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## **PROGRAMMING DEVELOPMENT OF THE BALTIC SEA REGION**

**Abstract:** The evolutionary theories of growth emphasize importance of institutions, learning process and self-reinforcing and spatially differentiated regional processes as key vehicles for growth and increase of regional prosperity. The main aim of this paper is to verify conclusion of those theories with regard to a pan-European macro-region – the Baltic Sea Region. The region is endowed with a dense network of institutions, intergovernmental agreements and co-operation structures. It has its own funding programme for supporting key Baltic projects of the non-investment character. The EU Strategy for the Baltic Sea Region has been also adopted recently. The region benefits from numerous multidisciplinary research. However, according to the recent findings it has been losing its competitive position *vis a vis* other European regions despite strong knowledge base and high quality human capital. The paper presents development of the Baltic Sea Region, the main responsible institutions, key strategic documents and the way how the macro-regional development has been programmed and supported by public bodies. The analysis points out towards a need of a new, more integrated concept of programming macro-regional development under decentralised policy making pattern. Such programming should avoid prevailing nowadays “drop-down menu pattern” but instead should make much broader use of the instruments of: *ex-ante* conditionality, contractual agreements and establishment of developmental targets. Also the postulated by Barca dialogue between exogenous and endogenous forces is a key prerequisite for successful programming of macro-regional development.

**Key words:** Baltic Sea Region, transnational integration, programming development, macro-region.

### **Introduction**

The evolutionary theories of growth emphasize importance of institutions, learning process and self-reinforcing and spatially differentiated regional processes as key vehicles for growth and increase of regional prosperity. The main aim of this paper is to use those theories for examining the process of programming development of the Baltic Sea Region (BSR). The main research questions are following:

- a) what are the main problems and shortcomings in programming development of the BSR,
- b) how the recent theoretical findings on the programming of development should influence the BSR case,
- c) what type of new programming instruments are necessary in order to enhance the BSR development.

## 1. Baltic Sea Region

There is no commonly accepted definition of the Baltic Sea Region. However, the consensus is that Lithuania, Latvia, Estonia, Denmark, Sweden and Finland belongs to the BSR. Sometimes entire Poland and sometimes only its northern three regions are considered as the BSR component. More complicated is case of Russia and Germany. Usually only north-west part of Russia (Kaliningrad, Pskov, Novgorod, Leningrad and sometimes also Murmansk regions plus St. Petersburg and Karelia) and the northern part of Germany (Mecklenburg-Vorpommern and Schleswig-Holstein but sometimes also Hamburg and Berlin) are counted. In some BSR co-operation networks also Iceland and Belarus participate [*cf.* Palmowski 2000; Zaucha 2007]. Therefore the practical delimitation of the BSR is based on functional relations, intensity of co-operation and interactions and depends on the nature of the problems that requires joint transnational actions, Also political will and ad hoc administrative decisions matters a lot.

For instance Ketels [2011] defines the BSR as including “the Baltic countries (Estonia, Latvia, and Lithuania), the Nordic countries (Denmark, Finland, Iceland, Norway, and Sweden), northern Germany (Hansestadt Hamburg, Mecklenburg-Vorpommern, and Schleswig-Holstein), northern Poland (Pomorskie, Warmińsko-Mazurskie, and Zachodnio-Pomorskie), and most parts of Russia’s Northwestern Federal District (excluding the four regions least connected to the Baltic Sea Region: the Republic of Komi, Arkhangelskaya oblast, Nenetsky AO, and Vologodskaya oblast)”. He follows more or less the definition of the BSR adopted by the Council of the Baltic Sea States, while for restricting Baltic part of Poland, Russia and Germany he also makes use of experience of several intergovernmental co-operation networks such as VASAB or the Baltic Sea Region Transnational programme 2007-2013.

As Pointed out by Zaucha [2009] several criteria have been used for delimitation of the BSR such as: natural criteria (*e.g.* catchment area), socioeconomic criteria (*e.g.* intensity of trade or migration), administrative or political criteria (*e.g.* participation in the work of Baltic organisations), spatial criteria (*e.g.* bordering the same sea or city networks) and finally cultural, historical, ethnic criteria (*e.g.* self-determination, common culture or values *etc.*). Despite all those different approaches the BSR is regarded as the well established functional macro-region unified by unique historical

experience and dense co-operation network. As noticed by Scott [1998, p. 75] “the increased multidimensionality in the means and ways international relations are being conducted has prompted some observers to speak of a new regionalism. It implies the evolution of a self-defined community of interests that encourages open debate in the solution of complex regional problems”. Baltic Sea Region can be considered as a place of origin of this new regionalism. Its key feature is existence of horizontal network type of relations between various actors and stakeholders.

