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to: Mr Javier SOLANA, Secretary-General/High Representative

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the European Union Strategy for the Baltic Sea Region: Impact Assessment

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Accompanying the

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

concerning the

European Union Strategy for the Baltic Sea Region

Impact Assessment

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1. PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

1.1. Context and legal basis

The European Council Presidency Conclusions of 14 December 2007 indicated that “without prejudice to the integrated maritime policy, the European Council invites the Commission to present an EU strategy for the Baltic Sea region at the latest by June 2009. This strategy should inter alia help to address the urgent environmental challenges related to the Baltic Sea. The same Council Conclusions endorsed the integrated Maritime Policy for the EU, emphasizing that "it should take particular account of the different specificities of Member States and specific maritime regions which should call for increased cooperation, including islands, archipelagos and outermost regions as well as of the international dimension." The EU Strategy for the Baltic Sea Region therefore constitutes a first example of an integrated maritime strategy at a sea-basin level.

The geographical area covered by the strategy is the macro-region around the Baltic Sea. Overall, it concerns eight Member States (Sweden, Finland, Estonia, Latvia, Lithuania, Poland, Germany and Denmark). Three non-Member States (Russian Federation, Norway and Belarus) may also have an interest in the strategy. The timetable for the development of the EU Strategy for the Baltic Sea Region (EUSBSR) and the Impact Assessment is included in Annex 1.

1.2. Organisation of consultation

Extensive consultation has been undertaken with stakeholders in the Baltic Sea Region (BSR), including Member States, Regional and Local Authorities, NGOs, Inter-Governmental Bodies, the private sector and the general public. A summary of stakeholder views is contained in Annex 2.

1.2.1. Organisation of process

During the development of the EUSBSR and the IA of the EUSBSR the following consultations were undertaken:

- (1) Written submissions of Member States: Member States and non-Member States provided their position through a series of ‘non papers’. Non-papers were received from Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden and non-Member States Belarus and Russia.
- (2) Stakeholder meetings: A series of individual meetings were organised between the Commission and stakeholders (Member States, Regional and Local Authorities of MS, NGOs and Inter-Governmental Bodies, private sector) and experts (NORDREGIO, VASAB, HELCOM, and European Environmental Agency). A series of 6 main events (open to representatives of Member States, regions, local authorities, financing institutions, the private sector, pan-Baltic organisations, NGOs etc.) were organised between September 2008 and February 2009, including 2 main stakeholder conferences in September 2008 and February 2009 respectively and 4 thematic conferences (also involving experts) between September and December 2008.

- (3) Public consultation: A public consultation on the EU Strategy for the Baltic Sea Region was launched on the website of DG REGIO.¹ The period of consultation was 03.11.2008-31.12.2008. In the framework of the consultation a series of open ended questions were asked regarding the main challenges faced by the BSR, the objectives of the EUSBSR, how to address the challenges, how to increase cooperation among actors, and what can be considered as the priority actions.

1.2.2. Key conclusions from stakeholder consultation

- In total 109 authorities, institutions or individuals responded to the consultation and presented their views, including the 8 Member States in the BSR , 3 non Member States (Russia, Belarus, Norway), 31 Regional and Local Authorities, 48 Inter-Governmental and Non-Governmental Bodies, 19 representatives from the private sector out of which 2 were experts / researchers and 3 individuals. The following views were expressed:
- The expectations of the Member States and stakeholders are very high.
- There was an overall agreement that there are merits in having the European Commission involved both in the design and implementation of a strategy for the BSR. One of the reasons is that existing Inter-Governmental and Non-Governmental Bodies do not have the authority needed to ensure actions are implemented in practice.
- There is a general view that no new institution should be created at the level of the BSR, but that the experience and capacity of existing ones should be exploited as far as possible.
- Some stakeholders indicated that the decisions taken at the level of the BSR should be binding and that instruments to ensure this should be created.
- It is generally accepted that there is little scope for new EU legislation or funding although this would be desirable for several stakeholders. Actions addressing problems will have to be funded by the Member States, through existing EU funds or from other sources (regions, International Financial Institutions, NGOs).
- There is an overall agreement on four main objectives for the region: to make the BSR an environmentally sustainable place; to make the BSR a prosperous place; to make the BSR an accessible and attractive place; and, to make the BSR a safe and secure place.

1.3. Scientific expertise

DG Regional Policy contracted 9 experts² in the fields of the specific challenges faced by the BSR (governance, environment, transport, energy, relations with Russia, competitiveness and growth, crime and security, demography) to provide a contribution to the EUSBSR and the Impact Assessment. As there already exists a wealth of literature on the challenges and opportunities faced by the BSR, the role of the experts was to provide a synthetic overview and critical assessment of the various elements of the Impact Assessment, and not to conduct new analysis. In addition, in the development of the socio-economic analysis contacts were established with research institutes in the region.

¹ http://ec.europa.eu/regional_policy/consultation/baltic/consultation_en.htm

² Daniel Tarshys, Wiktor Szydarowski, Hallgeir Aalbu, Johannes Klein, Philipp Schmidt-Thome, Tomas Hanell, Erik Terk, Klaus Spiekermann, Roberts Kilis.

1.4. Internal consultation

A working group of 20 DGs was set up to discuss the EUSBSR in summer 2008 and has met regularly since. The following DGs were consulted: DG AGRI, DG AIDCO, DG COMM, DG EAC, DG ECFIN, DG EMPL, DG ENTR, DG ENV, DG ESTAT, DG INFSO, DG JLS, DG MARE, DG MARKT, DG RELEX, DG RTD, DG SANCO, DG TAXUD, DG TRADE, DG TREN, and SG. The EIB also participated in this group. Each DG was also consulted on a bilateral basis in its field of competence and was invited to provide text input to the EUSBSR. The Commission services also provided information on ongoing Community initiatives and EU priorities in the region.

An Impact Assessment Steering Group was also set up with the participation of the same DGs. The Impact Assessment Steering Group met 4 times. The meetings took place on 19 December 2008, 14 January 2009, 29 January 2009 and 10 February 2009.

1.5. Impact Assessment Board

The draft Impact Assessment report was submitted to the Impact Assessment Board (IAB) on 16 February 2009. The IAB hearing took place on 4 March 2009, and comments from the IAB followed on 9 March 2009, where the IAB requested the resubmission of the IA. To address these comments a number of modifications were undertaken. In the problem description of each challenge a justification for the need for BSR specific action was included. The analysis of governance structures was made more coherent, and analysed according to their ability to achieve the specific objectives related to governance, namely to improve coordination and coherence, to improve institutional capacity to ensure implementation of action and to improve visibility and accountability. The ability of the governance options to address the governance challenges related to the individual themes of the strategy (environment, prosperity, accessibility and attractiveness, safety and security) was also evaluated. Costs of each governance option were described. The impact of the financial crisis was included in the problem description. Following the second opinion of the IAB of the 2 April 2009, the analysis of shortcomings of existing governance structures was strengthened, the role of third countries was further clarified, administrative costs were examined in greater detail and the monitoring and evaluation provisions were adapted.

2. PROBLEM DEFINITION

The European Council has recognized that there are a set of challenges in the BSR which may not be adequately addressed. Socio-economic analysis, input from the Commission services and a stocktaking of initiatives in the region identified a very broad range of potential challenges. In order to identify issues which are of policy relevance at the level of the BSR, each challenge was assessed against the following criteria:

- A clear need for public intervention;
- The relevance of action at the macroregional BSR level;
- The need for further action beyond existing initiatives;

Issues which have spillover effects into parts or the whole of the macroregion and which are not already dealt with in the context of EU policies are deemed to be of strategic relevance to the BSR. For issues which are of common concern (e.g. countries are facing similar problems

without spillover effects such as an ageing population) the relevance of the macroregion is mainly limited to coordination and exchange of information regarding experience gained from policy implementation. Each of the key challenges under the headings of four main themes (environment, prosperity, accessibility and attractiveness and safety and security), was analysed according to the steps mentioned above. The results of this analysis are presented in detail in Annex 3.

2.1. Challenges faced by the Baltic Sea Region

2.1.1. Environment

The Helsinki Commission, Council of the Baltic Sea States, Baltic 21, the Adjacent Areas Programme of the Nordic Council of Ministers, the Baltic Palette, the Baltic Sea States Sub-regional Cooperation, the Baltic Development Forum, Euroregion Baltic, Union of the Baltic Cities, VASAB 2010, and Baltic Sea University Programme are all organisations which focus – among other issues - on the environment.

2.1.1.1. Eutrophication

In the Baltic Sea Region, eutrophication is a major problem, especially in the southern and eastern parts of the Baltic Sea. Eutrophication is an increase in nutrients which causes excessive growth of algae and can, for example, result in decreased oxygen levels when algae decompose. It is caused by excessive nutrient inputs (nitrogen and phosphorus) which mainly originate from inadequately treated sewage, agricultural run-off and airborne emissions from road and maritime traffic and combustion processes. Eutrophication leads to problems such as intensified planktonic blooms, increase of filamentous algae and increased volumes of oxygen free bottom water. The nitrogen and phosphorus loads to the Baltic Sea have increased by several times during the last century. Nitrogen should be reduced in order to reduce oxygen depletion, the amount of filamentous algae and the effects on the benthic community. Phosphorus has to be reduced in order to limit the summer blooms of cyanobacterial (blue green) algae. As the Baltic Sea is shallow and is semi-enclosed with slow water exchange rate, any nutrient input has a long lasting effect on the entire sea. Therefore all the countries in the catchment area are concerned and no country or region, acting alone, can solve the problem.

European directives (in particular the Water Framework Directive) exist with the aim of reducing nutrient input into waters. However, the results of the MARE Nest model show that implementing the Water Framework Directive is not sufficient to achieve a good environmental status of the Baltic Sea. The additional efforts taken at the BSR level are taken through HELCOM. In this organisation countries are represented by their Ministers of Environment and HELCOM does not have the mandate to implement measures or enforce implementation.

The strategic challenges related to eutrophication are implementation of actions already agreed to reduce nutrients and promoting measures and practices which reduce nutrient losses.

2.1.1.2. Marine biodiversity

The Baltic Sea ecosystem is unique and particularly vulnerable to changes, whether in its physical and chemical composition or in the balance of the food web. There are many threats to biodiversity in the Baltic Sea. One is the increasing arrival of non-native species (e.g. water flea and comb jellyfish) that compete with native species and sometimes cause changes to the

whole ecosystem. Other threats are contaminants that affect growth, reproduction and resistance against diseases and stress in fish, marine mammals and seabirds. The low oxygen content of the bottom water in parts of the Baltic Sea creates species-poor areas. The destruction of habitats by many human activities (such as dredging, construction along shorelines, numerous obstacles for migratory fish in waterways, contaminants, low oxygen levels, etc.) also threaten the Baltic biodiversity. Fisheries directly impact on fish diversity in the Baltic Sea and have led to declines in some fish stocks, mainly herring in the Western Baltic, eel and cod. The main reason for this decline in stocks is the setting of too high total allowable catch and poor compliance, with significant amounts of misreported or unreported catches particularly in the Eastern cod fishery.

The policy with the largest impact on biodiversity is the EU Common Fisheries Policy, a review of which was launched in 2008. Directives adopted with implications for the biodiversity of the Baltic Sea are the Marine Strategy Directive and Habitats and Birds Directives, as well as the Biodiversity Action Plan. Several areas of the Baltic Sea are protected under NATURA 2000.

The Council, in the framework of the Common Fisheries Policy, sets binding targets. The decision of the Council is based on a Commission proposal, which takes into consideration scientific advice. The total allowable catch is determined in certain cases, when this is a priority, based on a multiannual plan, which currently only exists for cod in the Baltic Sea. The multi-annual plan can help in determining a more sustainable annual catch. It is also approved at Council level based on a proposal from the Commission, and is therefore subject to interests represented in the Council, where ministers of fishery participate. At the level of the BSR, institutionalized cooperation on fisheries, including representatives of all interested parties, with a free exchange of views is missing.

The BSR institution dealing with ensuring the sustainability of fisheries at the level of the Baltic Sea Region is HELCOM. The HELCOM Baltic Sea Action Plan contains non-binding text on ensuring that by 2021 populations of all commercially exploited fish species are within safe biological limits, reach Maximum Sustainable Yield, and are distributed through their natural range and contain full size/age range.

HELCOM suffers from a weak capacity to implement and enforce measures. The fisheries sector is not represented within HELCOM at any level, where countries are represented at the highest level by Ministers of Environment. HELCOM does not have the mandate to implement measures, implementation is left to Member States, and HELCOM also lacks the mandate to enforce implementation.

The strategic challenges specific to the BSR are the implementation of the HELCOM Baltic Sea Action Plan and the reduction of the effects of fishing on the Baltic ecosystem.

2.1.1.3. Hazardous substances

Hazardous substances are a risk for the marine environment. They include organic contaminants and heavy metals, as well as chemical weapons sunk in the Baltic Sea. Once released into the sea, hazardous substances can remain in the marine environment for very long periods and accumulate in the marine food web. Hazardous substances cause adverse effects in ecosystems, including health and reproductive problems in animals, especially top predators. Contaminants may be hazardous because of their toxicity (acute and chronic effects, e.g. hormone-disruption, etc.), persistence and bio-accumulating properties. For

example fish caught in some parts of the Baltic Sea, particularly herring and salmon; contain concentrations of dioxin that exceed maximum allowable levels for foodstuffs as defined by the EU. Hazardous chemicals are still used for example in antifouling products and are released into the marine environment.

Several hazardous substances or substance groups and two heavy metals have been identified as priorities. In addition, there are an estimated 40,000 tons of sunken chemical munitions, equivalent to approximately 13,000 tons of toxic warfare agents. Although several EU Directives exist concerning hazardous substances, the sensitivity of the Baltic Sea due to the low level of water exchange with surrounding seas makes a BSR specific action particularly relevant in this case.

HELCOM is the most important BSR institution dealing with hazardous substances. However, the industrial sector is not represented within HELCOM and it does not have the mandate to implement measures, which are the responsibility of Member States, or to enforce implementation. In addition, dumped chemical weapons are not covered by the HELCOM BSAP.

The strategic challenge specific to the BSR related to hazardous substances is the implementation of actions already agreed under HELCOM.

2.1.1.4. Pollution from ships

Maritime transport is important for trade in the Baltic Sea Region. At any given moment over 2000 ships are in the Baltic Sea. Both the number and size of ships have been growing in recent years currently representing up to 15% of the world's cargo traffic. While it is considered a clean mode of transport, when measured in emissions per tonnes of cargo, it is still a major source of greenhouse gas emissions. It has environmental impacts in terms of air quality (in particular in ports and ports' cities), introduction of alien species and wastewater, among others. Air pollution includes emissions of sulphur oxides (on which progress has been made as the BSR is the first macro-region in the world to have become a 'sulphur emission control area') and nitrogen.

Another problem is waste water from ships, especially cruise liners and ferries. The discharge of waste water into the sea is allowed if there are inter alia onboard purification systems, but the waste water treatment currently required is not sufficient to reduce the nitrogen or phosphorus load from waste waters. In general existing legislation is not sufficient to adequately address pollution from ships in the Baltic Sea, which is particularly sensitive, given its semi-enclosed environment, and as such justifies action at the level of the BSR.

Mandatory decisions regarding clean shipping are taken within the framework of the IMO and the EU, while additional voluntary commitments can be further taken at regional level for example at the level of the BSR (by Member States, HELCOM or the shipping industry). Currently, the Baltic Sea Action Plan prepared by HELCOM and agreed in November 2007 by Member States foresees measures to promote clean shipping. The implementation of these measures is progressing, but suffers from the limitations of HELCOM already mentioned under previous headings. The strategic challenge related to marine pollution from ships is implementation of actions already agreed under HELCOM.

