-T roads for example, and measurement (number of days) of the observed divergences with the planned milestones and deadlines.	TBC.	A number of green corridors North-South and East-West directions. National list of commonly agreed transnational green transport corridors projects with respective target values for physical implementation of specific transport modes (kilometres of new railway track in specific green corridors for example), and indication of the planned milestones and deadlines.	Transport ministries, TEN-T Agency. Green corridors coordination secretariats.
	Might be redundant with previous result indicator for internal and external links (precise national list of projects agreed to be implemented in a precise period) Usefulness of such indicator needs to be confirmed.	TBC.	Advanced technology and sustainable logistics solutions. Too general to be easily understood and guide decision makers Result indicators have to refer to concrete and agreed improvement target for each green corridor in relation to concrete projects; the target values need to be concrete values measuring the improvements to be measured and reported. The effective use of the proposed indicators will depend on the possibility to define baseline values for each green corridor. This condition might be probably difficult to be fulfilled sufficiently in time. In absence of baseline values, collected at the beginning of the development of the green corridors the proposed indicators will lose their interest as result indicators	Key performance indicators of each green corridor as defined in the Green corridor Manual.

**REMARK: The proposal is to eliminate this indicator related to “Green Corridors in the EUSBSR (risk of redundancy with the objective of the Priority Area Transport “Improving internal and external transport links”. Information on the achievement of TEN-T Green Transport connexions should already be included in the monitoring of “Improving internal and external transport links”**

**Table 13. Adjustments of indicators related to the reinforcement of cooperation in joint planning and implementation of transport infrastructure in the Baltic Sea region**

Objective	Proposed indicator Name and Description	Baseline Value (2011)	Target Values (2020)? The end of the reference period has to be checked: 2022 will correspond to the end of the implementation of the 2014-2020 programming period.	Information Sources for Baseline and Target
<p>Increased cooperation in joint planning and implementation of infrastructure. This objective is related to cooperation activities</p>	<p>Implementation of international transport infrastructure projects in line with the TEN-T network. As mentioned, implementation of the commonly agreed international transport infrastructure projects is already a result indicator of the cooperation activities. Completion (in Kilometres and %) of commonly agreed international transport infrastructure projects linking two hubs (main cities) and comprising a cross border section in comparison of clearly determined national targets reflected in specific list by Member State of the planned physical infrastructure (kilometres of new TEN-T roads for example) with measurement (number of days) of the observed divergences of the actual implementation with the planned milestones. and deadlines</p>	TBC.	<p>Multilateral agreements on development of projects 'Rail Baltica' and 'Via Baltica' between EE, LV, LT, PL, FI, and other projects; Preparatory works finished if needed (studies, etc.); Start of modernization or construction and progress, km). National list of commonly agreed international transport infrastructure projects linking two hubs (main cities) and comprising a cross border section with respective target values for physical implementation (kilometres of new TEN-T roads for example, and indication of the planned respective milestones. and deadlines. for implementation).</p>	<p>Transport ministries, and agencies TEN-T Agency, NDTPL, Eastern Partnership regional transport network and other relevant transnational cooperation platforms and networks (agreements and studies).</p>
	<p>(Reduction of average travel time on the TEN-T network). This objective is relevant neither as cooperation result indicator nor as result indicator to be associated to the travel time reduction objective (more precise quantitative targets should be settled at national level for the various transport modes). The proposal is to define as cooperation result indicator the full completion or renovation for the defined deadline of entire TEN-T links between two communication hubs (main cities for example) located in two different countries and comprising the connection through a cross border section.</p>	TBC.	<p>(Travel time of passengers and freight reduced by 20% in 2020? Increase of design speed by 20% in 2020)? Not relevant as result indicator for cooperation, nor for reduction of travel time for which transport mode and respective target values milestones and deadlines should be considered Quantitative values to monitor are length of the international cross border links between two hubs to be constructed (e.g. Km )and respect of agreed timing (number of days between target date for completion of works and actual date of end of works)</p>	<p>Transport ministries, and agencies, railway companies, Eurostat. TEN-T Agency, NDTPL, Eastern Partnership regional transport network and other relevant transnational cooperation platforms and networks</p>

**REMARK: This indicator seems more appropriate to induce the desired reinforcement of cooperation in the planning and implementation of transnational transport infrastructure and investment.**

## Under the pillar “Increase Prosperity”

### *Selection of the Priority Area: Innovation Exploiting the full potential of the region in research and innovation*

Europe is facing major economic challenges that require an ambitious economic policy for the 21st century.

The future development of Europe’s Members States and regions is driven by the productivity and competitiveness in producing goods and services, supported by the dynamism of entrepreneurs, the creativity of researchers and the effectiveness of governments and enterprises. The production and commercialisation of innovative products and services together with excellent research and innovation systems influence the progress in competitiveness, expansion of trade, improvement of communication, development of digital services, protection of the environment, adaptation to climate change and management of risks.

Therefore, investing more in research, innovation and entrepreneurship in order to foster European, national and regional innovation capacity and competitiveness is at the heart of the European development strategy for the coming years and a crucial part of Europe's response to the economic crisis. Significant amounts of the European budgetary support in the coming years is oriented towards this objective, in particular through the mandatory thematic concentration of European Structural and Investment Funds on research, innovation, productivity and competitive capacity of enterprises.

In the Baltic Sea macro-region, the development of the innovation capacity is also a key factor of the economic and social development. Four top-runners Member States (Sweden, Germany, Denmark and Finland) continue to improve their competitive position in the Innovation Union scoreboard while Estonia, Lithuania and Latvia are the countries in the European Union that have most improved their performance since last year, but remain with Poland (with the exception of Estonia) below the European average.

For this reason, it seems very appropriate to select as third example for illustrating the methodological issues encountered when setting result indicators for the EUSBSR, the sub-objective “EUSBSR contributing to the implementation of Europe 2020 Strategy” and the Priority Area Innovation: “Exploiting the full potential of the region in research and innovation » pertaining to the « Increase Prosperity » objective. In addition, the development of the innovation capacity is very interrelated with other sub-objectives of the third pillar, i) EUSBSR as a frontrunner for deepening and fulfilling the single market and ii) Improvement of the global competitiveness of the Baltic Sea Region. The Priority Area Innovation is also linked to iii) the adaptation to climate change, risk prevention, management and other objectives of the first and second Pillars of the EUSBSR. As for the Priority Areas Nutri and Transport, a systematic review of the proposed indicators will illustrate the principles and considerations through which to screen result indicators envisaged for other Priority areas and presenting similar features.