The BSR as defined by Ketels [2011] is inhabited by 57.4 million citizens, and produces GDP (PPP adjusted) above €1,300 billion that constitutes 11% of the EU-27 economy. „Nordic countries account for 62% of the total (7% less when including only the Norwegian mainland economy), Northern Germany and Northwestern Russia account for roughly 13% each and the Baltics contribute close to 6.5% and Northern Poland the remaining 5%.” [Ketels 2011]. However, economic links are not considered as a key factor for the formation of the BSR as a functional entity. The external trade and FDI connections are stronger than internal ones. This is true, in particular, about Russia, Poland and Germany [Peschel 1998, p. 33]. Therefore it had been, to a large extent, the political will that has led to transformation of the Baltic Sea Region concept into an element of actual reality in the 1990s. Important driving forces behind those political decisions can be also cultural self-identification and joint historical experience (*e.g.* creation of the Hanseatic League in the medieval ages or the Scandinavian co-operation, so intensely pursued in the 20<sup>th</sup> century) and the environmental concerns related to the state of the Baltic Sea waters and natural resources.

## 2. Baltic Sea Region co-operation

Contemporary integration of the Baltic Sea Region has its firm and impressive tradition. It has originated from the Nordic integration *i.e.* close co-operation of Scandinavian countries in 50. resulting in establishment of the right to settle in other Nordic countries and passport-free travel, the joint Nordic labour market and close collaboration of Nordic parliaments and Nordic governments. The Nordic countries pushed forward the concept of Baltic Sea Region in the 90s. after the fall of the iron curtain *e.g.* by supporting it by several analytical studies covering all Baltic Sea Region countries [*EuroFutures* 1994; Kukk *et al.* 1992; *Statistiska Centralbyran* 1993].

Over the 1990., Baltic co-operation has tightened considerably, and at various levels: central government, ministerial, local government, scientific and culture oriented organisations. A network of co-operation has been created among others by the following institutions and organisations: the Parliamentary Conference for Co-operation in the Baltic Region, the Baltic Sea States Subregional Conference, Baltic Sea Commission of CPMR, the Union of the Baltic Cities. The contacts between various authorities have been supplemented by the activity of non-governmental or-

ganisations, the most important of which include: the Association of Baltic Chambers of Commerce, Baltic Tourism Commission, Baltic 7 Islands, Baltic University, Social Hansa, Baltic Musical Network, Baltic Media Centre, Youth Office, Coalition for a Clean Baltic, Baltic Ports Organisation, Association of Museums and Castles around the Baltic, and many others. An umbrella organisation for the Baltic co-operation is the Council of the Baltic Sea States, established in 1992 and working via biannual meetings of the Baltic Prime Ministers and Ministers of Foreign Affairs and some permanent expert groups. Sectoral minister work together in the framework of different conventions and agreements. The first Baltic wide ministerial network was established by ministers for environment. In 1974 all the sources of pollution around an entire sea were made subject to a single convention, signed by the then seven Baltic coastal states known as the Helsinki Convention served by permanent governing body called Helsinki Commission or HELCOM. In 1992 ministers for spatial planning formed their co-operation network called Vision and Strategies around the Baltic Sea – VASAB 2010 [Zaucha 1997]. Four years later the Baltic Agenda 21 (first transnational Agenda 21 worldwide) was launched – a programme of balanced development in the fields of agriculture, power generation/transmission, fisheries, health care, industry, tourism and transport. All those networks prepared different type of strategies covering entire Baltic Sea Region. For instance VASAB strategy was adopted in 1995 and renewed in 2009, The Baltic 21 Agenda in 1996 and the HELCOM strategy (Baltic Sea Action Plan – an ambitious programme to restore the good ecological status of the Baltic marine environment by 2021) in 2007. Due to phenomenon of Baltic integration transfer of the concept of geo-governance (combination of international activities of national local and regional governments and NGOs) from Asian to European grounds was also feasible [Scott 1999].

According to Shore [1996] this unique type of development of the Baltic Sea Region resulted in re-discovery of this part of Europe by the European Commission in its attempt to deepen the European integration. In late 90. the BSR started to become considered as an distinctive macro-region in Europe. Samecki [2009] defines macro-region as “an area including territory from a number of different countries or regions associated with one or more common features or challenges. This carries no implication of scale: however, in an EU context a macro-region will involve several regions in several countries but the number of Member States should be significantly fewer than in the Union as a whole”. The Baltic Sea Region was among seven European macro-regions for which transnational co-operation programmers were established (starting from INTERREG II C in 1997). The current Baltic Sea Region Programme 2007-2013 was granted with €208 million from European Regional Development Fund, € 8.8 million from European Neighbourhood and Partnership Instrument and another € 6 million from Norwegian national funding. This budget (€ 222.8 million) has been almost entirely allocated by mid 2012 to support 73 joint transnational usually non –investment (soft) projects in fields of: fostering innovations, improving internal and

external accessibility, managing Baltic Sea as a common resource, creating attractive & competitive cities and region.