2.1.1.5. Climate change

Impacts of climate change may be significant in the long run due to the vulnerability of the natural environment and the significance of the climate for ecosystems. Many impacts are expected, both positive (such as increased agricultural yields)³ and negative (such as a change in species composition, new pests and diseases, winter floods,⁴ etc). Therefore adaptation to changing conditions will be necessary. Generally adaptation measures do not have significant cross-border spill-over effects, but macro-regional cooperation is judged to be important in some cases, such as in coastal areas in the context of the management of natural hazards due to the expected increase in extreme weather events and climate change. This issue is dealt with under the heading of safety and security. In other areas of adaptation, cooperation between countries will be limited mostly to exchange of best practice.

Although climate change adaptation is not seen as a challenge of strategic importance specific to the BSR, stakeholders have signalled the potential usefulness of increased cooperation. Various initiatives exist regarding good practice on adaptation to the impacts of climate change in the BSR, but this has been largely informal. Cooperation exists in the field of research, but there is no framework for cooperation in adaptation actions. Adaptation to climate change is not mainstreamed into macroregional actions, e.g. investments in infrastructure, which indicates a lack of coordinated and integrated approach between sectors.

2.1.2. Prosperity

The theme of prosperity is particularly important in terms of the wide disparities in relative wealth, employment and innovative capacity in the region. Cohesion policy is the primary instrument in the BSR aimed at reducing disparities and improving competitiveness.

There are a broad range of organizations active in the field of economy (Higher Education, Research, Development and Innovation systems, Energy) such as the Baltic Sea University Programme, Council of the Baltic Sea States, Baltic 21, the Adjacent Areas Programme of the Nordic Council of Ministers, Nordic Innovation Centre, ScanBalt, NordForsk, the Baltic Sea States Sub-regional Cooperation, the Baltic Development Forum, Baltic Metropolises, Euroregion Baltic, Union of the Baltic Cities, TEKES, VINNOVA, Baltic Sea Energy Cooperation.

It is essential in the context of the current financial crisis to ensure that new barriers are not created to the internal market and that attention continues to be focused on Lisbon priorities. The current crisis has heavily impacted on economies in the BSR. It will exacerbate structural weaknesses in economies and affect areas such as innovation and entrepreneurship which are the focus of the prosperity challenges in the BSR. Addressing the financial crisis is not a task in the first instance for macroregional collective action. However, actions linked to prosperity, accessibility and attractiveness will have to be aligned with the EU Recovery Package, in particular in relation to investment from Cohesion Policy.

2.1.2.1. Internal market and trade with neighbouring countries

Despite the fact that all Member States are part of the internal market, obstacles to trade in goods and services still exist at the practical level in the BSR. Markets in the BSR are, with

³ JRC IPTS <http://peseta.jrc.ec.europa.eu/docs/Agriculture.html>

⁴ JRC IPTS <http://peseta.jrc.ec.europa.eu/docs/Riverfloods.html>

the exception of Germany, relatively small. This puts restraints on the growth of SMEs that need bigger markets to be able to expand and develop their business, resulting in reduced competitiveness in the long run. There are often significant differences between Member States in the implementation of Internal Market Directives which results in unforeseen problems when exporting companies encounter divergent interpretations of rules on different sides of the border.

There are also administrative and non-tariff barriers to trade and cross-border movement of goods between the EU and Russia, requiring improvement of customs and border control procedures and border crossing infrastructure. International tax cooperation, conditions for trade and investment, and efforts to combat cross-border tax fraud and evasion in the area of taxation have also been identified as areas for improvement.

Currently an ad-hoc group, the “Nordic-Baltic cooperation group” for the Services Directive coordinates work at expert level between Member States on implementation of the Services Directive. The work of the group is considered useful and it is seen as efficient in achieving results at a practical level. However, similar groups for goods and capital do not exist. Existing governance structures therefore do not cover the full range of issues related to the implementation of the internal market. This is compounded by a lack of coordination within sectors and geographical fragmentation of efforts.

The strategic challenges related to the internal market and trade with neighbouring countries specific to the Baltic Sea are the removal of remaining hindrances to trade and maintenance of internal market principles (essential in current crisis situation) by voluntary agreement on transposition and implementation of the Internal Market Directives, and implementation of the EU-Russia strategy aimed at sustainable improvement and facilitation of customs controls and coordination with actions taken by the CBSS Working Group on Customs Cooperation and Border Crossing Aspects (WGCB).

2.1.2.2. Innovation

Innovation is a key to ensuring competitiveness in the global economy. The Nordic Countries are among the leaders in the world in innovation performance. In contrast the Eastern BSR (E-BSR) countries lag behind in innovation performance, employment in the high tech sector, and show a general weakness in capitalising on high levels of population with tertiary education. Spending on R&D is particularly high in the Western BSR (W-BSR), significantly higher than the European average. However, a problem faced by the BSR as a whole, and in particular by the E-BSR is a failure to capitalize on achievements in research and innovation. The research taking place at universities is not capitalised, while the research taking place in most large companies is narrow in focus. Addressing the problem of capitalizing research and innovation points towards the need for increased entrepreneurship in the E-BSR.

Innovation is largely a matter for national policy. However, there is scope for cross-border clusters and innovation networks, particularly in the case of small countries in close proximity where spillover effects are prevalent, such as in the BSR. Linkages between East and West can play an important role in supporting cohesion policies. Although cooperation in innovation is not primarily a macroregional challenge to be addressed at the level of the BSR, stakeholders, many of which have a strong focus on innovation, have shown a particular interest in developing cooperation in the region.

There are already significant efforts to cooperate on innovation in the region, such as the BSR INNONET, VINNOVA, efforts of the Baltic Development Forum, ScanBalt, etc. Other initiatives include BONUS ERA-NET, JOSEFIN (Joint SME Finance for Innovation), BSR CBP (Capacity Building Programme on Trans-National Cluster and Innovation Systems in the Baltic Sea Region), BaSIC (Baltic Sea Innovation Network Centres), SPIN (Sustainable Production through Innovation in Small and Medium sized Enterprises), BaltMet Inno and BONUS 169 on research on the environment of the Baltic Sea, etc. However, while these initiatives demonstrate the great interest in the region to co-operate on innovation, they also show how fragmented the co-operation is presently. There are no initiatives with a mandate to implement policies based on the results of the studies and pilot projects that are carried out. The ScanBalt initiative in life sciences has gone beyond the research phase but has not addressed the big "innovation gap" that exists between the Nordic countries and Germany and the three Baltic States and Poland in a strategic way. There is a need to align funding of research activities along the lines of a common strategy. Current governance structures do not enable collaborative research to be implemented and encourage geographic fragmentation of effort at the strategic Baltic Sea level.

There are no organizations responsible for coordination of innovation policy at the level of the BSR. The large number of project level initiatives in the region, in the absence of a policy coordinating body results in a fragmentation of efforts and unclear responsibilities of the various initiatives.

The strategic challenges related to innovation are to address the lack of a common BSR innovation strategy and to exploit the opportunities created by the wide disparities in current performance.

2.1.2.3. Entrepreneurship, SMEs, human resources

The significant differences in the levels of socio-economic development between individual states are not conducive to economic integration of this area. More and closer integration as well as better conditions for entrepreneurs to trade and do business with their neighbouring countries are needed. It is important to increase cooperation in areas where the region is strong and has potential for further growth such as design and environmental technology.

The proportion of population enrolled in tertiary education in the E-BSR is lower than in the W-BSR, and adult learning is also significantly lagging behind W-BSR countries. In addition, the standard of universities in the E-BSR is often low when compared internationally. In contrast, the level of tertiary education in the W-BSR is high, but these countries are facing a shortage of appropriate vocational skills. Although Nordic Universities are of high quality in general, there is significant scope for increasing critical mass through cooperation between universities.

The BSR faces a common problem related to demographic change and migration. Some regions face severe population decline, in particular in Northern Finland and Sweden due to migration from already extremely sparsely populated rural areas to urban areas, with the largest decline affecting the young population and migration from the E-BSR to other countries is also a significant issue. Migration between E-BSR and W-BSR is of macroregional significance. There is a significant potential for matching up between labour markets and education, increasing competition and efficiency in the labour market. It is also, however, causing a (perhaps temporary) challenge to the economies of the E-BSR, and in particular the Baltic States, as it results in a shortage of skills which in turn reduces

competitiveness. Lack of information for employers and employees regarding qualifications, skills, working conditions etc. that makes the individual decisions less optimal is not being addressed at the level of the BSR. Policy decisions on education matching programs and so on are also made without consideration to the labour market situation in the other BSR countries. Current governance structures do not permit effective coordination of labour market issues at the level of the BSR, nor with other relevant policies such as education.

The strategic challenges related to entrepreneurship, SMEs and human resources specific to the BSR are the development of cooperation related to labour mobility, trade, foreign investments, and design.

2.1.2.4. Agriculture, fishing and forestry

In the Baltic Sea Region, farming, forestry, and fishing are important to the economy and sustainable development. Keeping these sectors profitable and competitive is a key factor in securing the future sustainable development of the region.

The forestry sector is important as an economic base for regional development in some of the countries and regions surrounding the Baltic Sea, e.g. Finland, Sweden and Poland. The majority of the Baltic fishing fleet is subject to overcapacity and profitability problems. The number of vessels fishing for the many dwindling stocks is too high to sustain economic profit in the sector. The rapid technical development on vessels has further increased efficiency and worsened the problem. The rural areas in the north of the region are some of the most sparsely populated areas in the EU. At the same time other rural areas within the region face pressure from urbanisation. Consequently the needs and challenges for rural development vary, although many of the problems are still common, for example competitiveness, environmental deterioration and de-population of rural areas negatively affecting both agriculture and forestry.

Cooperation at the macro-regional level in forestry issues is currently weak. However, stakeholders have shown an interest in developing cooperation in this sector. There is also a low level of cooperation in issues concerning the agricultural sector, with the exception of the issue of nutrient loads of the Baltic Sea from fertilizer use in agriculture, where cooperation exists but is of limited success, as described earlier. The current governance structures do not allow sufficient scope for coordination between countries and sectors.

In addition to the issues related to governance of fisheries highlighted in earlier sections, there are specific challenges related to coordinating work on the reduction of discards and control of illegal fishing.

2.1.3. *Accessibility and attractiveness*

Organizations focusing on transport, communication and tourism include the Council of the Baltic Sea States, Baltic 21, Baltic Sea States Sub-regional Cooperation, the Baltic Development Forum and the Baltic Sea Tourism Commission.

2.1.3.1. Energy security, energy market integration and energy efficiency

Energy markets (electricity, gas, fuel, etc) in the BSR are nationally oriented instead of being linked and coordinated within the region since cross-border infrastructure is often lacking.

BASREC⁵ provides member countries with a forum to build up a regional view of the energy policy strategies. However, the three Baltic States (Estonia, Latvia, Lithuania), with the exception of a power cable Estlink between Finland and Estonia, are not integrated into the wider energy networks of the region and to the rest of the European Union. These Member States are hence practically isolated in the field of energy and can be seen as an 'energy island'. This has implications for both competition in the energy market and energy security. Security of energy supply is also affected by low levels of energy efficiency in some countries in the BSR, and the low level of diversification of energy sources. A Baltic Energy Market Interconnection Plan has already been agreed among the Member States concerned. This plan, in addition to infrastructure projects, also includes specific steps in order to achieve an integrated and functioning internal market for energy in the Baltic Sea Region. The European Council backed the development of this plan in its conclusions of 16th October, 2008.

The EU – Russia Energy Dialogue, established in 2000 is the main instrument to address major issues of mutual concern in the energy sector and strengthen cooperation with Russia on issues related to sustainability and continued reliability of production, distribution, transportation and efficient use of energy.

Currently there is a lack of institutions with a mandate to coordinate within the BSR on policy harmonization, decide on common principles for grid operation including technical details related to market functioning, and make proposals in the area of grid investments. Issues related to insufficient coordination at the implementation level of TENs also exist. Current governance structures do not provide sufficient scope for coordination within the sector at the level of implementation, resulting in non-alignment of funding with political priorities

The strategic challenge specific to the BSR is the need for an integrated and well functioning internal market for energy.

2.1.3.2. Internal and external transport links

In the Baltic Sea Region, transport is particularly important as the distances – internally and to the rest of Europe and the wider world – are great and the conditions for transport are difficult (forests, lakes, snow and ice in the winter, etc.). The region, which is located on the periphery of the economic centre of Europe, depends strongly on foreign trade in goods and needs well functioning transport infrastructure for its economic growth. Moreover, the Baltic Sea is a sensitive ecosystem which makes it even more essential to factor in environmental considerations in the development of transport infrastructures.

Passenger transport in the region is increasingly dependent on road and air transport at the expense of rail and maritime transport. This contributes to capacity problems on the road network in many parts of the region. In the context of integration of regions at a macro-regional level, high speed rail networks between major cities provide a jump in accessibility, compared with road networks for example, due to faster journey times.

The emphasis on freight transport is also shifting in the European policy context from road to rail, sea and inland water. However, currently the transport of goods by rail in the BSR is declining. Transport issues which are of macroregional relevance in this context are the lack

⁵ BASREC includes the Governments of Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, Norway, Poland, Russia and Sweden.

of intermodal exchanges, lack of rail interoperability, and slow progress on railway projects such as the Rail Baltica. Shifts in transport modes in both passenger and freight transport are resulting in increased greenhouse gases emissions.

The main challenge with regard to the future transport development in the Baltic Sea Region is to improve the accessibility in connecting markets of the European Union and the countries of the Community of Independent States (CIS) and further on to Asia. Spatial connections with the Southeast Mediterranean area are also of particular importance.

Trans European Networks - Transport (TEN-T) policy aims generally at ensuring the functioning of the internal market as well as economic and social cohesion in the EU through realising a number of strategic priority projects. The Northern Dimension Partnership on Transport and Logistics, currently under preparation and operational from the beginning of 2010, will be a new regional cooperation forum, combining both the transport and logistics policies and coordinating infrastructure projects. The TENs are coordinated at policy level but not sufficiently at the level of implementation as the funding of the different segments (on each Member States' territory) is decided nationally, and experience to date has shown that Member States do not always respect their commitments in implementing TEN-T projects. Moreover, there is no formal co-ordination of investment in transport infrastructure at any intermediate levels. In the absence of suitable institutions and incentives this practice is not likely to change, despite better coordination.

The strategic challenges specific to the BSR are therefore the low level of coordination of national transport policies and infrastructure investment.

2.1.3.3. Attractiveness for citizens and tourists

The quality of life has a high reputation in the BSR due to good higher education provision, preserved cultural heritage, high nature value landscapes and open societies. But there is a growing trend for young educated people to study and work outside the BSR. The leakage of skills could be reduced by encouraging greater mobility within the region. The wide variation in sickness and accident rates across the region indicate opportunities for cooperative actions to bring real improvements in quality of life.

Large areas of considerable natural beauty are also found in the BSR with tourism providing a great opportunity to support regional development. However, given the small size of many countries, tourism lacks critical mass and identity as a location.

There is currently little cooperation within the BSR on issues related to tourism. However, stakeholders in the BSR feel that increased cooperation and combined marketing of the region can increase the critical mass of the region as a tourist destination and attract more tourists. They have also signalled the importance of coordination actions such as increasing student exchange and an environmentally friendly tourist strategy for the BSR.

No strategic challenges have been identified.

2.1.4. *Safety and security*

The organizations active in the field of safety and security include the Council of Baltic Sea States (in safety, but not in security matters), HELCOM (in questions concerning the environment), Task Force on Organised Crime in the Baltic Sea Region, and Baltic Sea Region Border Control Cooperation, among others.

2.1.4.1. Cross-border crime

The criminal dynamics of the BSR are mostly influenced by the Region's position between countries supplying cigarettes and synthetic drugs precursors and significant destination countries for cigarettes, synthetic drugs, cocaine and hashish. The BSR presents attractive opportunities to organised crime from the EU but also to groups originating from the neighbouring countries such as Russia, Belarus, and Ukraine.