### *Review of the indicators for the sub-objective “Increase prosperity” and the Priority Area Innovation: “Exploiting the full potential of the region in research and innovation”*

#### **Considerations related to the intervention logic of the Priority Area Innovation**

Having in mind the approach to follow in order to determine the most suitable result indicators for the Priority Area “Innovation: Exploiting the full potential of the region in research and innovation”, the first consideration is the specific characteristics of the intervention logic related to research and innovation activities. In principle, the result indicators should help to improve research and innovation policy design and delivery. But innovation is a complex process, difficult to quantify and with often long time lags before an impact can be measured. For these reasons, to determine how much of the change is due to the policy instruments can be a very difficult question to answer.

In addition there is not a “one-size-fits all” method for stimulating innovation. Innovation is an ever-changing phenomenon. It takes place in a dynamic and constantly evolving system that is adapting to a

range of internal and external factors. A mix of legislation, user needs, consumer demand, marketing strategies and new technologies and organisational practices drive innovation in manufacturing and service sectors as well as in social enterprises and public sector. Public policy interventions traditionally support innovation in specific sectors through subsidies for research and development (R&D) or technology acquisition. However, successful innovation depends on interactions between a variety of sectors, public and private organisations, drawing on diverse skills and capabilities, including smaller and larger companies, universities, public agencies, business and innovation and financial intermediaries.

The intervention logic should reflect how the support would assist the beneficiaries through different measures. For example, the anticipated results of an innovation voucher (often limited to testing the feasibility of an innovation) will be significantly different from those of an industrial R&D grant to develop a prototype. Similarly, an innovation voucher may stimulate interactions between a firm and a university researcher through a one-off contract. This is very different from the way a competence centre supports the development of a longer-term relationship between a number of businesses and an academic research team.

The intervention logic should take account also of synergies with other measures (e.g. an incubator will depend on seed capital funds to support the growth of tenant firms). Hence, the indicators and the methods used to evaluate different measures will necessarily differ.

Therefore to exert an influence on such a complex system, a broad mix of innovation measures are needed to motivate all the players, the ways in which they interact with each other and the collaboration modes they use to tackle socio-economic or, increasingly, environmental challenges. Ideally, the result indicators should be sufficiently (i) simple to reflect easily if the research and innovation policy targets are fulfilled and simultaneously (ii) complex to take into account the multidimensional aspects of the innovation process.

It was already obvious from the previous examples that the successful achievement of the goals involving many aspects demands to act simultaneously on other areas by implementing not only technical actions but also new incentives supported by policy instruments and regulatory measures. However, these elements are even more crucial and complex when dealing with competitiveness and innovation issues and it would be very challenging to pretend to cover by few indicators the wide range of all measures that could be deployed through national or regional research and innovation programmes.

### **Considerations related to the regulatory, management and operational framework for implementing the Priority Area Innovation**

Europe 2020 Strategy and related European policy instruments and funding mechanisms (Innovation Union's flagship initiative, Horizon 2020(*European research and innovation programme*), COSME 2014-2020, European Research Area, European Strategy Forum for Research Infrastructures (ESFRI), etc...) provide sufficient references to shape the objectives and design the targets and result indicators for research and innovation in the EUSBSR Action Plan. But what is still lacking is the political and operational translation of the general European regulatory, management and operational framework into a more specific framework for fostering competitiveness and innovation in the Baltic Sea region (as the HELCOM Action Plan and the TEN-T are providing in their respective fields of activities).

Promoting a pan-Baltic Sea Region Innovation Union as part of the Europe 2020 strategy and Innovation Union's flagship initiative implies to set up a comprehensive innovation and cooperation strategy at the macro-regional level. The definition of a strategic framework for research and innovation, by applying the smart specialisation concept (i.e. to build a « Smart Specialization Strategy for the Baltic Sea Region »), should aim to enhance the Baltic Sea region's capacity to achieve the goal of increasing prosperity and become a globally leading innovation player in several specific fields. Such strategic framework shall take into account the challenges, competitive advantages, potentialities and needs of the macro-region, resulting from both increased global competition and needs for collaboration between countries and regions arising from the impact of the globalisation process on the national economies.

## **Considerations related to the need for reinforced cooperation through coordinated and joint initiatives to improve the Baltic Sea region position in research and innovation**

Increasing cooperation in key economic areas is a vital need in the Baltic Sea macro-region, largely composed of relatively small countries with limited internal markets and fragmented and disparate research and innovation capacities. The need for increased cooperation should be reflected in the way national policy initiatives and business initiatives could be coordinated and operate to get stakeholders fully involved in the promotion, the development and the support of intensive collaboration through coordinated and joint activities between top-level knowledge institutions, private investors, incubators and related business services.

The strengthening of the cooperation between the states and regions in the macro-region should be a political and operational priority in order to increase the productivity and competitiveness capacity through an optimization of the research and innovation potential and policy and the utilization of the available resources. The fulfilment of the following recommendations (see in chapter II, the proposals made by the Technopolis Group study) should contribute to:

- Increase of coordination of national innovation strategies and ‘joint programming’ in a number of fields rather than project based funding of Baltic Sea region research and innovation programmes;
- Further development of macro-region clusters and ‘competence centres’ (business-academia R&D consortia);
- Creation of a Baltic Sea Fund (providing seed and early-stage funds) for financing innovative enterprises;
- Development of an open access network of Baltic Sea region research infrastructures;
- Setting up of a Mobile Innovation Expertise programme in the Baltic Sea region.

At business level, the deepening and enlargement of partnership and clustering approach should contribute to foster cooperation, complementarities and added value in the production, commercialisation and export of knowledge-intensive products and services and to further explore, develop and consolidate regional strengths. The intensification of commercial exchange and the deepening of internal market in the macro-region could be also an important step for SMEs in becoming active on the global market.

Policy measures and instruments need to provide incentives to expand user-oriented research and thereby accelerate technological breakthroughs in key sectors with the development of a critical mass of innovation in emerging areas with strategic potential. The stimulation of greater flow of knowledge and technology between research organisations and enterprises should increase the propensity of firms to collaborate with other firms and enter into partnership agreements, strengthening their capacity for innovation and commercialisation of knowledge.

Activities like the establishment of a common Baltic Sea region innovation strategy and some existing initiatives such as the networks and projects already mentioned elsewhere in this report are examples of tools contributing to the development of trans-national cooperation between the public and the private sectors in the research and innovation areas.

The success of such a holistic cooperative approach presents particular challenges and depends heavily on effective partnerships between governmental bodies (both national and regional) and business, industry, and civil society groups who, in some cases, are taking a leading role in implementing the ideas encapsulated into Europe 2020 Strategy.

## **Considerations related to the determination of result indicators for the objective of exploiting the full capacity of research and innovation in the Baltic Sea region**

The analysis of the specific features of the intervention logic and the regulatory and operational framework result in some considerations similar to those already made for the determination of the characteristics of the result indicators for the Priority Areas Nutri and Transport.



One of these considerations concerns the need to induce in each country and at the level of the Baltic Sea macro-region the introduction of more appropriate policy instruments and the implementation of more cost effective measures, searching for economy of scale and additional benefits. Same consideration supports also the interest to introduce in the indicators system result indicators targeting the development of specific and important aspect(s) of the cooperation process and to set national target values for each Member states.

A second comment relates to the challenge of the multi dimensions of the result to capture. The technical difficulty to reflect some of the most important underlying components of such complex objectives as “Reducing nutrients inputs to the sea to acceptable level”, “Improving the internal and external transport links” or “Exploiting the full potential of the region in research and innovation” is reinforced by the practical obligation to limit the scope of the observations. This constraint is particularly relevant when trying to capture the results of innovation activities due to the greater complexity of the innovation phenomenon as already mentioned.

Another common consideration is the interest to limit the number of indicators and to use when possible composite indicator and already agreed indicators at international level.

#### **RECOMMENDATIONS 47:**

- **Select result indicators able to induce, at national/sub-national level, the desired changes in**
  - **the policy orientations and instruments,**
  - **the cost-effectiveness of the actions implemented,**
  - **the development of cooperation process and activities.**
- **Limit the number of indicators and, when possible, use appropriate composite and already agreed indicators at international level.**

#### *Proposals for result indicators related to the target of exploiting the full potential of the Baltic Sea region in research and innovation*

#### **Adjustments of the indicators related to the target of exploiting the full potential of the region in research and innovation**

The considerations developed above, underline the multidimensional and strongly interrelated aspects of measures aiming at increasing the research and innovation capacity, and the recommendations already made for determining the most relevant result indicators.

The selection of result indicators targeting the innovation capacity/performance improvement to achieve at national level in comparison of the current situation ( as it is reflected into the composite Innovation Union Scoreboard indicator<sup>15</sup> and FORA Monitor Index<sup>16</sup>) seems to be wise and relevant despite these indicators can be seen more as context indicators than outcome indicators.

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<sup>15</sup> The 2013 Innovation Union Scoreboard is a composite index drawing currently on 25 sub-indicators that are grouped into three main categories and 8 dimensions and reflect the changes in: 1) "Innovation enablers", i.e. the basic building blocks which allow innovation to take place (Human resources, open, excellent and attractive research systems, and finance and support); 2) "Firm activities", which capture enterprises innovation efforts (firm investments, linkages & entrepreneurship, and intellectual assets); 3) "Outputs", which show how innovation process is translated into benefits for the whole economy.

<sup>16</sup> The BSR Innovation Monitor 2012 provides a fact-based platform for monitoring (and improving) innovation in the BSR. The monitor is a composite index based on data from various renowned statistical sources and indices. The monitor consists of a broad range of indicators divided into four drivers of innovation (*human resources, knowledge creation, ICT and entrepreneurship*). The composite index has been supplemented by a presentation of innovation related policy, provided with the assistance of policymakers from the BSR countries. Furthermore in-depth peer reviews of the individual BSR countries



These comparative indices synthesize the evolution observed in many components of the innovation complex phenomenon and the Member States in the European Union and the ten countries around the Baltic Sea are already using them. They are apparently simple to understand and sufficiently reliable, significant and precise to guide through the general interpretation of the signification of their underlying components the policy planners, decision makers and managing and implementing bodies in the decisions and actions to be taken.

In the future at European Level, in addition to: the R&D investment target and a new Innovation indicator should be available as requested by the European Council. This indicator will measure four main issues crucial for the success of the Innovation Union:

1. The progress on the framework conditions for innovation (competition, labour, bankruptcy laws, immigration, IP protection, access to capital, etc).
2. The structural change exemplified by the firms growing in innovative, knowledge based sectors.
3. The development and growth of innovative companies.
4. SMEs internationalisation.

As there are some uncertainties on the capacity to capture regularly reliable and significant information, the Innovation Union Scoreboard indicator (and the future Innovation Indicator) could be used to also measure the progress achieved in reaching a competitive position in research and innovation in comparison of other European Member States. The International Innovation Scoreboards will continue to provide information for benchmarking BSR countries position at international level.

#### **RECOMMENDATION 48:**

- **The proposed Innovation Union Scoreboard Indicator and/or FORA Monitor index could capture sufficiently the improvement of the relative national position in innovation and research, provided the periodic availability of result value by country.**

#### **Adjustments of the indicators related to the target of reinforcing cooperation in research and innovation in the Baltic Sea region**

Considering the necessity to strengthen the cooperation process in order to fully exploit the innovation potential of the region and increase the prosperity in the Baltic Sea, the definition of more significant targets than the number of cooperation networks or agreements is necessary. A powerful target to drive the cooperation efforts of the Member states would be to retain as result indicators the setting-up and implementation of a macro-regional strategy for research and innovation comprising the components already mentioned in chapter II and repeated earlier in this chapter.

#### **RECOMMENDATIONS 49:**

- **Retain as result indicator of the cooperation process in the EUSBSR countries the design and implementation of a Smart Specialisation Strategy for The Baltic Sea Region, inter-linked with the corresponding national strategies and including, as a minimum, the following components:**
  - **– Coordination of the national Smart specialisation Strategies and ‘joint programming and programmes funding’ in a number of fields (to be specified) rather than project based funding of Baltic Sea region research and innovation programmes;**

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have been conducted giving valuable information and examples of interesting policy initiatives across the BSR. The BSR Innovation Monitor 2012 has been compiled by FORA / Danish Business Authority on behalf of the StarDust project.

- – Further development of macro-regional clusters and ‘competence centres’(to be specified), involving business-academia and R&D consortia;
- – Creation of (a) Baltic Sea Fund(s) ,providing seed and early-stage support for financing applied research and innovative enterprises with a macro-regional cooperation dimension;
- – Development of an open access network of Baltic Sea region research infrastructures(to specify the list of open research r infrastructure);
- – Setting up of a Mobile Innovation Expertise programme in the Baltic Sea region.

### *Conclusions concerning the proposed result indicators for the Priority Area Innovation*

While the proposed target indicators for “Improved global competitiveness of the Baltic Sea region, through increased innovation capacity/performance” appears to be sufficiently relevant some fine-tuning will improve their relevance. On the contrary, the target indicators related to the objective of reaching “a global competitive position in research and innovation and on global markets...” needs to be completely revised if there is a real interest to have specific indicators relevant to this objective, (which also needs clarification). The objective, the target and the target indicator for transnational cooperation merit also a full revision. The following comments (in green colour) and the introduction of the proposed amendments (in red colour) aim at guiding their revision.