An important feature of the region is the existence of borders between the EU and Russia. This border separates two very different types of legislation, including differences in excise policies, and makes cross border law enforcement cooperation sometimes lengthy and cumbersome. Therefore the border can also be seen to facilitate certain organised crime groups and markets. A further facilitator for trade fraud in this region is the large volume of transport across the borders and other vulnerabilities in the logistics sector.

Cooperation is developed in the BSR on the basis of the Baltic Sea Region Border Control Cooperation. Joint Police Stations and Police and Customs Cooperation Centres have only been set up at the border between Germany and Poland. This involves facilitating exchange of information, joint operation and controls and planning of coordinated actions.

There is a sectoral division of competencies on law enforcement matters without sufficient integration of functions and tasks, e.g. between the Baltic Sea Task Force on Organised Crime, Baltic Sea Region Border Control Cooperation, CBSS bodies, HELCOM, Frontex, Europol, and Eurojust. Cooperation between certain sectoral law enforcement authorities in the BSR is relatively well advanced, while others have experienced challenges in adapting to changes in the crime combating environment. However, there is a lack of coordination between policies and a consequent fragmentation of effort. Because of the transborder nature of many criminal activities it is important to ensure that third countries in the region are provided with opportunities to exchange information and experience, since this is not fully developed.

The strategic challenges specific to the BSR are related to the operational cooperation of law enforcement authorities (customs, police, border guard) in the fight against cross border crime.

2.1.4.2. Maritime safety

Due to its strategic position, the BSR is a natural route for oil transport, in particular from Russia. Between 2000 and 2007, oil shipments via the Great Belt more than doubled to reach 171 mt/yr. This growth is expected to continue to be significant in the near future. There is also an increasing trend towards transport of liquefied natural gas by tankers. These activities carry risks for the environment, especially in difficult winter conditions (frozen seaways). In 2007 there were 120 ship accidents in the Baltic Sea. Serious risks to the environment arise from the possibility of accidental spillage of hazardous substances or illegal discharges into the sea. A shipping accident causes a threat to the marine environment through spillage of bunker oil.

The transposition of IMO rules into the EU legal system ensures their enforcement across the entire European Union. The Baltic Sea was designated in 2005 as a particularly sensitive sea area (PSSA). Specific measures can be used to control the maritime activities in the area, such as routing measures, installation of Vessel Traffic Services (VTS), and the introduction of Mandatory Reporting Systems (MRS). Many regional initiatives at Member State level relate

to Automatic Identification System (AIS) data sharing systems, e.g. the Helsinki Commission's AIS network and the Gulf of Finland Reporting System (GOFREP).

For marine pollution a Community information system exists to exchange data between the Member States on intervention capacity and measures taken in the event of accidental or deliberate marine pollution. HELCOM conducts comparable activities at sea basin level. HELCOM works as a co-ordinating body, ascertaining multilateral response in case of major maritime incidents in the Baltic Sea.

No single surveillance system has a complete overview of all vessels within the Baltic Sea; rather, the different existing systems cover different sub-sets of maritime traffic according to their needs. In addition to technological fragmentation, the administrative structure of national authorities dealing with surveillance is varied and complex. In some countries, such as Denmark, coordination of maritime affairs has been established on the basis of specific administrative structures. Others, such as Germany, appear to have more complex structures. Cross border cooperation relating to surveillance also appears not to be carried out at the same level in all sectors of offshore activities (customs, border control, pollution response, fisheries control, maritime safety, maritime security, vessel traffic management, accident and disaster response, search and rescue, law enforcement) in the Baltic Sea. There is therefore a lack of coordination within and between sectors, and consequent fragmentation of effort.

The strategic challenges in the BSR related to maritime safety are the fragmentation of surveillance tools and technological standards for the maritime transport of energy products.

2.1.4.3. Major emergencies on sea and on land

Transport by sea is expected to increase dramatically in the coming years in the Baltic Sea and with that comes a higher risk for accidents. Major emergencies, other than ship accidents already covered in the section on Maritime Safety, with cross border effects can result from natural and man-made disasters, acts of terrorism including chemical, biological, radiological and nuclear terrorism, and technological, radiological or environmental accidents as well as health threats from communicable and non-communicable diseases. The economic impacts of disasters may adversely affect the economic growth and competitiveness of EU regions.

Winter storm Gudrun (Erwin) that battered northern Europe in January 2005 exposed the lack of prevention and preparedness for weather borne hazards that already today pose a threat to the countries around the Baltic Sea. Climate change is expected to increase the likelihood of extreme weather events in the short term future.

While cooperation between agencies involved in response to marine pollution accidents is relatively well advanced in the region, there is scope for strengthening some of the existing actions, such as common approaches to contingency planning which can still be further developed. While work has been done at mobilising assistance in response to disasters through the Community Civil Protection Mechanism, and additional support is available through the European Maritime Safety Agency (EMSA), there is still scope for assuring that preparedness and response capacities are sufficient.

The strategic challenge specific to the BSR is the implementation of the work programme of the HELCOM Response group.

2.2. Existing governance structures

There are a large number of regional organizations in the Baltic Sea Region with the aim of making macro-regional collective action possible, covering either the entire region or parts of the region, focusing on different themes and activities. Among the existing structures some are concerned with a wide range of activities, others are focused on a narrow set of objectives.

In this section a brief introduction is provided to regional organizations in the BSR (the list is non-exhaustive). The assessment is not intended as a criticism of existing institutions, but rather an identification of where there is scope for more effective collective action.

2.2.1. General cooperation

Different organizations and structures with a wide thematic coverage can be found in geographically overlapping regions, in part or all of the BSR. **Five regional councils** operate in the region.

The **Nordic Council (NC) and the Nordic Council of Ministers (NCM)**, whose members are Denmark, Finland, Iceland, Norway and Sweden, deals with neighbouring countries (i.e. Russia and the Baltic States) through the Adjacent Area Framework Programme. Their main focus is on culture, education and research, business, energy and regional policy, and neighbourhood cooperation, with an additional focus on equality, legal cooperation, labour, social and health policy, economic and financial policy, environment, use of resources (fishery, landuse, food, forestry) and removing border obstacles. Their members meet regularly, it has a permanent secretariat and operates with an annual budget of DKK 830m, mainly received from governments (contributions are calculated according to GNP).

The **Council of the Baltic Sea States (CBSS)** is an overall regional forum for intergovernmental cooperation. Its members are Denmark, Finland, Iceland, Norway, Sweden, Latvia, Lithuania, Estonia, Poland, Germany, Russia and the European Commission. The Baltic Sea Summit, held in Riga in June 2008, endorsed a reform package which mentions five priorities of long-term cooperation for the CBSS: environment, economic development, energy, education and culture, and civil security and the human dimension. The Council consists of Member State Foreign Ministers and a member of the European Commission. The CBSS does not have a general budget and project funding is on project-by-project basis. Members are responsible for funding common activities and/or for seeking and coordinating financing from other sources.

In addition, the **Baltic Council of Ministers (BCM)** is an institution for facilitating the cooperation between the governments of Estonia, Latvia and Lithuania. It was formally established in its present structure in 1994. It is complemented by the **Baltic Assembly (BA)** which promotes cooperation between the parliaments of the Estonia, Latvia and Lithuania. The remaining two regional councils in the north focus mainly on the Arctic Region. The **Barents Euro-Arctic Council** (Denmark, Finland, Iceland, Norway, Sweden, European Commission, Russia) focuses on culture, indigenous people, health, education, research, environment, nuclear safety, industrial and economic development, energy and transport. The **Arctic Council (AC)** (Denmark, Finland, Iceland, Norway, Sweden, USA, Canada, Russia) focuses on indigenous people, health, environment and transport.

Table 1. Thematic overlaps between the four council formations in the North

	NC	CBSS	BEAC	AC
Democracy and human rights		x		
Culture	x		x	
Indigenous people			x	x
Health	x		x	x
Education and research	x	x	x	
Environment	x		x	x
Nuclear safety		x	x	
Industrial and economic development	x	x	x	
Energy	x		x	
Transport			x	x

The *Northern Dimension* (ND) partners are the European Union, Iceland, Norway and the Russian Federation. These partners have defined actors as the Regional Councils in the North: the Barents Euro-Arctic Council (BEAC), the Council of the Baltic Sea States (CBSS), the Nordic Council of Ministers (NCM) and the Arctic Council (AC) and the international financing institutions active in the North, notably the EBRD, EIB, NIB and IBRD. The ND focuses on economic cooperation, including promotion of trade, investments, customs, SMEs, business, innovation, well-functioning labour markets, financial services, infrastructure, energy, agriculture, forestry, transport and logistics, telecommunications and information technology, freedom, security and justice, external security, research, education and culture, environment, nuclear safety and natural resources, social welfare and health.

In addition to the high level cooperation between the countries of the BSR inherent to council formations, there are also other organizations with a wide thematic focus. *The Baltic Sea States Subregional Co-operation* is a political network for regional authorities in the BSR from Denmark, Sweden, Finland, Germany, Poland, Lithuania, Latvia, Estonia, Norway and the Russian Federation. It focuses on transport and infrastructure, maritime policy, sustainable development, security (trafficking in human beings), Northern Dimension and cooperation with Russia, and youth policy. The main forum for the organization is its annual conference. It has a board consisting of two representatives of each country. There is no permanent secretariat, its work is based around ad-hoc working groups and rapporteurs.

The *Baltic Sea Parliamentary Conference* has working groups on energy and climate change, labour markets and social welfare as well as a rapporteur on eutrophication. It has an annual conference, with a standing committee between annual conferences. The members of the standing committee are appointed from the Nordic Council, Germany, Russia, Poland, the country hosting the conference, Baltic Assembly, and the European Parliament.

Agenda 21 for Baltic Sea Region is a stakeholder forum for sustainable development. Its members are the CBSS states, the European Commission and a number of intergovernmental organisations, international financial institutions and international networks of regional and local authorities, businesses and NGOs. Baltic 21 focuses on agriculture, energy, fisheries, forests, industry, tourism, transport and education, as well as spatial planning.

2.2.2. *Assessment of macro-regional structures*

Inefficiencies in the existing general and thematic governance structures described above stem from two main sets of problems. Firstly there are general weaknesses of intergovernmental organizations:

- The need to make unanimous decisions in an intergovernmental process which often narrows the scope of decisions which can be made. Decisions are consensual and therefore often do not result in a maximum of net benefits across the region, but reflect the lowest common denominator.
- Lack of capability/no mandate to enforce implementation of decisions by Member States, lack of capability to sanction non-compliance.
- Lack of capability to implement decisions. Many have an institutional structure which does not include a permanent secretariat, or necessitates approval of funding on a project by project basis, often based on voluntary contributions. Therefore intergovernmental organizations generally do not have the capacity at the macro-regional level to allocate resources to implement agreed actions.

Secondly, there are many organizations which pursue the same objectives, or different specific objectives within the same theme, or different but strongly interlinked objectives. This results in inefficiencies due to:

- *Duplication of effort*: Some issues are dealt with by different organizations simultaneously which results in unnecessary efforts to gather and analyse information, identify problems and find solutions.
- *Fragmentation of policies and objectives*: There are many inter-linkages within and between different objectives (within e.g. transport policy between rail and road transport, or between policies e.g. transport and environment, education and labour market, etc.). Lack of coordination of policies may result in efficiency loss due to conflicting objectives being pursued by different organizations and the fact that optimal trade-offs between different objectives cannot be made.
- *No mandate to take decisions with significant impacts outside narrow focus of organization*: In addition, an organization with a narrow thematic mandate will not be able to take decisions in questions which cut across several themes.
- *Unclear responsibilities*: If several organizations are responsible for achieving results, the responsibility for failure to make progress on an issue is not evident.

There is reason in some cases for the overlaps identified, because firstly different organizations have different geographic coverage, and thus there is a rationale for coverage of similar themes, and secondly in certain cases headlines and themes may be the same, but in fact different specific activities are covered under these headlines. However, there is no overarching organisational framework in which these problems can be addressed and resolved.

An issue highlighted in the analysis of a number of initiatives is the limitation of what can be achieved at a sectoral level. A clear example is the case of the environment, where other key actors are responsible for decisions that have an important impact on eutrophication or stocks

of natural resources. Annex 4 summarises the linkages between sectoral actions and the potential trade-offs between different sectoral objectives such as transport and environment, or increased economic integration and management of security. This calls for mechanisms that can reduce trade-offs and encourage win-win situations such as energy efficiency. A key issue for the governance of the Baltic Sea Region is the capacity to develop an integrated approach to solving cross-sectoral problems.

2.3. Summary of problem definition for the Baltic Sea Region

2.3.1. Challenges for the Baltic Sea Region

The Baltic Sea Region is a highly heterogeneous area in economic, environmental and cultural terms, yet its members share many common resources and demonstrate considerable interdependence. This means that actions in one area can very quickly have consequences for other parts or the whole of the region.

For each of the main themes, there are challenges that cannot be sufficiently addressed through Member State action alone. EU policies provide the main framework through which these challenges can be addressed. However, in a number of areas, countries in the region wish to achieve on a voluntary basis higher standards than those required by EU law. Alternatively, the flexibility or subsidiarity under the EU framework allows Member States to pursue individual strategies which are sub-optimal for the region as a whole. In some cases, a group of Member States have put in place voluntary arrangements to address these challenges. However, due to a lack of binding commitments, sanctions or a cross-sectoral focus these arrangements are considered to be ineffective. Finally, the involvement of third countries in collective problem solving must take place within specific structures such as the Northern Dimension. These challenges express themselves in different ways under each theme:

- The environmental challenges identified in the region are eutrophication, marine biodiversity, hazardous substances, pollution from ships and climate change. There is a relatively solid consensus in the BSR region to work collectively to address the specific problems of the Baltic Sea through HELCOM. However, HELCOM is limited in its mandate to implement and enforce measures. Furthermore, many of the sectoral interests such as fishing, agriculture, industry and the maritime sector, whose activities drive the state of the environment, are not involved. It is unlikely that this problem can be solved without a more integrated approach to the problems of the environment and a stronger political commitment to implement HELCOM actions.
- The prosperity challenges are linked to internal market and trade with neighbouring countries, innovation, entrepreneurship, SMEs and human resources, agriculture, forestry and fisheries. Cross border structures to address challenges linked to the single market, innovation and labour markets are less developed than in other areas. This reflects in part the strong role of the national and EU level in addressing the problems. However, for a number of issues, there is a strong desire by stakeholders to strengthen links across the region, in particular to address strong differences in economic performance between the East and West. There is an argument for increasing cooperation at the level of implementation of EU policies, such as the internal market.
- The accessibility and attractiveness challenges are linked to energy security, energy market integration and energy efficiency, internal and external transport links and attractiveness for citizens and tourists. In the case of energy and transport networks, while there are

strategic frameworks for identifying priorities, there is a lack of political will to ensure that national decisions correspond to shared needs, accompanied by lack of coordination at the level of implementation, and non-alignment of national and EU funds.

- The safety and security challenges have been identified as cross border crime, maritime safety and security and major emergencies at sea and on land. There are many initiatives in this field at national, regional and EU level. However, this leads to sectoral and geographic fragmentation in some areas. HELCOM is responsible for certain issues linked to major maritime accidents.

Furthermore, there are *political economy considerations* in addressing the collective challenges of the region. To ensure the success of collective action in the BSR there is a need to engage all Member States in the process. This may involve reinforcing the commitment of stakeholders in actions which are not necessarily seen as a priority for them. Challenges under the environment objective are generally seen as more important in the W-BSR while challenges under the prosperity heading are seen as more important in the E-BSR.

As the preceding analysis suggests, the key problem in the region is not a lack of existing initiatives or governance structures. It is rather the failure of the largely fragmented existing governance structures to provide a sufficiently robust framework in which the priority issues of the Baltic Sea Region can be addressed in an integrated manner that addresses potential policy conflicts and trade-offs between sectors. Collective action must therefore provide a framework in which stakeholders can make a step change in taking the actions necessary to realise the region's full economic, environmental and social potential.

2.3.2. *The case for action at EU level*

Most of the challenges identified above fall within the scope of EU policies. These policies are almost all shared competencies. When the treaties confer on the Union a competence shared with the Member States in a specific area, the Union and Member States may legislate and adopt legally binding acts in that area. The Member States shall exercise their competence to the extent that the Union has not exercised its competence.

In the context of the Baltic Sea Strategy, no legislative action by the Union is proposed. The strategy takes place exclusively within the context of existing EU legislation and relates to voluntary commitments undertaken by Member States. The strategy and action plan have been brought forward at the request of the Member States and third countries concerned. However, in order to ensure compatibility and complementarity with EU policies the following table summarises the link between challenges, the case for public intervention, the EU policy area and type of competence and the scope for action at Baltic Sea region level.⁶

⁶ Intervention is consistent with EU goals and priorities: Environment: Community policy on the environment shall contribute to pursuit of the following objectives: preserving, protecting and improving the quality of the environment, (...) promoting measures at international level to deal with regional or worldwide environmental problems. (Article 174 EC Treaty) Prosperity, accessibility and attractiveness: Promoting a high degree of competitiveness and convergence of economic performance (Article 2 EC Treaty); Strengthening economic and social cohesion. Under the EC Treaty (Article 158), this is to be achieved through reducing disparities between different levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas; To help achieve the objectives referred to in Articles 14 and 158 and to enable citizens of the Union, economic operators and regional and local communities to derive full benefit from the setting-up of an area without internal frontiers, the Community shall contribute to the establishment and development of

Table 2. Case for intervention to address identified priority challenges

Challenge	Case for public intervention	Policy Area	Competence ⁷	Scope for Action at Baltic Sea Level
Eutrophication	Market failure (common pool resource), Environmental legislation	Environment Agriculture	Shared Shared	Strategic
Marine biodiversity	Market failure (tragedy of the commons), CFP	Environment Conservation of Marine Resources Fisheries	Shared Community Shared	Strategic
Hazardous substances	Market failure (tragedy of the commons)	Environment	Shared	Strategic
Pollution from ships	Market failure (common pool resource)	Environment	Shared	Strategic
Climate change	Market failure (public good), Environmental legislation, international commitments	Environment Energy	Shared Shared	Cooperation
Internal market and trade with neighbouring countries	EU treaty objective	Internal market	Shared	Strategic
Innovation	Market failure (knowledge spillover positive externality), EU objective (Lisbon)	Industry	Member State	Strategic
Entrepreneurship, SMEs, human resources	EU objective (Lisbon)	Industry	Member State	Strategic
Agriculture, fisheries, forestry	Sustainability of sectors has a public good/common good aspect	Agriculture	Shared	Strategic
Energy security, energy market integration and energy efficiency	Energy security public good, Market failure (absence of competitive market) if energy markets not integrated, EU objective (internal market)	Energy	Shared	Strategic
Internal and external transport links	Market failure, EU objective (internal market)	TENS	Shared	Strategic
Attractiveness for citizens and tourists	Economies of scale	Tourism	Member State	Cooperative
Cross border crime	Safety and security public good, regulatory failure, Customs/security policy	Justice and Home Affairs	Shared	Strategic
Maritime safety and security	Safety and security public good, regulatory failure	Maritime Affairs	Community/ Shared	Strategic

trans-European networks in the areas of transport, telecommunications and energy infrastructures. (Article 154 TEC) Safety and security: Preserving peace and international security and promoting international co-operation objectives of the Common Foreign and Security Policy (TEU, Article 11); Safeguarding the security of citizens, or citizens' rights recognised by the Treaty. This includes preventing and combating crime and terrorism (TEU, Article 29)

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As stated in the draft Treaty of Lisbon

Challenge	Case for public intervention	Policy Area	Competence ⁸	Scope for Action at Baltic Sea Level
Major emergencies at sea and on land	Safety and security public good	Civil Protection Environment	Member State Shared	Strategic

The need to improve governance in areas where the EU has significant competences (e.g. fisheries and agriculture and the internal market) is often related to a lack of sufficient coordination between sectors (e.g. between fisheries and environment, or agriculture and environment) in the context of the particularly sensitive environment of the Baltic Sea. There is therefore a particular challenge to ensure coordination, where Member States wish to go beyond actions and targets set at EU level. In this respect, the adequate involvement of institutions at the EU level is important in ensuring policy integration and coherence with community policies.

3. OBJECTIVES

The European Council invited the Commission to present an EU strategy for the Baltic Sea region which should *inter alia* help to address environmental challenges related to the Baltic Sea. However, the problem analysis also suggested other challenges for collective action in the BSR. Other objectives in addition to the environmental objective were identified based on public consultation and non-papers submitted by countries in the BSR and narrowed down by the analysis of problems according to whether there is need for further action, and whether the issue is of macro-regional relevance.

The **general objective** of the strategy is therefore to address macro-regional challenges faced by the region in order to strengthen the region's ability to exploit its socio-economic and environmental potential so that it becomes a more environmentally sustainable and prosperous place, benefiting from increased accessibility and attractiveness and ensuring higher standards of safety and security for its citizens.

The **specific objective** is to develop a framework for the individual challenges and address deficiencies in governance structures to ensure that a range of strategic actions (in the form of an action plan) to deal with the challenges are implemented in the most efficient, effective and coherent way. To achieve this it will be necessary to achieve three objectives:

- **improved coordination and coherence:** clarification of existing overlaps and definition of roles, an integrated approach which takes into consideration interactions between objectives, improved coordination of spending priorities;
- **strengthened institutional capability to ensure implementation of actions:** including mandate to decide on action in a wide range of issues, etc.;
- **improved visibility and accountability:** monitoring and evaluation of results, enforcement of action and review and update of the EUSBSR (instruments for ensuring

⁸ As stated in the draft Treaty of Lisbon

compliance in an international context are few, and are limited mainly to peer pressure, therefore improvements in this respect can only be marginal).

The following table summarises the relationship between the individual challenges, the governance objectives and the proposed strategic actions.

Table 3. Summary of governance objectives and actions for identified priority challenges

Challenge	Further activities	Governance objectives	Strategic actions
I. Environment			
Eutrophication	Action already agreed upon in HELCOM	Address institutional weakness to enforce or implement Address lack of capacity to make trade-offs between environmental and economic issues	Implement actions already agreed to reduce nutrients Promote measures and practices which reduce nutrient losses and thereby address eutrophication when reviewing the Common Agricultural Policy
Marine biodiversity	Action already agreed upon in HELCOM	Address lack of capacity to make trade-offs between environmental and economic issues Address institutional weakness to enforce or implement environmental considerations	Implement the HELCOM Baltic Sea Action Plan Reduce the effects of fishing on the Baltic ecosystem
Hazardous substances	For most but not all relevant hazardous substances action already agreed upon in HELCOM	Address institutional weakness to enforce or implement Address lack of capacity to make trade-offs between environmental and economic issues	Implement actions already agreed to reduce hazardous substances
Pollution from ships	Action already agreed upon in HELCOM	Address institutional weakness to enforce or implement Address lack of capacity to make trade-offs between environmental and economic issues	Implement actions already agreed to reduce ship pollution
Climate change	Existing policy target, new actions required	Address lack of coordination between sectors Address low level of coordination	none
II. Prosperity			
Internal market and trade with neighbouring countries	Coordinated implementation of EU Directive	Address lack of coordination on some issues of implementation	Implement the strategy aimed at sustainable improvement and facilitation of controls at the border Coordinate with actions taken by the CBSS Working Group on Customs Cooperation and Border Crossing Aspects (WGCB) Removal of remaining hindrances to trade and defence of the Internal Market principles by voluntary agreement on transposition and implementation

Challenge	Further activities	Governance objectives	Strategic actions
			of the Internal Market Directives
Innovation	Some existing action, lack of coordination on incentives	Address cooperation and coordination among organizations at the policy level Address lack of capacity to implement	Establish a common BSR innovation strategy Exploit opportunities created by the current disparities in performance
Entrepreneurship, SMEs, human resources	Coordinated implementation of actions signalled as important by stakeholders	Address lack of coordination at policy level between MS in particular in labour market	Increase labour mobility Promote trade and attract more investments into the Baltic Sea Region Make the Baltic Sea region a leader in design
Agriculture, fisheries, forestry	Action already agreed upon in HELCOM	Address lack of coordination between sectoral policies in particular for agriculture and fisheries	Reduce discards Improve control and stop illegal fishing
III. Accessibility and attractiveness			
Energy security, energy market integration and energy efficiency	Existing activities, some new activities needed which are planned but not implemented	Address lack of coordination at implementation level of TENs Address limited scope of existing initiatives Address lack of coordination at policy level	Establish an integrated and well functioning internal market for energy
Internal and external transport links	Existing activities, some new activities needed which are planned but not implemented	Address lack of coordination at implementation level Address limited scope of existing initiatives	Coordinate national transport policies and infrastructure investments
Attractiveness for citizens and tourists		Address lack of coordination between MS	none
IV. Safety and Security			
Cross-border crime	Enhanced cooperation on procedures for operational matters	Address lack of coordination within and between authorities in different sectors; Address limited scope of existing initiatives	Establish joint customs, border, and police procedures for operational matters
Maritime safety	Enhancement of existing activities	Address coordination between sectors and fragmentation of effort	Commonly apply surveillance tools Ensuring the fleet transporting energy products is up to the highest technological standards
Major emergencies at sea and on land	Implementation of existing HELCOM work programme and enhance cooperation procedures.	Address lack of cooperation in some areas	Implement the work programme of the HELCOM Response group

4. POLICY OPTIONS

The challenges identified above point towards the need for increased coordination and cooperation between different sectors and between Member States, as well as the need for enhanced capacity to implement or enforce. The identification of strategic challenges for the

region can be considered as a first step. As a second step a suitable governance structure has to be identified to ensure that appropriate collective action is undertaken.

The need for links between the European Union Strategy for the Baltic Sea Region and third countries whose cooperation will be essential for success – Russia in particular but also Belarus and Norway – is clear. The Northern Dimension framework provides the basis for external cooperation with third countries in the Baltic Sea region, in particular with Russia and Belarus.

There are many options for improving the capacity to address strategic challenges. However, stakeholders signalled in the public consultation that existing governance structures should remain in place. This was considered as necessary for political feasibility, therefore all options which would interfere significantly with current governance structures were discarded. Due to the multi-sectoral nature of the challenges and the need to address problems across sector, it was also considered that an integrated approach covering all sectors was necessary in order to implement a comprehensive action plan. Four options have been retained:

- (1) *No further EU action* to enhance cooperation between countries and regions. In this option, the Member States would continue to work together as in the current situation and cooperation with third countries would remain within the existing framework, notably but not exclusively the Northern Dimension.
- (2) *No additional structure*: The change compared with the current situation would be that a strategy and action plan would be established, but within the context of existing structures. This would imply that Member States and third countries would continue to work together as in the current situation, and based on an integrated strategy, but with no overall monitoring or review mechanisms in place.
- (3) *Reliance on an existing institution*. This option would entail strengthening one intergovernmental body to take decisions and coordinate the implementation of the action plan. The only organisation which is sufficiently cross-sectoral and includes all relevant MS at the government level is the Council of the Baltic Sea States (CBSS). Cooperation with third countries would be sought through already existing frameworks.
- (4) *Community approach, General Affairs Council and Commission*: This would see the strategy being led and implemented in line with a normal Community approach in which political responsibility is taken by the Council of Ministers, normally meeting in the General Affairs Council, while co-ordination, monitoring and reporting are the responsibility of the Commission. Given the territorial nature of the strategy, it would be appropriate for the Commission to associate in an advisory capacity, the Committee of the Regions and the European Economic and Social Committee, particularly in consultation of the wider partnership and stakeholders, while maintaining close links with the governments most closely involved, for example through high-level working groups. Cooperation with third countries would be sought through already existing frameworks, in particular through the Northern Dimension framework, after agreement among Member States has already been reached. As the Eastern Partnership mechanism develops this would also have a role to play.

The strategy must respect competences and institutions set up by the EU. This entails that the options listed above are minimum levels of cooperation. Existing cooperation and Commission involvement sometimes already go beyond the proposed governance structures.

All the governance options outlined above are aimed at enabling cooperation at a *policy level*. Implementation would still have to follow after agreement has been reached through one of the proposed structures. Any of the four governance structures proposed above would therefore have to be complemented with existing organizations which are focused on implementation of decisions. Alternatively, implementation of specific interventions could also take place through a new European Grouping for Territorial Cooperation (EGTC). The EGTC is a legal entity and as such, enables regional and local authorities and other public bodies from different member states, to set up cooperation groupings with a legal personality. EGTC members can be inter alia Member States, regional or local authorities, associations, or any other public body. It enables public authorities of various Member States to deliver joint services. The EGTC is task-oriented, with funding made available to it for the execution of the task it was created for. It is not a decision-making body but a structure which is useful for implementing tasks decided on elsewhere, and as such is complementary to the governance options listed above. It could be particularly useful in areas where coordination is lacking at the level of implementation, e.g. energy and transport networks.

5. ANALYSIS OF IMPACTS

The specific objective was defined as developing a coherent framework for policy actions to address collective challenges, and setting up a governance structure which is able to ensure that actions are implemented in the most efficient, effective and coherent way. The analysis of impacts is therefore twofold: analysing the effectiveness of governance structures in delivering results including administrative costs and analysing the impacts of actions aiming at addressing the priority challenges identified on the economic, environmental and social systems in a qualitative way. The overall impact may also depend on the financial crisis since it may make some problems such as economic disparities more acute, accentuating challenges linked to prosperity. Constraints on public finances, particularly in the E-BSR may increase the need for greater alignment of funding to achieve strategic goals.

5.1. Impacts of governance objectives

The effective delivery of strategic actions within each theme depends on the governance structure, which is analysed briefly in this section against the three operational objectives. All three specific objectives can contribute to improved efficiency and effectiveness of public policy in responding to the challenges.

- **Improved coordination and coherence of actions:** This would address shortcomings in existing governance structures such as duplication of effort, fragmentation of policies and objectives, lack of mandate to take decisions outside the narrow scope of the organization, unclear responsibilities, and inefficiencies resulting from these weaknesses. By clarifying existing overlaps and defining roles, delivery organisations in the region could concentrate on the achievement of objectives and use resources more efficiently. Time allocated to coordination could be used for implementation. An integrated approach would allow better identification of cross-sectoral conflicts and potential for win-win situations, as well as synergies in policy delivery. Improved coordination of spending priorities and in particular of EU funds both thematically (between policies active in the same field such as

environment and energy) and geographically (such as transport and energy interconnections).

- **Institutional capability to ensure implementation of actions:** This would strengthen weak intergovernmental decision-making capacities, as well as the lack of capacity to enforce or implement decisions. A reinforced process would facilitate the decisions at both political and administrative level that are necessary to ensure effective implementation. This is particularly important for initiatives which depend on action in several policy fields where different sectoral stakeholders are involved, or alternatively where there are strongly differing priorities across the region.
- **Improved visibility and accountability of actions** This would further strengthen enforcement and implementation of decisions. Monitoring and evaluation of results improves compliance, effectiveness and lesson-learning. The current fragmentation of arrangements undermines such processes. An external body such as the Commission can potentially play an important role as an independent actor in such a process. Improved visibility and accountability can encourage ownership and create consensus for common action particularly through peer pressure. A process of monitoring and follow-up allows actions to be adjusted to improve both efficiency and effectiveness.

Overall it is expected that benefits will accrue from an integrated approach to the challenges faced by the BSR from stronger cooperation and common learning. An integrated approach is expected to increase coherence among policies in the region, and contribute towards the general objective. An increase in overall efficiency is expected through increased coherence, addressing fragmentation and duplication of efforts.