**Table 14. Result indicators related to the objective to increase the innovation capacity/performance in the Baltic Sea region (i.e. relative position in research and innovation)**

Objective/ sub-objective	Indicator	Baseline	Target/deadline	Data sources
Improved global competitiveness of the Baltic Sea region, through increased innovation capacity/performance.	Innovation capacity/performance for each EUBSR country measured by composite innovation index.	<p>a) Innovation Union Scoreboard 2010 (data from 2009)?</p> <p>b) BSR Innovation Monitor 2012? (FORA).</p> <p>Baseline years to be decided on last available data before 2014? If possible same baseline year, both for Innovation Union Scoreboard and (FORA) BSR Innovation Monitor</p>	<p>2016?: SE, FI, DK, DE to keep the ranking as being among the top 4 countries in EU</p> <p>2016?: PL, EE, LT, LV; increased ranking number within EU by in average 4 units</p> <p>2020 (or 2023? end of implementation of the 2014-2020 programming period; to be confirmed): SE; FI, DK, DE to keep the ranking as being among the top 4 countries in EU</p> <p>2020 (or 2023? end of implementation of the 2014-2020 programming period; to be confirmed): PL, EE, LT, LV; increased ranking number within EU by in average 7 units compared to 2010(?).</p> <p>The target will also be appraised against the improvement of innovation performance in absolute terms.</p> <p>Target values of national result indicators are rightly expressed, giving clear indication on the improvement goal of the relative national position. But it would be preferable to give a target value to each country instead of an average for several countries together.</p>	<p>a) Innovation Union Scoreboard</p> <p>b) BSR Innovation Monitor (FORA).</p> <p>Individual position of each country</p>

**REMARK: This indicator seems sufficient to reflect the progress towards the intended results at the level of the whole Priority Area Innovation.**

**Table 15. Clarity, relevance and risk of redundancy of result indicators related to the objective of competitive position in research and innovation**

Objective/ sub-objective	Indicator	Baseline	Target/deadline	Data sources
<p>A global competitive position in research and innovation and on global markets has been achieved, by BSR actors in cooperation, within a number of areas with an expected high market volume.</p> <p>The expression of the objective mixes up different concepts, dimensions and targets, i.e.:</p> <p>a) a global competitive position in research and innovation; b) a global competitive position on global markets; c) BSR actors' cooperation; d) areas with an expected high market volume;</p> <p>Consequently the links between the pursued objectives, the results to be achieved, the result indicators to select and the target values associated are very unclear.</p> <p>It seems also that the objective is partly redundant with the previous one?</p>	<p>The global attractiveness of innovation milieus (standardized definition of innovation milieus? Which ones?) within BSR (measured as</p> <p>a) number, per 3-year period, of cooperation (agreements, activities?) with actors outside BSR;</p> <p>b) investments, per 3-year period, from outside BSR into innovation milieus (standardized definition of innovation milieus?) within BSR;</p> <p>c) number of high competence people (standardized definition of high competence people?) from outside BSR moving to strong innovation milieus (standardized definition of innovation milieus?) within BSR).</p> <p>The proposed indicators refer to attractiveness (and not as expressed by the objective to competitive position (which should require benchmark possibility in comparison of non BSR countries) of BSR innovation milieus (which ones)? Very unclear!</p>	<p>Baseline 2009.</p> <p>Baseline years to be decided on last available data before 2014?</p>	<p>Numbers of cooperation (agreements, activities?) 2016? + 20% 2020? + 40%.</p> <p>Investments into BSR (FDI from outside Baltic Sea Region into innovation milieus Which ones?); 2016? + 15% 2020? + 30%</p> <p>Number of high competence people (standardized definition of high competence people?) moving into BSR); 2016? +20% 2020? +40%</p> <p>Targets values, milestones and final deadlines to be reviewed</p>	<p>Questionnaire, sent each 3-4 year to strong innovation milieus within BSR as listed by national innovation agencies.</p> <p>The collection of data could be hazardous and burdensome, putting at high risk the possibility to provide sufficiently comparable and reliable values for the envisaged result indicators (not sufficiently precise)</p>

**REMARK: The proposal is to eliminate “the competitive position or the attractiveness” objective (risk of redundancy with the objective of “increase relative position in research and innovation capacity/performance”, (or to clarify the objective to monitor and consequently, to completely review the intervention logic and the management and operational framework in accordance with the new formulation of the objective before selecting the relevant result indicators to be associated?..)).**

**Table 16. Result indicators related to the reinforcement of cooperation in research and innovation in the Baltic Sea region**

Objective/ sub-objective	Indicator	Baseline	Target/deadline	Data sources
<p>EUSBSR contributing to the implementation of Europe 2020, specially smart specialization and smart, inclusive and sustainable growth through long-term transnational cooperation on research and innovation within BSR, focussing areas with large future market-potentials, including marine resources</p> <p>The proposal is to reword more explicitly this objective: "Development of long-term transnational cooperation process within BSR in research and innovation, focussing on areas with large future market-potentials, including marine resources (Smart Specialization Strategy contributing to Europe 2020 objectives implementation)."</p>	<p>List with number and volume( aggregated size of budgets) of long term (3 years or more) transnational cooperation on research and innovation within BSR (with actors from 3 or more countries)</p> <p>Setting-up and implementation of a macro-regional strategy for research and innovation comprising the following components:</p> <p>a) Joint programming and funding of research and innovation programmes in a number of selected fields rather than project based approach;</p> <p>b) Further development of macro-regional clusters and 'competence centres' (business-academia R&amp;D consortia);</p> <p>c) Creation of a Baltic Sea Fund for financing innovative enterprises;</p> <p>d) Development of an open access network of Baltic Sea region research infrastructures;</p> <p>e) Setting-up of Mobile Innovation Expertise programme (research and innovation experts) in the Baltic Sea Region.</p>	<p>Baseline 2009.</p> <p>To decide baseline year on last known situation before 2014?</p>	<p>a) Joint programming and funding of research and innovation programmes in a number of selected fields (to be précised) rather than project based approach. List of trans-national cooperation RDI programmes (2014? +x %; 2017? +y %; 2023? +z %; to be review in comparison of baseline)</p> <p>Aggregated size (amounts) of transnational cooperation RDI programmes: (2014? +x %; 2017? +y %; 2023? +z %). (To be review in comparison of baseline)</p> <p>b) Further development of macro-regional clusters and 'competence centres' (business, academia, and R&amp;D consortia): Number of trans-national macro-regional clusters and 'competence centres' 2014? +x %; 2017? +y %; 2023? +z %.</p> <p>c) Creation of a Baltic Sea Fund for financing innovative enterprises: Number of participating BSR countries and financial amounts make available to innovative enterprises 2014? +x %; 2017? +y %; 2023? +z%.</p> <p>d) Development of an open access network of Baltic Sea region research infrastructures; Number of R&amp;D</p>	<p>Funding programs and implementation responsible bodies on EU, BSR, national and regional levels.</p>

			<p>infrastructures with open access agreement; Number of partners involved 2014?+x%; 2017? +y %; 2023? +z %.</p> <p>e) Setting-up of Mobile Innovation Expertise programme (research and innovation experts) in the Baltic Sea Region. Number of experts involved in Mobile Innovation Expertise programme inside BSR 2014? +x%; 2017? +y %; 2023? +z %.</p>	
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**REMARK: This indicator seems more appropriate to induce the desired reinforcement of cooperation in the field of research and innovation.**