5.2. Impact on administrative costs

In general it is expected that the administrative costs of additional coordination will be small compared to existing levels of administrative activity. Improved coordination and coherence will require a combination of contacts at working and political level to discuss more efficient use of resources and the development of common approaches both within and across sectors. Improved institutional capability will involve the development of decision-making mechanisms both within and across sectors. Improved visibility and accountability will require both reinforced political oversight and meta-monitoring of the implementation of the action plan. In practice, many of the contacts and meetings required to achieve these objectives could be undertaken within existing structures.

The additional resources required will depend on the ambition of the strategy. At a first level, the EUSBSR will require a capacity to involve stakeholders in the delivery of the strategy. At a second level, it will require a small secretariat capable of producing annual reports on the basis of a meta-monitoring and managing high level working groups to prepare assessments of progress. This would only be possible by using an existing BSR institution or in a community approach. At a third level, a more developed secretariat would be able to maintain contact with EU institutions to ensure an integrated and coherent approach to EU policies, particularly those areas where there is a strong EU competence. This would only be possible within the context of a community approach. The following table summarises the potential administrative tasks under each option.

	<i>No further EU action</i>	<i>No additional structure</i>	<i>Using an existing institution</i>	<i>Community approach</i>
Facilitate Stakeholder Involvement		Yes	Yes	Yes
Undertake meta-monitoring and annual reporting			Yes	Yes
Organise high level working groups			Yes	Yes
Maintain coherent and integrated approach to EU policies				Yes
Prepare annual council meeting				Yes

- *No further EU action:* There would be no direct costs.
- *No additional structure:* The administrative costs would be borne by all existing organizations. Member States and Third Countries will use their existing procedures to oversee the actions proposed in the action plan and involve stakeholders. This is therefore without administrative impact on the Commission and the Council. However, Member States will find themselves obliged to use existing internal and cross-border co-ordination structures that may lead to considerable duplication of effort. As the option would not place any organizations above others, responsibility for monitoring and enforcement would be shared. Due to inefficiencies and overlaps, this may be less cost effective than other options.
- *Using an existing institution:* as the option involves choosing one currently existing intergovernmental organization and placing it in a coordinating role, all costs of coordination and monitoring would be borne by an existing institution. Costs would be incurred by the existing institution from carrying out the tasks of producing annual reports and facilitating stakeholder meetings. This would require staff to be committed to carrying out these tasks.
- *Community approach, General Affairs Council and Commission:* Functions related to preparation of an annual Council meeting, managing high level working groups, producing annual reports on meta-monitoring, maintaining an integrated approach through internal coordination of Commission services, and facilitating stakeholder meetings will imply some burden on the Commission.

The effective implementation of the final option would require working groups of senior officials from the region, meeting 4 times annually and an annual stakeholder meeting. There would be no additional reporting requirement within the region as monitoring will be based on collation of existing reports from bodies and agencies in the region. Reporting to Council would be annual or biannual and require the preparation of a synthesis report together with input from the relevant services of the Commission. It has been estimated that 4 full-time staff would be required to carry out these additional tasks. It is expected that fewer staff resources would be required if an existing institution was used.

5.3. Economic, environmental and social impacts of implementation

The following table contains a qualitative evaluation of the effects of collective action under the main challenges, assuming a governance structure is identified which is able to ensure implementation. Annex 4 contains the detailed analysis on which the table is based.

Table 4. Policy scenario impacts

Strategic Action	environment	economic	social
Eutrophication	+	+/-	+/-
Marine biodiversity	+	+/-	+
Hazardous substances	+	+/-	+
Pollution from ships	+	0	0
Climate change	+	+	+
Internal market	-	+	+/-
Innovation	0	+	+
Entrepreneurship, SMEs, human resources	0	+	+
Agriculture, fisheries, forestry	+	+/-	+/-
Internal and external transport links	+/-	+	+/-
Energy security, energy market integration and energy efficiency	+	+	+
Attractiveness for citizens and tourists	+	+	+
Maritime safety	+	+/-	+
Cross border crime	0	+	+
Major emergencies at sea and on land	+	+	+

This analysis demonstrates how certain improved responses to certain challenges will provide unequivocal benefits in terms of sustainable development. However, others may involve trade-offs between different policy objectives. This is particularly the case for environmental and transport challenges. This highlights the importance of an integrated approach to policy implementation, particularly since the costs and benefits of certain initiatives may be distributed unequally across the region and across sectors. A more detailed analysis of the impact of the strategy should be undertaken at a later stage.

6. COMPARING THE OPTIONS

The assessment of the different governance options took place against three criteria (improved coordination and coherence, enhanced institutional capability to ensure implementation of actions, improved visibility and accountability) on a general level, in addition, the options were assessed according to their ability to address the key governance challenges under the four themes of the strategy (environment, prosperity, accessibility and safety and security). Governance challenges identified within the four themes of the strategy show similarities. The main governance challenges for environmental issues are institutional weakness to enforce or implement decisions already taken, as well as a lack of capability to address trade-offs between environmental and economic issues in an integrated manner due to a narrow focus of organizations. Governance challenges for prosperity issues are lack of coordination at the policy level, with the exception of the challenge related to the internal market, where there is

lack of coordination at the level of implementation. The main issues under the heading of accessibility and attractiveness, and in particular for transport and energy issues is a lack of coordination at implementation level and lack of alignment of funding, despite existing coordination at the policy level. The main challenges related to safety and security are fragmentation of effort geographically and between sectors which results in a suboptimal use of resources. The different governance options address the different types of governance challenges within the four themes of the strategy in different ways.

- The most severe governance issue in the area of environment, namely the lack of ability to make trade-offs between environmental and economic issues, could only be addressed by one overall governance structure, such as an *Existing Institution* or the *Community Approach*. The latter would be better equipped to enforce implementation due to the oversight role of the Council and the Commission in terms of related EU policy.
- The governance challenges most obvious in issues related to prosperity, a lack of coordination at the policy level, require a strong transnational dimension. Given the strong East-West disparities and different focus across the region, commitment at the regional level would be facilitated by discussion in the Council. This would also allow linkages with the Open Method of Coordination of the Lisbon Agenda to be established.
- In the case of accessibility, lack of coordination at implementation level and lack of alignment of funding could only be appropriately addressed by an overall governance structure with sufficiently high level representation, as these problems point towards larger problems of differences in interest between Member States in infrastructure decisions. Coordination in the context of security and safety matters could also be facilitated by structures with sufficiently high levels of representation.

The following table summarises the advantages and disadvantages of each option based on their ability to deliver the specific objectives which were identified.

Table 5. Evaluation of governance options' effectiveness

Governance challenge	Governance option		
	No additional structure	Reliance on existing institution	Community approach
	MS to implement Strategy & Action Plan	Existing IGO to implement Strategy & Action Plan	General Affairs Council (policy); Commission (co-ordination and monitoring)
Specific objective 1: strengthened institutional capability to ensure implementation of actions			
Weak, consensual decision-making	No improvement	Non-EU membership weakens decision-making	Improved through legitimate high level decision-making mechanism
Lack of capability to enforce implementation	No improvement	No improvement, IGOs do not have enforcement capability	Peer pressure only enforcement mechanism, progress measured against adopted action plan
Lack of capability to implement decisions	Can implement, but no improvement in coordination	Not improved, CBSS does not have implementing capacity	High level participation increases likelihood of implementation
Specific objective 2: improved coordination and coherence			
Duplication of effort	No improvement in existing approaches to coordination	Improved, although not clear how organization would coordinate organizations including representation at same level	Addressed through higher level coordination, responsibilities clarified in action plan

Fragmentation of policies	Improved as each MS would have same strategy to follow	No mandate for integrated approach to EU action plan	Addressed through higher level coordination, integrated approach identified in action plan
No mandate to take decisions with significant impacts outside narrow focus of organization	No improvement	Addressed by assigning general responsibility of implementation of collective action to organization: but this would require change in nature.	Addressed through higher level coordination
Unclear responsibilities	Improved: Member States are responsible but lack coordination structure	Not improved – no mandate to effect change in other organisations	Addressed through identification of roles in action plan
Specific objective 3: improved visibility and accountability			
Low level of accountability	No improvement	Problematic, as membership includes both EU and third countries for EU strategy	Improved: Member States are responsible, however, peer pressure only enforcement mechanism, progress measured against adopted action plan
Low level of visibility	Improved through existence of strategy	Improved through existence of strategy	Improved through existence of strategy and higher political level

It should be noted that Russia, a member of the CBSS, has stated that it does not wish to see the CBSS used as an instrument to implement an EU strategy.

A score was given to each of the options based on the analysis, and the scores were aggregated. This is presented in table 6. In addition, the options were analysed for each challenge identified, to evaluate the ability of the governance options to address the governance challenges. The results are presented in Annex 5 and confirm the assessment at the level of the strategy's objectives.

Table 6. Comparison of governance options

Contribution to achievement of specific objectives	No change	No additional structure	Reliance on existing institution	Community approach
improved coordination and coherence	0	0	+	+++
institutional capability to ensure implementation of actions	0	++	++	++++
improved visibility and accountability	0	+	+	++
TOTAL	0	3+	4+	9+

While such an approach is very qualitative, this would suggest that the best option is a Community approach. It offers good scope to improve the quality of governance within the BSR, particularly since it provides the best opportunity for monitoring. It also ensures a robust peer review process. In addition, the Community approach is the only approach which would ensure coordination of policies both at the Community level and the level of the BSR, as the General Affairs Council has the advantage of being able to discuss both issues related to the BSR and Community issues. This would therefore be the only approach which is able to fully address issues (e.g. agriculture and fisheries) where there is a significant Community competence in an integrated manner while maintaining coherence with EU policies. This option would also ensure close coordination with the Northern Dimension, and would not require prior coordination on the EU position outside the strategy as in the other options.

While this analysis demonstrates that the most effective and consistent option is the Community approach, it does not take into account efficiency considerations. These are difficult to assess given the very qualitative nature of the changes brought about by the different options. As the section on analysis of impact demonstrated, the direct and indirect administrative costs associated with the options are small, since all seek to work within existing structures and make better use of available resources. No additional legislation is proposed, no additional reporting requirement is put forward and no additional decision-making mechanism is introduced. In its implementation, it will be important to ensure that the strategy does not lead to increased organisational complexity. In this respect, the involvement of the EU level through its institutions, and in particular the Council and the Commission, can play an important role in disciplining and structuring the implementation of the action plan, to ensure consistency with Community policies and avoid fragmentation of initiatives.

7. MONITORING AND EVALUATION

The implementation of the EUSBSR should be monitored at three levels. It is assumed that the option “Community approach” is adopted as this provides the greatest scope for robust monitoring and evaluation arrangements.

- The strategy should set out milestones for putting in place the necessary structures (putting in place thematic working groups, establishing responsible actors for the collection of data, establishment of communication arrangements within region and contact points for stakeholders). A reporting framework and timetable should be established.
- A set of monitoring indicators should be set out under each of the priorities in the action plan with a detailed framework to allow assessment of the implementation process. These milestones/indicators would be adopted with the action plan.
- A set of headline indicators should be defined to assess the general evolution in the BSR in respect of the key challenges. A first draft set is presented below in Table 7. These would form the basis for the establishment of baselines against which progress on achieving objectives in the field of environment, prosperity, accessibility and security could be evaluated. One of the first tasks undertaken should be to examine whether further analysis is required to further develop indicators and instruments for assessing the impact of the strategy.

Reporting arrangements would need to be established. The Commission could report on a 6 monthly or annual basis on progress towards achieving the milestones set out in the action plan. A timetable for evaluation (perhaps after 3 years of implementation) could also be set out. In line with its role in supporting the peer review process, the Commission could identify areas where progress is slow, and where appropriate make proposals to the Council on specific measures to address. There should be an opportunity to update the strategy regularly in light of the effectiveness and efficiency of the governance structure in delivering collective action, and in light of the adequacy of the targets. The inclusion of a sunset clause in the strategy could provide incentives for countries and stakeholders to implement and further develop it.

Table 7. Proposed headline indicators

Environment:	Eutrophication: riverine loads of phosphorus and nitrogen
	Marine biodiversity and overfishing: Breeding success and conservation status of fish species (MSY)
	Hazardous substances: reduction of loads of the hazardous substances identified by HELCOM
	Pollution from ships: Increase of ports equipped to recycle wastewater and provide electricity
	Progress on reaching the national energy efficiency goals
	Increase in production of electricity from renewable energy sources
Prosperity	Change in score in the European Innovation Scoreboard
	Change in the number of patents delivered to the EPO per population (or enterprise) entity compared with R&D expenditure
	Change in intra-EU mobility
	Change in bilateral trade volumes
Accessibility and attractiveness	Amount of traded energy / capacity of cross border energy grid interconnections (%)
	Energy: projects identified under the Baltic Interconnection Plan
	Transport: progress in the approved TEN-T projects
	Change in number of foreign university students
Safety and security	No. of ship accidents resulting in oil spills or personal injury
	Number of drug trafficking crimes recorded by the police

Annexes

ANNEX 1 - EU STRATEGY FOR THE BALTIC SEA REGION - PLANNING

Task	Date
Communication + Annex	
1 st draft	09/03/2009
ISC	01/04/2009 - 22/04/2009
Final draft (modifications after ISC)	30/04/2009
Adoption by the College + Translation	04/05/2009 - 29/05/2009
Sending to the Council	01/06/2009
Stocktaking document	
Input from MS, other DGs, Geographical units, socio-economic analysis of DG REGIO, Conferences and Roundtables, evaluation and fact-finding missions	by 31/12/2008
Input from the Impact Assessment	09/02/2009 - 13/02/2009
Final draft	15/01/2009
Procedure for publication (Staff WP)	<i>later</i>
Impact Assessment	
<i>Public consultation</i>	
Public consultation	03/11/2008 - 31/12/2008
Use of the replies to the public consultation	05/01/2009 - 30/ 01/2009
<i>Impact Assessment Report</i>	
Submission to IA Board	04/02/2009
IA Board	04/03/2009
Action Plan (optional)	
Final draft (Staff WP)	28/04/2009
Procedure for publication (Staff WP)	After the Council

ANNEX 2 - PUBLIC CONSULTATION - SUMMARY

Consultation process

The EU Strategy for the BSR is based on a series of consultations:

- Consultation of 20 Directorates Generals of the European Commission which all contributed in their field of expertise;
- Consultation of Member States, Regional and Local Authorities and stakeholders (Inter-Governmental and Non-Governmental Bodies, Experts and representatives from the private sector) in the BSR (through many meetings, 2 conferences, 4 roundtables and official position papers presented to the Commission).
- General Public Consultation via the internet. This consultation was launched on the website on 3 November 2008 and closed on 31 December 2008. This public consultation was supported by a scoping paper prepared by the European Commission presenting the main issues and the main questions.

Main results

The main results are the following:

Process

- In total 109 authorities, institutions or individuals responded to the consultation and presented their views. Out of these, 8 were Member States (every Member State in the BSR presented a position paper), 3 were non Member States (Russia, Belarus, Norway), 31 were Regional and Local Authorities, 48 were Inter-Governmental and Non-Governmental Bodies, 19 were representatives from the private sector out of which 2 were experts / researchers and 3 were individuals.
- The expectations of the Member States and stakeholders are very high.

Governance

- There was also an overall agreement that there are merits in having the European Commission involved both in the design and implementation of a strategy for the BSR. One of the reasons is that the existing Inter-Governmental and Non-Governmental Bodies do not have the authority needed to ensure actions are implemented in practice.
- In addition, the general view is that no new institution should be created at the level of the BSR, but that the existing ones should be somehow involved in the decision-making process as well as in the implementation process.
- Many stakeholders indicated that the decisions taken at the level of the BSR should be binding and that instruments to do so should be created.
- There is an understanding that there will be no new Regulations nor additional funding from the European Union, although this would be desirable for several stakeholders.