## CONCLUSIONS FROM THE REVIEW OF INDICATORS FOR MONITORING EUSBSR OBJECTIVES ACHIEVEMENT

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Until recently, the EUSBSR monitoring and reporting was focused on the collection and reporting of information related to flagship projects and financial inputs, rather than on progress in fulfilling the objectives of the Priority Areas. Following European Commission and Council recommendations, a new approach has been initiated in 2012 with the definition of EUSDR and EUSBSR indicators that will try to capture the fulfilment of targets for each Priority Area of both macro-regional strategies. This attempt to set a monitoring system based on result indicators at the level of European macro-regional strategies is a first experiment and as such has to face several challenges. In addition to the difficulty to build a transnational monitoring system in a context where the intervention logic and the regulatory, management and operational frameworks are designed and operated at national and subnational level, the most recurrent challenges are due to the relative inexperience and lack of clarity and precision in the concepts and methodologies used. One of the main issues to consider is to distinguish the needs and approach related to the monitoring of a strategy from the monitoring system of operational programme. The EUSBSR is not an operational programme, but needs programmes for its implementation. Therefore an indicators and monitoring system for EUSBSR requires a specific methodology focusing on the general objectives to reach.

Only in very few cases, regulatory, management and operational frameworks cover the countries concerned by the European Strategy for the Baltic Sea Region and can provide the monitoring information needed in specific areas of the EUSBSR Action Plan. The data are collected and then aggregated at international level, providing the opportunity to dispose already of information at supra-national level (e.g. at European level and Baltic Sea region level). But in the majority of the cases, these frameworks are not strictly binding and cannot offer consolidated monitoring data. Consequently, the monitoring of the progress towards the EUSBSR objectives has often be grounded on information primarily collected at the level of the policy implementation instruments operating in each country.

When relevant and reliable international databases do not exist yet, the indicators related to EUSBSR Priority Areas should be built specifically by using standardized and harmonized data available at national/subnational level. When national indicators are not yet harmonized in accordance with European and international recommendations or standardized definition, they cannot be directly collected and used. Therefore, for elaborating some of the EUSBSR monitoring indicators it could be necessary to set new coordination mechanisms in order to define, produce and collect at national level harmonized data that will be aggregated later at supra-national level.

The organization of the role and responsibility of the different actors in order to solve the technical problems met in the definition, collection and interpretation of the needed data constitutes an additional challenge. As it was already mentioned in the first part of this report, insufficient involvement and leadership of the responsible authorities at the different level of the multi governance structure of the EUSBSR introduce an uncertainty on the respective role of each actor and constitute de facto an obstacle to the smooth and effective articulation and coordination between the different stakeholders. The resulting weaknesses are reflected into the practical capacity to coordinate efficiently the policymaking and the operational implementation (see Introduction and Chapter I) but also and consequently the administrative and technical tasks necessary to set-up a relevant and cost effective monitoring system for the EUSBSR.

At methodological level, the difficulties come from not sufficiently rigorous and precise use of concepts and lack of clear and simple guiding principles. Often, the objectives under the Priority Areas are expressed in very general terms. When these objectives have to be translated into concrete policy actions to be implemented it is not always easy to establish the intervention logic that should link in coherent manner the concrete results to achieve and the monitoring indicators with the objectives defined, the actions to implement and the resources allocated. In addition, it happens that the determined objectives, results and indicators refer to inappropriate and/or unclear theoretical and technical concepts. The lack of exactness leads to misunderstandings and misuses of notions such as objectives, targets, results and impact; output and result indicators.



In the light of the recommendations already formulated (see chapter IV), concerning the quality criteria of relevant indicators for monitoring the implementation of the EUSBSR Action Plan, and examples reviewed in chapter V, needs for improvement are mainly related to the

- (i) Clarity and precision in the definition of objective/sub objective;
- (ii) Coherence of proposed indicators with the intervention logic and relevance of the performance framework;
- (iii) Consistency in the definition of the baseline value;
- (iv) Relevance and realism of the target values;
- (v) Reliability and accuracy of information sources for baseline and target data;
- (vi) Organization, roles and responsibilities to ensure the proper establishment and efficient functioning of the monitoring and reporting system.

### Need for clearer and more exact formulation of concepts and objectives

In several occasions that the formulation of the objective was not sufficiently precise or even mixed up different concepts, dimensions of the objectives and policy targets:

In the Priority Area: Innovation, the wording refers simultaneously to several sub objectives and concepts. Expressions like (i) “increasing competitive position in innovation”, (ii) “on global markets”, (iii) “increased cooperation between BSR actors”, (iv) “within a number of areas with an expected high market volume” (i.e. increasing exports in specific sectors?), lack of precision and are not consistent with similar formulas used for another sub-objectives of the same priority are( examples of such imprecise formulations as –“focussing areas with large future market-potentials, including marine resources”; “EUSBSR contributing to the implementation of Europe 2020, specially smart specialization and smart, inclusive and sustainable growth through long- term transnational cooperation on research and innovation within BSR”).

The lack of clarity in the definition of the concepts used generates a lack of clarity in the expression of objectives. For example, in the Priority Area Innovation, the concept of “attractiveness” is directly but inappropriately associated to the concept of “competitiveness” -while the two notions strictly differ. In the Priority Area Transport, the concept of connectivity- that strictly speaking refers usually to information technologies field where is used to measure density of the internet network coverage- is there associated with the measurement of travel time.

In addition, the formulation of the objectives is made in very broad and general terms, making more difficult to translate them into sufficiently precise targets. The lack of precision generates the need to define a number of different goals in order to capture the many aspects describing the content of the objective.

Sometimes the notions used are also very vague without trying to give a clear and operational definition for the purpose of knowing what has to be measured (e.g. the lack of attempt to define more precisely “innovation milieus” or “high competence people”, “number of areas with an expected high market volume” and...“areas with large future market-potentials”).

In several occasions, the absence of conceptual clarity makes also very confusing the links established between the pursued objectives, the results to achieve the target values to associate and the result indicators to select and finally hampers or even destroy the overall coherence of the intervention logic.

In the Priority Area transport, a very important objective (Improving internal links in the region) seems to be omitted despite its direct relevance and explicit mention under the indicators associated to the “Connect the Region” pillar (internal and external links).

For the sake of clarity, the recommendation is to make a careful distinction between the indicators related to the results of policy interventions on one hand, (whatever they are implemented under

individual management systems or under coordinated or/and joint management frameworks) and indicators related to the set-up and the functioning of coordination/cooperation mechanisms on the other hand. This conceptual and operational distinction is necessary in order to be able to correctly measure, monitor and assess, through the respective and relevant indicators, the progress towards (a) the expected results of the implementation, (b) the development of the coordination and cooperation process. The usefulness of such distinction can be clearly observed in all the three Priority Areas selected as illustrative examples of the methodological approach to follow when building a monitoring system for the EUSBSR. Consequently, for each of these Priority Areas, more suited indicators are also proposed to capture the progress in the development of the cooperation cooperation/coordination process.