Priorities

- There is an overall agreement that the four objectives identified by the European Commission are indeed the main ones.
- Regarding the objective to make the BSR an environmentally sustainable place the main priorities are reduction of nutrient inputs to the sea to acceptable levels, preservation of natural zones and biodiversity, reduction of the use and impact of hazardous substances, limitation of the risk of oil spill pollution, reduction of the pollution from the ships and mitigation / adaptation to climate change.
- Regarding the objective to make the BSR a prosperous place the main priorities are better implementation of the single market, fostering of innovation, promotion of entrepreneurship, integration of the labour market (including education issues), reinforcement of relations with Russia (including the improvement of customs procedures in Russia), sustainability of fishing and good use of agriculture and forestry.
- Regarding the objective to make the BSR an accessible and attractive place, the main priorities are ending the energy isolation of the Baltic States, improvement of the functioning of the energy market, improvement of internal and external transport links and tourism.
- Regarding the objective to make the BSR a safe and secure place, the main priorities are cross border law enforcement activities, maritime surveillance and safety activities, maritime accident response, preparedness and response to storms and response to major health threats.

Conclusion

The information and positions from the consultation process have been analysed by the European Commission and in general were taken onboard in the design of the EU Strategy for the BSR.

Report of the 2nd Stakeholder Conference in Rostock, 5-6 February 2009

Environment Workshop

Sif Johansson presented the elements of the indicative action plan. (32 actions/projects)

Anne Christine Brusendorff, on behalf of Helcom, made the following points:

- (1) Sectoral integration, including fishing and agricultural sector and Maritime Spatial Planning, is important
- (2) Need good implementation mechanism: align government structures. Helcom brings together 9 Coastal states and Commission and also (when required) Belarus and Ukraine. This works and provides level playing field. Links between BSAP and Directives mean that Helcom supports EU policy.

- (3) Alignment of financing instruments: needed due to limited human and financial resources. Offer cooperation structure to identify synergies and gaps.
- (4) Role of Commission and EU. Clarifications of types of actions – some completed some not yet started, who will ensure start and completion.

Happy about emphasis on Marine and on BONUS programmes/policies.

Åsa Andersson – WWF (Sweden) asked what can be different about the EUSBSR, what is its added value? She identified two additional values:

- (1) Integrated approach with many sectors and actors
- (2) EU strategy with strength and depth that implies.

Three elements are needed to make strategy genuinely effective:

- strengthen integration across objectives, not just focus on environment. Need to ensure that actions are complementary not contradictory. Agriculture and Fisheries policies are the most important pressures on Baltic Sea. HELCOM cannot address these adequately: the European Union strategy must do so, with direct engagement with the CAP and CFP. Other relevant Directives must be implemented.
- strong implementation mechanism. How will implementation be assured? What will be sanctions? What will be role of Commission? Given the importance of an integrated approach, the speaker supported the involvement of Heads of State.
- Maritime Spatial Planning is crucial. This could reduce conflicts and enable development and conservation in security and confidence

Uno Aldegren, Chair, Inter-group “Baltic Sea Regions” at the Committee of the Regions, made four points:

- (1) **Concept of sustainability.** Economic and social aspects are part of sustainability. All three legs must be supported.
- (2) **Council should be responsible.** Need strong preparatory group with Commission in chair and local and regional representatives. Annual Baltic Sea Forum to review and follow-up work.
- (3) **Projects financed through Structural Funds.** Flagship projects should be important feature of implementation. Should make Baltic a Best Practice Region.
- (4) **Cannot ignore Russia.** Good relations essential but must not undermine Northern Dimension dialogue.

From the floor.

- **Danish Farmers Union:** speaking for other Farmers groups except for Poland underlined the willingness of farmers to contribute to the goals of the strategy. He pointed out that food production needs to increase and advanced technology will not provide the solution across the whole region. He agreed that farmers could do much to reduce effluents and

called for awareness raising and incentives to help. Better classifications of potentially dangerous substances would also help. Novel preparations with fewer risks than the old ones should be introduced more rapidly. Finally, he called for more expertise on how to best handle and exploit bio-gas.

- **Northern Dimension Environmental Partnership:** member organisations are all concerned with implementation of BSAP and welcome the priority given to it. Recommend using the resources of the International Financial Institutions and funding sources (EBRD EIB NIB NDFFA and also ESF) to implement environmental actions. Action is very urgent but the example of St Petersburg (waste water effluent reduction) shows that success is possible. Need to set a target to treat all wastewater across the region, in line with EU Directives.
- **Coalition of 26 Environmental NGOs:** problems are primarily linked to CAP and CFP. Need to address subsidies and incentives in these policies. Action Plan is more objectives than actions. Need to find ways of satisfying the needs of agriculture sustainably, avoiding massive introduction of nitrates and phosphates and subsidising techniques to reduce run-off. Also fisheries section should be more specific, for example subsidising good fishing practices like long lines, reduction of by-catch.
- **WWF Germany:** many proposed projects already approved. Even for biodiversity there are already agreed integrated protected areas. Advocates using the BSAP as starting point for setting priorities for example wastewater facilities for ships in all harbours.

Shorter points:

- **Kiev University:** Use Baltic Development Forum as basis for annual review of Strategy
- **Ministry of Environment Germany:** Should be clearer if the actions go beyond BSAP.
- **Baltic 21:** Want more specific projects,
- **Baltic University programme:** Need more action related to agriculture. Must have more focus on advisory services as well as funding and legislation. Livestock density is large part of the problem.
- **BSSSC Maritime Group:** Reducing pollution of ships is very important, support proposals of Commission. Note the action plan “Clean Baltic Shipping” which includes many other groups. Among the actions proposed:
 - Ship to shore electricity
 - Environmentally differentiated harbour use
 - Clean cruising
 - Labels for clean shipping
 - Awards for best practice. Was Marine award 5 years ago. Since then nothing happened. Should reintroduce for motivational effects

- **West Finland:** Farms are doubling in size every ten years. As size increases drainage becomes more critical so there should be funding to establish wetlands. Also the creation of regional indicators would motivate regional politicians.

Summary Agricultural and Fisheries policies are critical and subsidies must be for genuine public goods, not pollution. Need ecological protected areas in spatial planning system. Need excellent implementation system Need annual meeting – how to link in different bodies and actors?

Maritime Policy Workshop

Moderator: Mr. Pierre Schellekens, Head of Unit, DG Maritime Affairs and Fisheries

Mr Schellekens started by emphasising the link between the EU's Integrated Maritime Policy and the EU Strategy for the Baltic Sea Region. The policy includes the idea of developing macro-regional maritime strategies on a sea-basin level in order to carry out more integrated maritime policy making, both across sectors and across borders. The EUSBSR is the first example of such an exercise being carried out, even though its scope extends beyond maritime policy. A Communication on the Arctic, closely related to the maritime policy, was published in 2008 and a maritime policy for the Mediterranean is foreseen for this summer.

The Integrated Maritime Policy contains two levels of action; an integrated approach to maritime policy-making, and concrete measures for maritime governance, environment and economy. The most central horizontal action points for an integrated maritime policy in the Baltic Sea are:

- Maritime spatial planning: There is great competition for the use of the marine space.
- Maritime surveillance: Cooperation already exists, but needs to be reinforced both across sectors and across borders.
- Clean Baltic shipping: An "umbrella action" covering shore-side electricity, treatment of waste-water etc. is needed.
- Fisheries: Problems connected to discard and control in fisheries remain serious. Reform of the common fisheries policy (CFP) will be launched this year.
- Maritime clusters: Increasing the networks between actors involved in the maritime economy.

Mr Schellekens announced during the discussion a Baltic Sea pilot project on spatial planning in 2010 that would look at different options, and another pilot on maritime surveillance in the Baltic Sea that would aim to improve in particular cross sectoral cooperation.

Mr Peter Pouplier, chairman of VASAB, spoke about one aspect of the Integrated Maritime Policy, namely spatial planning, in both marine and coastal zones. VASAB is aiming for the approval of a long term vision at the upcoming meeting of Baltic Sea Region ministers for planning. Mr Pouplier's main messages to the Commission in terms of spatial planning issues in the EUSBSR were:

- Focus on management of sea resources;

- Focus on protecting the environment;
- Initiate a transnational system for maritime spatial planning;
- Make best use of existing organisations in the BSR (VASAB, HELCOM) when dealing with spatial planning.

Mr Poul Muller of the CPMR Baltic Sea Commission welcomed the approach of tailor-made solutions for specific maritime basins. He listed the following issues that he wished to be addressed in the EUSBSR:

- A coherent system of transport and solving bottlenecks in particular with Russia;
- No waste-water to be let in to the sea;
- Only experienced ice navigators to be accepted in ice conditions;
- Coordinated maritime accident response;
- Resolve conflicts related to fisheries and base measures on scientific advice;
- Give priority to concrete projects rather than studies;
- Build governance: important to "find the right tools" (money!), work together to make solutions possible. The mere fact of talking to each other is already an achievement as such, Mr Muller thought.

The discussion focussed on maritime spatial planning, transport, clean shipping and fisheries. Mr Seele of the Federal government of Germany announced that a maritime policy expert group is being established within the auspices of the CBSS and would deal with many of these issues.

A representative from the South Baltic Sea Programme noted that there is a remarkable difference in willingness between Member States to implement common spatial planning. The governance structures of the EUSBSR are of utmost importance to provide stimuli for advancing BSR spatial planning.

Mr Pouplier was concerned that the lack of common spatial planning was contributing to the problems of TEN-T implementation. Mr Vuorimaki (RELEX) pointed out that the upcoming Northern Dimension Partnership for Transport and Logistics aims to solve bottlenecks with third countries.

A representative of the **BSSSC** board called for a flagship action in the EUSBSR concerning clean shipping that would contain ship to shore electricity, economic environmental incentives for the shipping industry, a plea for clean cruises, labour issues in the shipping industry, and an award for best practice. Mr Schellekens replied that clean shipping is a matter of reputation for the industry and that industry, partners and regions must work together to address issues. Taxation of shore side electricity is one major issue, and generally speaking Mr Schellekens said it is necessary to go further than legislative requirements in this area. A representative of the Port of Sassnitz reminded of the simple reality that someone will have to make the financial investments for these measures (e.g. port electricity) and in the economic downturn it would be unlikely that ports themselves do it.

WWF called for better integration of the CFP into the EUSBSR action plan, while **Coalition Clean Baltic** made a strong case for the importance of integrating the CAP. Mr Schellekens answered that while fisheries is an exclusive community competence, DG MARE is working on concrete technical control measures to improve the situation. Mr Muller did not want to involve the CAP in EUSBSR, seeing the CAP as "high politics" not having its place in the strategy.

Prosperity Workshop

The workshop was moderated by **Björn Månsson**, Chief Editor, Hufvudstadsbladet, Helsinki, and included presentations from the European Commission, comments from a panel with three experts (**Mr Anders Ahnlid**, Swedish Ministry for Foreign Affairs, **Mr Stephan Mühler**, President of Baltic Chambers of Commerce Association and **Prof. Dr. Dr. Hans-Robert Metelmann**, Chairman of ScanBalt) and a discussion involving all workshop participants.

The European Commission outlined potential key actions to be included in the Action Plan which will be attached to the Communication in which the strategy will be presented (see attached slide presentation). The aim of the workshop was to get feedback on the Commission's thoughts and collect ideas of potential additional key actions.

The potential key actions presented covered the following main fields:

- To better implement the single market
- To foster innovation
- To promote entrepreneurship
- To integrate the labour market
- To reinforce sustainable agriculture, forestry and fishing

The Commission explained that as regard the single market no new legislation would be introduced. With regard to the economic crisis the Commission highlighted the important role of innovation and clusters (incl. cluster cooperation), and their potential as main drivers.

The Commission's ideas were largely supported by the experts and workshop participants. The following topics were particularly highlighted by the experts and during the following discussions:

Mr Ahnlid agreed that it is important to improve the functionality of the internal market. To support this, regional Internal Market partnerships (fostering close regional public authority cooperation) could be developed. He also proposed Single Points of Contact for the implementation of the services directive, cooperation on mutual recognition putting new regulation into good practice, a Baltic Sea Region Market Surveillance network, more customs cooperation and an Internal Market information system. It would also be important to improve the brand and recognition of the internal market, by informing on new opportunities offered by e.g. the service directive, to develop user friendly access to and integration of Single Points of Contact and to develop an Internal Market guide with a regional component. Finally SOLVIT was mentioned in very positive terms even if it could be further improved.

Stephan Müchler stressed the importance of implementation and follow-up of the strategy and its action plan. He also emphasized the need for better implementation of the Single Market, the importance of fostering innovation, the importance of strengthening student exchanges, entrepreneurship, and the particular importance of an integrated labour market in order to meet demographic challenges. As regards agriculture, forestry and fisheries focus should be on sustainability. He also stressed the need for better use of cooperation with Russia, and investments in border crossings. He concluded by stressing that the business community and business clusters have a lot to offer in the Baltic Sea Region.

Prof. Dr. Dr. Robert Metelmann emphasized the shared values in the Baltic Sea Region, e.g. with regard to the importance put on education, science and research. The region is also very diverse with different languages, ethnic and religious backgrounds and different levels of prosperity. He also brought a social perspective to the discussion and claimed that prosperity in the Baltic Sea Region should concern all individuals living in the region. He raised the question how the strategy is affecting people with certain disadvantages. In the region there is a high level of un-skilled labour force which have difficulties in finding the right place in a knowledge based economy. The human and individual aspects should thus be duly considered.

Participants from the floor highlighted the following additional issues:

- How stimulate economy in the region, for example with regard to TENs.
- The importance of not disregarding the northern perspective: The EU raw material strategy was highlighted. As the EU is so dependant on imports of raw materials (90% is imported), it is important for the EU to duly consider the potentials and needs related to the exploitation, processing and transportation of raw materials (minerals, forests etc) in the north. Special account would also have to be taken of innovation and specialization, in particular with regard to cold climate technology, and natural resources like the wild salmon.
- There should be equal opportunities for everybody, including less well educated young people who need to get access to the labour market.
- Education, science and research have a big potential and cooperation between regional universities, schools, vocational education institutions and labour market authorities needs to be fostered.
- INTERREG should focus more on e.g. innovation and not be a playground for planners.
- The idea of a Baltic University Institute in order to promote academic cooperation in social sciences was launched. This could be a good ground for joint discussion and identity building.
- Innovation and co-operation between universities and enterprises, using cluster tools, should be used to develop new products and services.

Safety and Security Workshop

Moderator: Mr. Piotr Stocki, Commander of the Polish Maritime Border Guards Unit, Gdansk, responsible for borders with Germany, Lithuania and Russian Federation (Kaliningrad)

Mr Petteri **Vuorimäki** of DG External Relations of the European Commission introduced the slides prepared by DG Regional Policy on the proposed actions for this part of the Action Plan. He offered some personal reflections on the issue noting that safety and security would need to be understood widely, not only to encompass issues related to maritime safety. He offered definitions on the terms and noted that all people, including various vulnerable groups, must feel safe and secure and thus we need to inform public and tackle racism, xenophobia and intolerance. He presented the action areas:

- decrease volume and harm done by cross border crime,
- BSR as a leading region in maritime operational safety,
- ensure efficient maritime accident response capacity,
- ensure sufficient response capacity to major storms and
- preparedness to respond to cross border health threats.

Ms Charlotte **Wiin Havsteen**, Head of Oceanographic Dept, Danish Maritime Safety Administration, presented the work of her institution. In Denmark, the Navy is in charge of security, and the Maritime Safety Administration of safety, i.e. prevention of accidents. She explained the necessity of marine spatial planning and of increased or even mandatory use of pilots in the Danish straits. She presented examples of routing of ships and separation of traffic around Bornholm, where after a grounding the routes have been fenced to prevent collisions. The Danish administration cooperates with its Norwegian, Swedish, German and Polish counterparts in this work. Her main recommendations were increased use of spatial planning, e-navigation, exchange of data and AIS (Automatic Identification System (of vessels)).