## Need for more coherence in the definition and selection of targets and result indicators

The results indicators have to steer the actions towards concrete results to achieve and engage relevant decision-makers and implementers at national/sub national level in taking the appropriate actions to reach the determined targets. The indicators have to be sufficiently clear and representative of the objective and their interpretation needs to be easy, simple to understand and coherent with the objective to reach. This requirement is not always fulfilled.

For example, the indicators supposed to monitor the objective of “increased competitive position” in the Priority Area Innovation (which should normally require the possibility of benchmarking “the BSR innovation milieus”-which ones? - in comparison of those in non-BSR countries) refer in fact to attractiveness measurements. In the priority area transport there is also an obvious mistaking between the “Smarter transport solutions” objective, the proposed definition for the indicator: “Development of balanced network of Green Transport Corridors”, and the target values expressed as “Advanced technology and sustainable logistics solutions”.

“Reduction of average travel time on the TEN-T network” is not relevant as result indicator for cooperation development objective and is also not sufficiently precise to reflect the travel time reduction objective (if such indicator should be used more precise indicators and quantitative target values should be settled for the various transport modes at national level and for international connections). Furthermore, the “Development of balanced network of Green Transport Corridors” (used as an indicator for smarter transport solutions?) seems redundant with the objective to develop internal and external links and consequently its relevance needs to be checked. Result indicators should better refer to concrete and agreed improvement targets for each of the corridors in relation to concrete projects and the target values need also to be precise values measuring the improvements to obtain and report.

Such imprecise and inappropriate expressions are difficult to be clearly interpreted and cannot guide efficiently the policy-makers, the managers and technical experts who have to participate in the definition of an accurate monitoring system.

Examples of insufficient precision in the definition of indicators are numerous and can be found in the three priority Areas under scrutiny. The definition of the result indicator at national level and of the dimensions of the objective principally considered is frequently missing (e.g. need to specify national nutrient load reduction targets by polluting sources, national list of transport investments for core and comprehensive networks and by transport modes, individual national ranking in the Innovation Union Scoreboard, etc...).

As much as possible, the indicators have to correspond to measurable results at the level where the policy interventions are decided, implemented and observed. The reference to general objectives, without any spatial and time dimension does not fulfil the policy responsiveness criteria and prevents real actors to feel responsible and commit themselves. For example, “waiting time reduction at the international border crossing points with neighbouring countries” depends too much on other factors, often not at all under EU Member States ‘policy intervention control. Consequently, it is recommended not to use such indicator as EUSBSR result indicator.

The EUSBSR targets indicators have to be common, i.e. the same indicator has to be accepted and used in coherent manner by the different partners in all the EUSBSR countries, who have also to agree on its interpretation and signification. Definitions of result indicators including expressions as vague as “number of cooperation (i.e. formal agreements or activities?) with actors outside BSR” “high competence people” and “innovation milieus”, definitively do not comply with this requirement.

As the monitoring system has to be simple and cost effective, the number of result indicators must be limited to few but very significant data. In specific case, relevant result indicators need to be able to integrate and reflect various dimensions and aspects contributing to the achievement of the objective. However, practically it is rarely possible to find an indicator capable to summarize and reflect in a single value all or the most representative components to capture. Consequently, it is often necessary to compromise between several possible solutions and constraints before selecting the most relevant indicator. As seen in chapter V, sufficiently representative measurement of the results achieved (e.g. “nitrogen and phosphorus national loads reduction” in the Priority Area Nutri, or “degree of physical completion and up-grading” of transport sections measured by the total length and total number of cross border sections and logistic platforms by country in the Priority Area Transport,) or composite indicators (such as Innovation Union Scoreboard and BSR Innovation Monitor in the Priority Area Innovation), can be used to successfully reflect different dimensions embedded into the objective and limit the number of indicators. From this point of view, integrated indicators reflecting various components of an objective that continue to be measured separately (such as in the Annual HELCOM Core pressure indicator for eutrophication and the Good Environmental Status indicator) present the disadvantage to not reduce the number of indicators to monitor and consequently, are more complex and less efficient for guiding policy decisions and interventions.

## Need for more consistency and homogeneity in the choice of the baseline year

Targets must be time-bound. A reference value (baseline value) of the indicator corresponding to the situation as observed before the new policy intervention starts to implement is necessary. From the analysed Priority Areas, it can be conclude to the necessity to review systematically all the different reference years selected for setting baseline values of the EUSBSR result indicators and to wonder whether each of the selected years has to be confirmed or modified. The ideal solution would be to synchronize as much as possible all the years retained for establishing the baseline situation, at least at the level of each priority area (e.g. if possible, same baseline year both for Innovation Union Scoreboard and BSR Innovation Monitor), in order to ensure the comparability of the results under the same external conditions.

The effective use of the proposed indicators depends also on the possibility to define baseline values to which refer when establishing targets and comparing the values observed during and at the end of the implementation of the intervention policy (e.g. this possibility might be difficult to fulfil for Green Corridors without further precision of the specific aspects to monitor).

Significant proportion of the budgetary resources used by the Member states for supporting policy interventions and contributing to the implementation of the EUSBSR Action Plan will be provided by European Funding sources under the financial framework 2014-2020. Therefore, the recommendation should be to use, when possible, a year close from the start of the implementation of the EU co-funded programmes as baseline, i.e. 2013 or 2014. For identical reason it would be worth to refer to the end year of the implementation period, i.e. 2023 (to be confirmed), to estimate the expected target value to be reached and can compare it with the measured value of the result indicator in the final year.

## Need for more relevant and realist target values

The estimation of the target and intermediate values, i.e. of the values that the result indicator is expected to reach depending on the trend until the end of the implementation of the intervention should

be based on rigorous analytical evidence. In setting them, one should move from a well-established baseline and, when possible, estimate spontaneous trends (in the absence of policy measures), until the final outcome of the policy intervention, taking into account lessons already learned from previous experiences and benchmarks.

Like for baseline years, proposed milestones and final deadlines years have also to be reviewed. They are determining elements in the estimation of the intermediate and final target values. In the Priority Areas taken as examples, years 2020, 2021 and 2022 are mentioned as final dates. When possible and for the same reason that 2013 (or 2014) is recommended as baseline year, it would be preferable to take 2023 (to be confirmed), which will be the last year for the implementation of the programming period 2014-2020, as final year. To ensure homogeneity, at least at Priority Area level, the milestones have to be adjusted accordingly to the selected baseline and end years.

Targets should be explicitly linked to policies and actions undertaken and be sufficiently representative of the goal to achieve in order to be a stimulus in driving and implementing the policy. Consequently, they should be ambitious but yet realistic and expressed in a way to spur ownership. To be realistic and practicable, they should take into account the specific situation and needs in each country and the effectiveness of the different technical parameters, the magnitude of the financial resources allocated and the social and political support given to the envisaged measures. Where the understanding of causality link between policy and outcome is particularly weak but the outcome is still considered impracticable. For example, while full implementation of HELCOM Action Plan for the Baltic Sea is acknowledged not to be achievable by 2021, it continues to be still presented as target value (?) in the priority area Nutri. Consequently and similarly, the mentioned targets of “Good Environmental Status” to be reached also by 2021 or “Whole Baltic Sea Area in good ecological status by 2020” are impractical. The very negative consequence of unrealistic and not achievable targets is that, due to the unlikelihood of their achievement, national and local governments and other responsible bodies don’t feel committed and bound to implement rigorously the recommended and indispensable actions.

It seems also that some indicated target values have been determined without sufficient consideration of their actual feasibility in the indicated timeframe (e.g. Establishment of Pilot plans in 2013?). In order to avoid such situations, it is recommended to settle systematically individual national objectives and quantitative targets as proposed in chapter V (national targets for the reduction of nutrient loads from different polluting sources or national lists of transport investments). In order to strengthen ownership and commitment to act, the target values must be closely associated to specific deadlines and milestones as defined and agreed by the responsible national authorities, and after careful consideration of the possible variations resulting from the effects of the different factors on which the physical achievement can depend.

## **Need for more accuracy in selecting information sources for baseline and target data**

In addition to the relevance with the policy goals and measures, the main criteria for selecting indicators are the possibility to easily collect, aggregate and interpret relevant data, to make them clearly understandable even when they cannot not reflect entirely all the dimensions of the objectives and to keep the ensuing administrative and financial burden as lower as possible.

The feasibility and simplification principle calls for keeping under control the data collection costs. For this purpose, it is important that the selection and production of indicators should not become too burdensome, but should rather be a tool for easing and focusing programming and monitoring. The issue is not how to create new indicators, but rather how to make sure that the available data are used in the most relevant and optimal way. It often requires compromising between ideal but unrealistic or too burdensome choices and only partially satisfactory available indicators for which the clarity of the interpretation and the easiness and efficiency of the use have to be carefully considered and weighted.

In the selection of result indicators,

- a) International or EU-wide statistics, and

b) Nation-wide, comparable statistics that can be aggregated easily and with limited costs, have to be considered in priority.

For specific cases, a major contribution to the availability of outcome indicators for EUSBSR – with the additional advantage of comparability – would certainly come from EU-wide or other relevant international institutions. This could be achieved by using already existing information systems, e.g. existing international indices and information systems including already or allowing the macro-regional dimension (such as the electronic information system utilized for the EU Structural Funds programmes which include a specific code to capture the macro-regional dimension of projects implemented in the Member States). The adaptation of existing information systems could also allow regionalizing (at Baltic Sea Region level) the data available. Usually, regional, national or international statistical services can provide the elementary information. Monitoring data coming from the implementation of policy instruments such as EU co-funded programmes can also feed the data sources. Existing thematic surveys which already cover all EU Member States or the concerned territories in the Baltic Sea macro-region (such as the European Union Statistics on Income and Living Conditions, the OECD Programme for International Student Assessment, the European Union Community Innovation Survey and the HELCOM Baltic Sea Load Pollution Compilation Report).can supplement missing information. Financial resources, possibly from the Baltic Sea transnational cooperation programme or technical assistance provided by other financial instruments, can support the adaptation work.

When no other satisfactory solution exists, other sources could provide monitoring information, knowing that it will always be more costly and difficult to build comparable and reliable indicators by utilizing:

- a) (sub-) national registers/administrative sources;
- b) Collection of data collected as an integral part of project implementation;
- c) ad-hoc surveys.

However, hazardous and burdensome solutions, (like specific survey), put at high risk the possibility to provide sufficiently comparable and reliable values for the envisaged result indicators and generate additional costs for their management. Consequently, the recommendation is to avoid, when possible, such solutions (as advised for the proposal to send questionnaires each 3-4 year to strong innovation milieus for building result indicators for the Priority Area Innovation).

## **Need for clarification and reinforcement of the roles and responsibilities and in the organization of the EUSBSR monitoring and reporting (and information) system**

The setting-up of a EUSBSR monitoring system adds to the complexity of the EUSBSR delivery mechanisms. While the last update version of the EUSBSR strategy describes the reporting and information responsibilities of the National Contact Points and Priority Areas Focal Points at national level and Priority Area Coordinators at thematic level, it neglects to precise their respective roles in the coordination of the monitoring system, probably because it was still in its initial development phase.

However, a well- organized coordination process should ensure provision, interpretation and reporting of consistent and standardized monitoring data coming from various sources, and the submission of proposals for improving the strategic planning and the delivery system (see Chapter IV).

For outcome indicators to be truly effective as a tool for focusing the attention of all agents, their selection must be the result of a participatory process and an informed and informative public debate to take place at national, regional and local level. All views need to be given a chance to come to the fore, public scrutiny of their soundness and merits must take place in an open way and the final choice must be public and motivated. Informing the community on the progress towards the identified objectives is also one of the very reasons for outcome indicators and targets to be designed. The debate has thus to become public and be kept alive throughout the whole programming period, so as



to learn from feedbacks and adjust the necessary actions. To this end all collected data on outcome indicators must be made public and open.

Consequently, when coordinating the construction and the functioning of the EUSBSR monitoring system, the coordinating and reporting should liaise with the relevant services in charge of the collection and treatment of the data (most often the national statistical institutes, line ministries, international organisations, responsible bodies for implementing the different programmes and other relevant public and private organisations and cooperation platforms. They should also insure the information and consultation of the different stakeholders.

The National Contact Points, Priority areas Focal Points and the Priority Areas Coordinators are also responsible for ensuring and supervising, with the administrative and technical support of the secretarial functions indicated in chapter III, the reporting, and communication activities on the results of the monitoring to the different levels of the multi governance structure of the EUSBSR. The progress in achieving the targets should be reported in annual implementation reports to national (Cabinet of ministers, national Parliament and local authorities) and European Institutions (European Council of Ministers, European Parliament, European Committee of Regions and European Commission) for the purpose of the general monitoring they conducted on the achievements of EUSBSR and the policy decision making process. Information on the results achieved has also to be communicated to all the stakeholders (e.g. during Annual Forum) and make publicly accessible by the most appropriate means depending of the objectives of the information strategy and the targeted groups.

Therefore, the description of the role and responsibilities of the main actors in the EUSBSR monitoring system need to be up-dated to include also the monitoring tasks.

## **NEXT STEPS FOR IMPROVING THE EUSBSR MONITORING AND INDICATORS SYSTEM**

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The analysis of the priority areas taken as examples in chapter V puts in evidence that in all cases there are both needs and possibilities for improvement.