Ms Toril **Roscher-Nielsen**, Director General in the Norwegian Ministry of Health and Care Services, Chair of the Committee of Senior Representatives for the Northern Dimension Partnership for Public Health and Social Wellbeing (NDPHS), considered that public health is a cross-cutting issue that relates to all four objectives of the strategy. Social well-being had also been raised in the Prosperity workshop. She divided the public health problems in three major categories: communicable diseases, non-communicable diseases and accidents and injuries. Lifestyle related health threats are becoming more common due to alcohol, tobacco, accidents, violence, obesity, diabetes and anti-microbial resistance. The project pipeline for NDPHS included projects for 4.5 M € for 2008.

Mr Lennart **Svensson**, Head of Division for Innovation and Cluster Development of the Skåne Region in Sweden, emphasised the importance of sharing international expertise and know-how to create sustainable societal security by encouraging collaboration on a day-to-day basis in risk management and societal security training. The actors should be defence forces, national, regional and local administrations, health care system, police, rescue services, private companies. He considered the cooperation in these fields rather good at the Baltic Sea Region level but called for more vertical cooperation.

Mr **Stocki** reminded that the cooperation of the law enforcement authorities must rely on proper legal basis. Already existing cooperation function in border controls, in the task force on organised crime, in FRONTEX coordinating the work on the external borders of the EU and in the Eurosur monitoring coastal areas in all EU.

Mr Thomas **Przybyla** of the Federal Police of Germany raised as important issues trafficking in human beings, threats to energy sources (wind parks, pipelines) and mentioned an existing intranet for information exchange and the status of BSR as a model region in FRONTEX activities.

Mr Paavo **Pirttimäki** of the Finnish Ministry of Interior mentioned the importance of good cooperation with Belarus, Ukraine and Russia in security matters.

Mr Christoffer **Gyllenstierna** of the Swedish Road Administration raised traffic accident prevention, in which Sweden has good experience that it has also shared with other countries.

Mr Gerd **Tarand** of the BSSSC youth network passed the message from the Hamburg youth event that social security is a basis for safety; this also has an impact on the possibilities and willingness to work in neighbouring countries as the lack of social security may prevent mobility.

ANNEX 3 - ANALYSIS OF CHALLENGES FACED BY BSR

Challenge	Type of problem (Common pool, enforcement etc.)	Level (EU-Wide/Baltic Sea Specific/sub-regional)	Type of governance problem (Non-implementation, non-enforcement, poor coordination, unclear responsibilities, fragmentation of policies)	Baltic Sea Actions	Coordination Actions with respect to EU policies
TO MAKE THE BSR AN ENVIRONMENTALLY SUSTAINABLE PLACE	The main problems are eutrophication and overfishing, which both are directly connected to the ecological specificities of the Baltic Sea basin: common pool	Baltic Sea Region specific as the Baltic Sea basin has very particular environmental characteristics and is in a particularly bad state.	There is a good cooperation forum (HELCOM) but it is difficult to make the actions happen on the ground as commitments taken in HELCOM are not always respected	See below	See below
To reduce the nutrient inputs to the sea to acceptable levels	Excess of algae and oxygen free bottom water Pollution from the rivers and airborne pollution Lack of mechanisms	Baltic Sea Region specific (the whole river basin)	HELCOM: poor coordination with other policies and lack of cross-sectoral dialogue HELCOM lacks mandate to implement or to enforce implementation by	HELCOM Action Plan on eutrophication More wetlands More cross-sectoral dialogue between environment /	Consider eutrophication when implementing the CAP (less fertilisers near rivers, efficient use of fertilisers, recycling nutrients) More research through

Challenge	Type of problem (Common pool, enforcement etc.)	Level (EU-Wide/Baltic Sea Specific/sub-regional)	Type of governance problem (Non-implementation, non-enforcement, poor coordination, unclear responsibilities, fragmentation of policies)	Baltic Sea Actions	Coordination Actions with respect to EU policies
	to clean the water Long lasting effect of the nutrient loads		others	industry and agriculture.	BONUS 169
To preserve natural zones and biodiversity	Ecosystem particularly vulnerable due to the specificities of the Baltic Sea Arrival of non-native species Decline of fish stocks due to fisheries Loss of wildlife on land	Baltic Sea Region specific	HELCOM: poor coordination with other policies and lack of cross-sectoral dialogue HELCOM lacks mandate to implement or to enforce implementation by others	HELCOM Action Plan on biodiversity More cross-sectoral dialogue between environment / fishing and agriculture.	Implementation of EU legislation regarding catches limits, reporting on catches and discards of catches
To reduce the use and impact of hazardous substances	Organic contaminants and heavy metals Chemical weapons	Baltic Sea Region specific	HELCOM: poor coordination with other policies and lack of cross-sectoral	HELCOM Action Plan on hazardous substances	Assess the effects of hormone like substances

Challenge	Type of problem (Common pool, enforcement etc.)	Level (EU-Wide/Baltic Sea Specific/sub-regional)	Type of governance problem (Non-implementation, non-enforcement, poor coordination, unclear responsibilities, fragmentation of policies)	Baltic Sea Actions	Coordination Actions with respect to EU policies
	Hazardous substances remain for a long period Dioxin in fishes		dialogue HELCOM lacks mandate to implement or to enforce implementation by others HELCOM does not cover some substances	Researching the impact of hazardous substances on the Baltic sea ecosystem.	
To become a model region for clean shipping	More ships are navigating The ships pollute in the harbours (NOx and SOx) Waste water from ships rejected in the sea	Obligatory standards are international level measures because of the nature of the shipping industry, while voluntary measures are Baltic Sea Region specific due to the urgent environmental status of the sea.	HELCOM: poor coordination with other policies and lack of cross-sectoral dialogue HELCOM lacks mandate to implement or to enforce implementation by others	HELCOM Action Plan on maritime transport Voluntary measures to reduce wastewater discharges Provide electricity in ports	Eliminate discharge of sewage from ships through a negotiation at the International Maritime Organisation

Challenge	Type of problem (Common pool, enforcement etc.)	Level (EU-Wide/Baltic Sea Specific/sub-regional)	Type of governance problem (Non-implementation, non-enforcement, poor coordination, unclear responsibilities, fragmentation of policies)	Baltic Sea Actions	Coordination Actions with respect to EU policies
To adapt to climate change	<p>Impacts of climate change in the Baltic Sea Region will be high</p> <p>Local impacts of climate change are unknown</p>	Adaptation to climate change will have to take place at all levels, and adaptation to certain impacts are best taken on a Baltic Sea Region specific level.	<p>HELCOM: poor coordination with other policies and lack of cross-sectoral dialogue</p> <p>HELCOM lacks mandate to implement or to enforce implementation by others</p>	<p>Promote the region as a 'green' one</p> <p>Increase the use of renewable energies</p> <p>Promote joint research on the local impacts of climate change</p>	Implement fully the EU-Russia energy efficiency initiative
TO MAKE THE BSR A PROSPEROUS PLACE	The main problem is lack of coordination leading to remaining trade barriers or suboptimal use of resources and economic potentials not being realised.	EU-Wide/sub regional with negative effects on the Baltic Sea Region level		See below	See below
To remove hindrances to	Implementation	Internal market EU	no coordination	Aligning	Open up the public

Challenge	Type of problem (Common pool, enforcement etc.)	Level (EU-Wide/Baltic Sea Specific/sub-regional)	Type of governance problem (Non-implementation, non-enforcement, poor coordination, unclear responsibilities, fragmentation of policies)	Baltic Sea Actions	Coordination Actions with respect to EU policies
the internal market in the Baltic Sea Region	failure, effect of other policies (e.g. taxation, transport) market protection (e.g. labour market)	level problem, cooperation between any group of MS possible in implementation of Internal Market	between Member States on implementation of the internal market on goods and capital	implementation of the internal market between implementing bodies in the Baltic Sea to remove internal markets barriers.	sector to competition Remove barriers to the cross-border provision of services Better inform the SMEs and the public and sharing/exchanging competence.
To exploit the full potential of the region in research and innovation	Innovation produces positive externalities, as not all the benefits can be reaped by the agents of innovation, if left to the market, the level of innovation is suboptimal. In addition, systemic failure may be present (i.e. interactions	Research and innovation currently mainly in national and EU policies. Increasing competitiveness by increasing critical mass through cooperation for which generally geographic	lack of capacity to implement innovation gap not addressed in a strategic way no policy level coordination	Establish a common innovation strategy for the region and create pan-Baltic Triple Helix Common use of critical and expensive R&D	Improve the exploitation of research through patents

Challenge	Type of problem (Common pool, enforcement etc.)	Level (EU-Wide/Baltic Sea Specific/sub-regional)	Type of governance problem (Non-implementation, non-enforcement, poor coordination, unclear responsibilities, fragmentation of policies)	Baltic Sea Actions	Coordination Actions with respect to EU policies
	between players is suboptimal for generating or enabling innovation).	proximity is necessary, the substantial gap in innovation performance risks leading to suboptimal use of resources (especially human) at the BSR level. .		and innovation infrastructure	
To promote entrepreneurship and strengthen SMEs, to increase the efficient use of human resources in the region	<p>Positive externalities produced by education to society as a whole.</p> <p>Positive externalities in the joint development of certain sectors like environmental technology and design.</p> <p>No matching between supply and demand of</p>	Promotion of SMEs and entrepreneurship, and increasing the efficient use of human resources is mainly a national and EU priority, cooperation at BSR level mainly limited to exchange of information.	<p>no joint action on matching supply and demand in the labour market</p> <p>no coordination between policies (e.g. education and labour)</p>	<p>Organise labour migration in a more cohesive way</p> <p>Jointly develop sectors where the region has a strong future potential like environmental technology and design</p>	<p>Entrepreneurship training a university level</p> <p>Maximise the positive effects of new rules</p> <p>Secure access to capital for SMEs</p> <p>Exchange experience on creating better framework conditions for SMEs.</p>

Challenge	Type of problem (Common pool, enforcement etc.)	Level (EU-Wide/Baltic Sea Specific/sub-regional)	Type of governance problem (Non-implementation, non-enforcement, poor coordination, unclear responsibilities, fragmentation of policies)	Baltic Sea Actions	Coordination Actions with respect to EU policies
	labour at the Baltic Sea level			Make the BSR a leader in design	Promote trade and attract more investment into the BSR Increase labour mobility Apply mutual recognition of qualifications
To reinforce sustainable agriculture, forestry and fishing	The forests are critical sources of biological diversity and other ecological, environmental and social values. The forests are capable to accumulate large amounts of CO ₂ , and hence to reduce the greenhouse effect.	Agriculture and forestry relevant at national level. Fishery: all countries with a Baltic Sea coastline	BSR level cooperation is not institutionalized	Develop new approaches appropriate to the BSR for sustainable farming and forestry in the Baltic Sea climate and with the special environmental	Enhance the combined effects of the rural development programmes Ensure fast broadband connection for rural areas Develop sustainable

Challenge	Type of problem (Common pool, enforcement etc.)	Level (EU-Wide/Baltic Sea Specific/sub-regional)	Type of governance problem (Non-implementation, non-enforcement, poor coordination, unclear responsibilities, fragmentation of policies)	Baltic Sea Actions	Coordination Actions with respect to EU policies
	<p>Thus, economic, ecological and social optimizing of the forest sector, is urgent for securing long-term sustainability and development.</p> <p>Fisheries: Tragedy of the commons: overcapacity of fleet and not adhering to advice of ICES on total allowable catch. In addition illegal catches indicate enforcement failure.</p>			considerations that need to be observed.	<p>strategies for wood</p> <p>Ensure sustainable fishing</p>
TO MAKE THE BSR AN ACCESSIBLE AND ATTRACTIVE PLACE	The main problems are the energy isolation of the Baltic States and the need to make the transport	Baltic Sea Region specific as accessibility and attractiveness are	There is basic lack of cooperation on these issues. Infrastructure investments are governed largely from	See below	See below

Challenge	Type of problem (Common pool, enforcement etc.)	Level (EU-Wide/Baltic Sea Specific/sub-regional)	Type of governance problem (Non-implementation, non-enforcement, poor coordination, unclear responsibilities, fragmentation of policies)	Baltic Sea Actions	Coordination Actions with respect to EU policies
	infrastructure much more coherent	linked to a territory	national perspectives only. There is fragmentation of effort.		
To improve the access to, efficiency and security of the energy markets	Lack of energy infrastructures Infrastructure not sufficiently interlinked, in particular in the Baltic States which are not properly connected to the rest of the market	Baltic Sea Region specific	TENs are coordinated at policy level but not sufficiently at the level of implementation, EU funding not aligned TENs are of limited scope, and other projects of BSR relevance are not included	Addressing regional connectivity bottlenecks for an integrated and well-functioning internal market for energy Implement internal electricity market roadmap (within BEMIP)	Establish a list of priority projects in the frame of the Baltic Energy Market Interconnection Plan (BEMIP) and review of TEN-E Guidelines. Implement the current TEN-E projects Develop more clean energies
To improve internal and external transport links	This region needs good transport	Baltic Sea Region specific	TENs are coordinated at policy level but not	Coordinate national transport	Use the Northern Dimension

Challenge	Type of problem (Common pool, enforcement etc.)	Level (EU-Wide/Baltic Sea Specific/sub-regional)	Type of governance problem (Non-implementation, non-enforcement, poor coordination, unclear responsibilities, fragmentation of policies)	Baltic Sea Actions	Coordination Actions with respect to EU policies
	<p>systems (periphery, distances are long, climate, sensitive ecosystem...)</p> <p>The region is not sufficiently connected to Russia (Asia) and the rest of Europe</p>		<p>sufficiently at the level of implementation, EU funding not aligned</p> <p>TENs are of limited scope, and other projects of BSR relevance are not included</p>	<p>policies</p> <p>Promote short-sea shipping</p>	<p>Partnership for the relations with Russia (better connections)</p> <p>Implement the TEN-T</p>
To maintain attractiveness of the Baltic Sea Region for its citizens to reinforce attractiveness for tourists	<p>Young educated people leave rural areas and leave the region (the attractiveness is fragile)</p> <p>Tourism opportunities are not fully seized</p>	Baltic Sea Region specific	cooperation is not institutionalized at the level of governments	<p>Highlight sustainable tourism potential</p> <p>Develop a BSR critical mass by networking the tourism industry</p> <p>Network universities and create common curricula</p>	<p>Further increase exchanges of citizens and students</p> <p>Develop people-to-people actions</p>

Challenge	Type of problem (Common pool, enforcement etc.)	Level (EU-Wide/Baltic Sea Specific/sub-regional)	Type of governance problem (Non-implementation, non-enforcement, poor coordination, unclear responsibilities, fragmentation of policies)	Baltic Sea Actions	Coordination Actions with respect to EU policies
To make the BSR a safe and secure place	Improving maritime safety and security and management of hazards posing shared risks: common pool resource Addressing security deficits at borders and transport routes: law enforcement failure	Crime and hazards are complex and of variable impact and spatial scope. Crime and hazards of a certain scope and impact are best managed at BSR level, others at national or EU level.	Poor coordination (many different systems and forums at many levels) and fragmentation of policies (sectoral fragmentation of the disaster and crime management cycles)	See below	See below
To decrease volume of, and harm done by cross border crime	Law enforcement failures at internal and external borders cause security deficits.	Operational cooperation mostly along borders between high and low income countries, but also relating to the region's logistics sector.	sectoral and geographic fragmentation of law enforcement competencies	Follow up and decide about the further integration law enforcement functions and task (BSTF) (in part) Establish joint customs, border, police structures for	(in part) Establish joint customs, border, police structures for operational cooperation

Challenge	Type of problem (Common pool, enforcement etc.)	Level (EU-Wide/Baltic Sea Specific/sub-regional)	Type of governance problem (Non-implementation, non-enforcement, poor coordination, unclear responsibilities, fragmentation of policies)	Baltic Sea Actions	Coordination Actions with respect to EU policies
				operational cooperation	
To become a leading region in maritime safety and security	Pollution of sea: common pool resource	All countries with Baltic Sea coastline	sectoral and geographic fragmentation of competencies	Create a common maritime management system Commonly apply surveillance tools	Ensure the fleet transporting energy products is up to the highest technological standards
To reinforce protection from major emergencies at sea and on land	Pollution of sea and other hazards posing risks to shared infrastructure or environment: common pool resource	Hazards are complex, varying in spatial scope and intensity of impact and thus require a variable disaster cycle management. In some cases BSR level management is the most appropriate. The two main hazards of the BSR are marine	cooperation between agencies involved in response to marine pollution accidents is relatively well advanced but there is scope for strengthening some existing actions.	Implement the work programme of the HELCOM Response Group Set up a winter storms/storm surge platform	Provide and share information on equipment and transport resources

Challenge	Type of problem (Common pool, enforcement etc.)	Level (EU-Wide/Baltic Sea Specific/sub-regional)	Type of governance problem (Non-implementation, non-enforcement, poor coordination, unclear responsibilities, fragmentation of policies)	Baltic Sea Actions	Coordination Actions with respect to EU policies
		pollution accidents and winter storms/storm surges which both often have impacts that require cross border disaster management.			