In the present context, where the evolution and up-date of the EUSBSR Action Plan is an open process and the indicators system is still under elaboration during the last phases of the programming for the period 2014-2020, proposals can be made for improving the quality of the monitoring system when setting still missing indicators and revising already proposed indicators.

A strategy can still be usefully designed. By acting before the operational implementation of the new national and regional programmes really starts, the improvement and the development of the EUSBSR monitoring system could also benefit from the possibility to have a better insight and concrete knowledge on the policy objectives, thematic priorities, technical measures and financial resources involved in the new 2014-2020 national and regional programmes.

Experience already accumulated at national, European and international level should contribute to build and improve the system for monitoring (and evaluating) the achievement of EUSBSR objectives. Guiding principles on conceptual, methodological and organizational aspects can help to define more coherent and clearer objectives, realistic and practicable targets and targets values and relevant results indicators built on the most appropriate selection and use of available data sources and data.

The previous recommendations on general characteristics of results indicators relevant for monitoring the progress towards the EUSBSR objectives and the identification of the main needs for improvement identified when analysing some of the proposed monitoring indicators, allow to drawn the following conclusions and guiding remarks to revise and complement the result indicators and monitoring system for the EUSBSR.



## MAIN PROPOSALS FOR IMPROVING EUSBSR MONITORING AND INDICATORS SYSTEM

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1. Take the opportunity of the on-going preparation and of the starting phase of the new programming period 2014-2020, to revise and finalize, before September 2014, the indicators, monitoring and reporting system for EUSBSR. Use, if needed, the resources made available through the programmes 2014-2020. In particular, explore the possibility to finance the revision of the monitoring system with the support of the Baltic Sea transnational cooperation programme.

2. For the revision of the indicators, monitoring and reporting system, respect the following guiding principles:

### *Organizational aspects*

2.1. The selection of indicators should result from a participatory and deliberative process and pragmatic compromises between theoretic standards, methodological principles and practical considerations, in which the responsibilities of the different actors need to be clearly defined and accepted.

- It should be the responsibility of the political level to make goals explicit in terms of clear-cut outcomes;
- Managers and administrators, with the support of academics and experts, should have the responsibility to turn the desired outcomes into appropriate targets and indicators and to design effective ways to communicate them;
- Social and economic partners and active citizenship organisations should have the room to advance proposals and to voice their consent and dissent on the choices made by politicians and administrators.

2.2. For each indicator, the responsibility to (a) collect and (b) report the information has to be specified at national level and at thematic/sectorial level.

2.3. The National Contact Points and Priority Area Coordinators have a key role to play in coordinating the setting-up and the functioning of the EUSBSR monitoring and reporting system with the support of the relevant institutions.

2.4. The organization of the roles and responsibilities for building and operating the monitoring, and reporting system needs be further described and up-dated in the EUSBSR Strategy and Action Plan.

### *Policy responsiveness*

2.5. Result indicators should not be just information, but precise targeted signals, to which national planners and decision makers are invited to respond. Consequently, result indicators have to be “policy responsive” and capable to induce the desired changes in the policy forming and in the implementation of the strategy (even if, strictly speaking, they will correspond sometimes more to the definition of output or context indicators).

2.6. Selected result indicators are key components of the performance framework. As such, they have to be directly in line and fully coherent with the intervention logic, i.e. with the (a) objectives to reach, (b) activities to implement, (c) instruments used, (d) available resources allocated, and the (e) results to achieve.

2.7. Result indicators are more useful and have more impact on policy when measurable targets are translated into national/(when relevant sub-national) values, as the strategic design, the

planning, the decision making and the implementation processes take usually place under the direct responsibility and control of the relevant national /sub national public authorities.

2.8. Make systematically and clearly, the distinction between indicators related to (a) the fulfilment of the expected results of the implementation, and (b) the development of the coordination and cooperation process.

3. The revision must encompass the following technical aspects:

*Concerning the number and characteristics of the monitoring indicators*

3.1. Limit strictly the number of indicators by Priority Area to a maximum of two indicators:

- the first one, for measuring the results of the implementation towards the sectorial objectives;
- the second one, for reflecting the progress in the development of the cooperation process.

It is not necessary to set targets and result indicators for each of the Priority Area. Firstly, because the strategy is not a programme, and consequently the result of each policy measure does not need obligatory to be monitored. Secondly, the application of the principle of reality and the willingness to achieve concrete results in the considered period, with the available resources, limit the number of achievable objectives. Thirdly, the anticipation of the logical consequences of the introduction of the “sunset clause”, as now envisaged should render obsolete the definition of targets for which actually the operational maturity is obviously missing

3.2. Usually, the relevant indicators to monitor the progress towards the EUSBSR objectives are outcome indicators, i.e. result (or target) indicators that are generally more suited to capture the intended and achieved changes resulting from the policy intervention. Nevertheless, in specific cases context indicators, or input or output indicators, which they well-reflect the desired target and are directly policy responsive, can also be used as result indicators.

3.3. In addition to result indicators, it could be relevant to use also inputs, output or/and context indicators for capturing additional information related to financial inputs or to outputs, which contribute directly, at national/regional or sectorial level, to the achievement of EUSBSR objectives (e.g. in terms of resources allocated, outputs produced and results achieved).

3.4. Generally, the possibility to use additional information relies on the availability at national/programme level of data- bases and electronic information systems, able to collect and aggregate standardised information (e.g. such electronic information systems are foreseen in the European regulation on the ESI Funds).

*Concerning definitions and values*

*Proceed to the systematic revision and, when necessary,*

3.5. re-formulation of the (a) objectives and (b) definition of targets (expected results and result indicators) to monitor by using precise and clearly understandable concepts

3.6. modification of reference years used for setting baseline, milestones and final target values,

3.7. re-evaluation of the estimated target values. Realistic, practicable, but still ambitious target values have to be set in order to drive efficiently the implementation efforts, while helping to identify under-estimated and unachievable goals and counteract possible perverse effects.

*Concerning data sources*

**3.8. Result indicators have to be easy to collect and understand, and in the same time still reliable, representative, and meaningful.**

**3.9. As much as possible and when relevant, use Indicators already set by international operational and management framework or cooperation platforms, already agreed at national level and between the partners countries.**

**3.10. When common policy instrument does not exist yet, and international agreement cannot be used as operational and management reference framework, take the necessary and appropriate initiatives in order to coordinate and harmonize the definition of common indicators and the collection, aggregation and interpretation of the necessary data (e.g. already collected national/regional statistics and data) .**

**4. Finally keep room for the periodic revision of targets during the implementation. This revision should:**

**a) take place at fixed dates (and at least for the bi-annual update exercise of the EUSBSR action Plan), in order to allow enough time to experiment and to produce information on results, and**

**b) be based on reasonable and verifiable motivations and, when available, on evaluation results made public.**