ANNEX 4 - POLICY SCENARIO IMPACTS

Headline Actions	Main focus	environmental impact	economic impact	social impact
To reduce nutrient inputs to the sea to acceptable levels	-Implementation of the HELCOM Baltic Sea Action plan. - Agree and implement measures to reduce nutrients input (Already existing measures, enforced governance)	+ The coordination of activities will result in an increase in water quality in the Baltic Sea with positive impacts on biodiversity.	+/- Higher water qualities will contribute to the prosperity of dependent sectors such as tourism, fishery and agriculture. Avoidance costs will impose short term costs on sectors and activities where nutrient input is required. Increasing water qualities are likely to increase attractiveness for tourists.	+/- Disparities in environmental standards are likely to be reduced. Increasing opportunity for tourism and fishery as well as investments in clean water will create a basis for sustainable growth. Some measures may result in higher costs to households (e.g. phosphate free detergents) Increasing water qualities are likely to contribute to a higher quality of life.
To preserve biodiversity and natural resources	-Implementation of the HELCOM Baltic Sea Action plan. (Already existing measures, enforced governance)	+ The coordinated preservation of areas of high nature value on land and sea is likely to contribute to stabilising ecosystems in the Baltic Sea. This should be particularly the case should better terrestrial and maritime planning lead to a network of protected areas and ecosystems. Review of catchment of fish will stabilise fish populations, Improved management of non commercial and commercial fish species.	+/- Areas of high nature value and maintaining biodiversity will increase the prosperity of dependent sectors, especially, fishery and tourism in the long term, however, fisheries will incur short term costs. Short term costs may be outweighed by further diversifying regional economies.	+ Increasing biodiversity and better maritime and territorial planning are likely to contribute to a higher quality of life

Headline Actions	Main focus	environmental impact	economic impact	social impact
To reduce the use and impact of hazardous substances	Implementation of the HELCOM Baltic Sea Action plan. Review fishery activities (Already existing measures, enforced governance)	Reduction of input of 9 hazardous substances into the Baltic Sea will have positive impact on health of fish and other species.	+/- Reduction of intake should lead to better reproduction of fish with positive effects on dependent sectors. Food safety of fish increases over the long term with positive effect on fisheries. Short term costs to economic sectors where reduction of emissions is required.	+ Increased food safety
To reduce the pollution from the ships	- Implementation of the HELCOM Baltic Sea Action plan. - Eliminate the discharge of sewage from ships by declaring the Baltic Sea as a special area (joint submission to the IMO). - Launch of a trading system of SO2 and NOx. (some already existing measures, enforced governance)	+ small improvement in air quality and water quality	0 No significant impact on ships. Impact on enhancing sewage reception at ports. Emission trade in NOx, but this is not possible to implement due to high transaction costs.	0 no significant impact, slight improvement in quality of environment.
To adapt to climate change	- increased cooperation and coordination of national research and adaptation measures (new measure)	+ decreases negative effects of natural hazards on ecosystems (e.g. flooding)	+ reduction of overall costs for regional economies of natural hazards + overall security increase	+ possible reduction of costs and increase in security, decrease in personal injuries
To fully implement the Single Market	- facilitating cross border business of SMEs; - enhance coordination and cooperation between national authorities in managing the Single Market. (Mainly already existing	- integration of markets implies more trade, more transport, higher emissions of GHGs and pollutants	+ Differentiated impact across regions depending on competitiveness. Overall increase in efficiency in region. Reduced transaction costs of cross border trade.	+ Differentiated impact across regions depending on competitiveness, overall positive effect from efficiency gain.

Headline Actions	Main focus	environmental impact	economic impact	social impact
	measures, enforced governance)			
To foster innovation and entrepreneurship	<ul style="list-style-type: none"> - foster a common innovation strategy for the region; - reinforce R&D cross-boarder activities (networking, clustering activities, etc) - establishment of a body monitoring national legislation's - impact on entrepreneurship; - introduce tools to facilitate access of SMEs to capital. (partly new measures)	0 no clear impact, unless focus is specifically on environmental innovation	<ul style="list-style-type: none"> + innovation key for moving regional economies up the value added stream, high impact on growth potential. + promotion of SMEs may increase growth potential. 	+ impact on regional growth potential.
To integrate the labour markets and improve education opportunities	<ul style="list-style-type: none"> - foster cross border labour mobility -increase exchange of students - develop joint curricula and share specialised resources (enhancing already existing measures)	0 no clear impact	<ul style="list-style-type: none"> + increasing labour mobility might contribute to growth in receiving regions and enhances the long term growth potential in the BSR via better allocation efficiency. Sending regions might face structural adjustment in the short run to medium run. Overall positive impact from increase in efficiency. + higher education is a factor of sustainable growth potential, well interconnected higher education systems in the BSR might attract students. 	<ul style="list-style-type: none"> + short term increase in disparities between sending and receiving regions. Long term growth potential of the whole BSR increasing. + high education is a factor for long term growth of a region.

Headline Actions	Main focus	environmental impact	economic impact	social impact
To create an integrated energy market	<p>coordination of national energy strategies in a Baltic Sea Energy Strategy; supply agreements with Russia.</p> <ul style="list-style-type: none"> - implement agreed TEN-E projects; - develop the Baltic Sea Energy Market Interconnection Plan - enhance market integration through ongoing work and structures. <p>(Already existing measures, enforced governance)</p>	+ coordination and integration increases potential for integrating renewable energy into the grid.	<p>+ decreased efficiency losses from lack of competition in form of lower prices or reduced need for subsidies</p> <p>+ higher energy security will create sustainable growth potential, mainly in the 3 Baltic States</p> <p>+ impact on energy security</p>	+ energy security is an important aspect for creating growth and competitiveness.
To improve energy efficiency	<ul style="list-style-type: none"> -District heating systems; -close cooperation in implementation of EU Energy Performance in Buildings Directives. <p>(New measures)</p>	+/- CHP Directive, rationality of promoting CHP beyond that is questionable. Promoting energy efficiency in buildings may decrease GHG emissions, however main impact not from cooperation, but from EU Directive.	+ Small impact on energy security	+/- May impact household spending on energy depending on implementation. Energy efficiency in buildings may improve attractiveness, however main impact not from cooperation, but from EU Directive.
To improve custom procedures	<ul style="list-style-type: none"> - monitor Russia's legislative and procedural measures; - facilitate physical cross border crossing. - improve infrastructure of main border crossing points <p>(enhancing already existing measures)</p>	0/- impact on reducing transaction costs of cross border trade increases transport levels	<p>+ facilitating trade and ties will have a positive impact on economic growth.</p> <p>+ higher accessibility of Russian regions.</p>	0 no clear impact

Headline Actions	Main focus	environmental impact	economic impact	social impact
To improve internal and external transport links	<ul style="list-style-type: none"> - implement agreed TEN-T projects; - coordinate national transport strategies. <p>(Already existing measures, enforced governance)</p>	+/- depends on mode of transport	<ul style="list-style-type: none"> + efficient transport is key for interconnecting the markets in the BSR with implications for growth. + efficient transport systems and interconnections will increase accessibility. Careful territorial planning might help to reduce landscape consumption. 	+/- accessibility and efficiency of transport will decrease national disparities in growth, may increase disparities within Member States
To attract tourists	<ul style="list-style-type: none"> - design a tourism strategy for the BSR; - promote networking and clustering. <p>(enhance existing measures)</p>	+ sustainable tourism will lead to a valorisation of areas of high nature value, promoting preservation	<ul style="list-style-type: none"> +sustainable tourism will be an important factor for future growth and diversification of regional economies. +sustainable tourism will require infrastructure that increases attractiveness and accessibility 	+ sustainable tourism is an important factor for diversification of regional economies
To improve cross border law enforcement activities	<ul style="list-style-type: none"> - establish a joint customs border and police procedures for operational matters. <p>(new measure)</p>	0 no clear impact	+ increased security will have positive effects on accessibility and attractiveness.	+ important aspect of increasing safety and security
To improve maritime safety	<ul style="list-style-type: none"> - addressing the fragmentation of surveillance tools - addressing technological standards of the fleet transporting energy products 	+ a decrease in environmental risks due to increase in compliance with rules	+ decreased risk to economic actors overall	+ decreased risk to personal injury

Headline Actions	Main focus	environmental impact	economic impact	social impact
To improve maritime surveillance and accident activities	<ul style="list-style-type: none"> - create a common maritime management system; - commonly applied surveillance tools - develop the work of HELCOM Response Group including intensifying cooperation between offshore and shoreline responses. <p>(Already existing measures, enforced governance)</p>	+ reduction of risks of ship transport for ecosystems	<ul style="list-style-type: none"> ++ maritime management will increase accessibility ++ maritime management will decrease risks of hazard ++ containing accidents reduces costs of accidents 	+ increase in quality of environment increases quality of life

ANNEX 5 - A COMPARISON OF THE GOVERNANCE OPTIONS FOR EACH IDENTIFIED CHALLENGE

Challenge	Governance objectives	No change	No additional structure	Reliance on existing institution	Community approach
Eutrophication	Address institutional weakness to enforce or implement	No change (0)	No change (0)	No change (0)	Improved (+)
	Address lack of capacity to make trade-offs between environmental and economic issues	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
Marine biodiversity	Address lack of capacity to make trade-offs between environmental and economic issues	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
	Address institutional weakness to enforce or implement environmental considerations	No change (0)	No change (0)	No change (0)	Improved (+)
Hazardous substances	Address institutional weakness to enforce or implement	No change (0)	No change (0)	No change (0)	Improved (+)
	Address lack of capacity to make trade-offs between environmental and economic issues	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
Pollution from ships	Address institutional weakness to enforce or implement	No change (0)	No change (0)	No change (0)	Improved (+)
	Address lack of capacity to make trade-offs between environmental and economic issues	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
Climate change	Address lack of coordination with other sectors	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
	Address low level of coordination	No change (0)	No change in governance,	Improved governance,	Improved governance,

Challenge	Governance objectives	No change	No additional structure	Reliance on existing institution	Community approach
			insignificant improvement from existence of integrated strategy (0)	and small improvement from existence of integrated strategy (+)	and improvement from existence of integrated strategy (++)
Internal market and trade with neighbouring countries	Address lack of coordination on some issues of implementation	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
Innovation	Address cooperation and coordination among organizations at the policy level	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
	Address lack of capacity to implement	No change (0)	No change (0)	No change (0)	Improved (+)
Entrepreneurship, SMEs, human resources	Address lack of coordination at policy level between MS in particular in labour market	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
Agriculture, fisheries, forestry	Address lack of coordination between sectoral policies in particular for agriculture and fisheries	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
Energy security, energy market integration and energy efficiency	Address lack of coordination at implementation level of TENS	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
	Address limited scope of existing initiatives	No change (0)	Improvement from existence of integrated strategy (0)	Improvement from existence of integrated strategy (+)	Improvement from existence of integrated strategy (+)
	Address lack of coordination at policy level	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
Internal and external transport links	Address lack of coordination at implementation level	No change (0)	No change in governance, insignificant improvement	Improved governance, and small improvement	Improved governance, and improvement

Challenge	Governance objectives	No change	No additional structure	Reliance on existing institution	Community approach
			from existence of integrated strategy (0)	from existence of integrated strategy (+)	from existence of integrated strategy (++)
	Address limited scope of existing initiatives	No change (0)	Insignificant improvement from existence of integrated strategy (0)	Improvement from existence of integrated strategy (+)	Improvement from existence of integrated strategy (+)
Attractiveness for citizens and tourists	Address lack of coordination between MS	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
Cross-border crime	Address lack of coordination within and between sectors	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
	Address limited scope of existing initiatives	No change (0)	Insignificant improvement from existence of integrated strategy (0)	Improvement from existence of integrated strategy (+)	Improvement from existence of integrated strategy (+)
Maritime safety	Address coordination between sectors and fragmentation of effort	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
Major emergencies at sea and on land	Address lack of cooperation in some areas	No change (0)	No change in governance, insignificant improvement from existence of integrated strategy (0)	Improved governance, and small improvement from existence of integrated strategy (+)	Improved governance, and improvement from existence of integrated strategy (++)
Total		0	0	20+	42+

ANNEX 6 - LIST OF ABBREVIATIONS

AIS	Automatic Identification System
Baltic 21	An Agenda 21 for the Baltic Sea Region
BaltMet Inno	Baltic Metropolises Innovation Strategy Project
BaSIC	Baltic Sea Innovation Network Centres
BASREC	Baltic Sea under Baltic Sea Region Energy Cooperation
BDF	Baltic Development Forum
BEMIP	Baltic Energy Market and Interconnection Plan
BONUS 169	BONUS-169 Joint Baltic Sea Research Programme
BONUS ERA-NET	BONUS for the Baltic Sea Science – Network of Funding Agencies
BSR	Baltic Sea Region
BSR CBP	Capacity Building Programme on Trans-National Cluster and Innovation Systems in the Baltic Sea Region)
BSTF-OC	Task Force on Organised Crime in the Baltic Sea Region
CBSS	Council of the Baltic Sea States
CIS	Community information
EBRD	European
E-BSR	Eastern BSR
EGTC	European Grouping for Territorial Cooperation
EIB	European Investment Bank
EMSA	European Maritime Safety Agency
EUSBSR	EU Strategy for the Baltic Sea Region
GOFREP	Gulf of Finland Reporting System
HELCOM	Helsinki Commission
HELCOM BSAP	HELCOM Baltic Sea Action Plan
IA	Impact Assessment
IBRD	International Bank for Reconstruction and Development
ICES	International Council for the Exploration of the Sea
IGO	Intergovernmental Organization
IMO	International Maritime Organization
JOSEFIN	Joint SME Finance for Innovation)
MRS	Mandatory Reporting Systems
NC	Nordic Council
NCM	Nordic Council of Ministers
ND	Northern Dimension
NDEP	ND Northern Environmental Partnership
NDPHS	Northern Dimension Partnership in Public Health and Social Well Being
NDPTL	Northern Dimension Partnership on Transport and Logistics
NGO	Non-Governmental Organization
NIB	Nordic Investment Bank
NordFrosk	Nordic research board
Nordic OCTA	Nordic Organised Crime Threat Assessment
NORDREGIO	Nordic Centre for Spatial Development
PSSA	particularly sensitive sea area
ROCTA	Russian OCTA
SMEs	Small and Medium Enterprises

SPIN	Sustainable Production through Innovation in Small and Medium sized Enterprises
TEKES	Finnish Funding Agency for Technology and Innovation
TEN	Trans European Network
VASAB	Vision and Strategies around the Baltic Sea
VINNOVA	Swedish Governmental Agency for Innovation Systems
VTS	Vessel Traffic
W-BSR	Western BSR
WGCB	CBSS Working Group on Customs Cooperation and Border Crossing Aspects