### 3. The European Union Strategy for the Baltic Sea Region

The BSR has become the first macro region in EU with its own comprehensive developmental strategy. In 2007 the European Council in its Presidency Conclusions invited the Commission to prepare the European Union strategy for the Baltic Sea Region. One of the key reasons has been insufficient progress of the BSR integration perceived by all BSR stakeholders despite all aforementioned initiatives, networks and programmes. Disintegration of different policies were frequently mentioned among the reasons for the lack of progress. Therefore the necessity of a long-term strategy for building the region, integrating different sectors and some horizontal actions and setting tasks in stages and specific goals, has been noticed. Among the other reasons behind preparation of the macroregional strategy one can also identify new political context for co-operation (e.g. EU enlargement) worsening of the state of the Baltic sea environment, lack of strategic use of EU-funding allocated to the BSR and unused potential for growth.

The European Union Strategy for the Baltic Sea Region (EUSBSR) was ready in 2009 and adopted by the European Commission in June 2009, and endorsed by the European Council in October 2009 [CEC 2009b]. Its main goal is to develop the entire BSR to a globally leading region. This is an important task having in mind the region's heterogeneity (e.g. coexistence of the most affluent and the least developed EU regions in terms of GDP *per capita*) and its environmental problems (pollution of the Baltic Sea). The strategy covers, stimulates and co-ordinates actions by member states, regions, the EU, pan-Baltic organisations, financing institutions and non-governmental bodies active in the Baltic Sea Region. The strategy tackles the problems that cannot be solved on a national level but for which the EU level is too high to be efficient according to subsidiarity principle (e.g. eutrophication, overfishing, climate change, energy dependency and energy grids, accessibility, cross-border crime adaptation to effects of extreme weather events and safety at sea including reduction of the risk of oil spills).

The strategy proposes (four overall strategic objectives for the further integrated development of the BSR:

- the enhanced environmental sustainability of the Baltic Sea Region;
- turning Baltic Sea Region into a prosperous place;
- increased accessibility and attractiveness of the Baltic Sea Region;
- greater safety and security of the Baltic Sea Region.

The Strategy is complemented by the action plan presenting an indicative set of priority areas under each pillar. The Action Plan [CEC 2009a] comprises of fifteen pri-

riority areas which represent the main areas where the EU Strategy for the Baltic Sea Region can contribute to improvements (either through tackling the main challenges or through seizing the main opportunities). Co-ordination of each priority area is allocated to a member state who would work on its implementation with all stakeholders involved, especially other member states, but also regional and local authorities, inter-governmental and non-governmental bodies. The priority areas are implemented through detailed actions. Some actions are strategic for the Baltic Sea Region as they are designed to address specific and important issues for its regions, citizens and enterprises. Others are co-operative, meaning they are based on the benefits in improving co-operation on issues where member states and stakeholders are ready to do so. In some cases, actions require a change in the policy orientation or (rarely) national legislation of the member states in the Baltic Sea Region. In others, they require financing which could be provided by private or existing public funding (EU, national, regional or local funds). However no specific funds have been allocated for the strategy implementation in the EU budget<sup>1</sup>. In addition to that also, examples of flagship projects *i.e.* projects with high significance are presented. Table 1 depicts the structure of the Action Plan.

On top of that strategy contains nine so called horizontal *i.e.* cross-cutting action. As indicated by the EU Commission [CEC 2009b] they are fundamental to the entire strategy. These include research, maritime issues, spatial planning, implementation of the EU legislation, co-ordination of EU funding and strengthening of the Baltic identity.

The overall co-ordination of the Strategy implementation has been assigned to the EU Commission with supportive role of European Council responsible for periodical reviews (last review in 2011 under Polish Presidency). Commission is responsible for co-ordination monitoring, reporting, facilitation of the implementation and follow-up. However key role in the strategy implementation is played by the BSR

Table 1

The structure of the Action Plan of the EU Strategy for the Baltic Sea Region

Pillar	Priorities	Strategic actions	Co-operative actions	Flagship Projects
Environmentally sustainable Region	5	7	8	19
Prosperous Region	4	13	11	26
Accessible and attractive Region	3	2	16	19
Safe and secure Region	3	5	4	14
Total	15	27	39	78

Source: Own elaboration.

<sup>1</sup> The strategy will not involve additional EU funding or require new EU legislation. This is because it is essential to ensure that available resources are used in the most effective way before employing new funds.

stakeholders. The High Level Group, composed of representatives of National Co-ordinators, supports the EU Commission in its co-ordinative efforts. Implementation on the ground has been assigned to individual euro-regions, regions, counties and cities and pan-Baltic organizations that are responsible for the flagship projects and by that also for strategic and co-operative actions, horizontal actions. All these is harmonized by Priority Area Co-ordinators (typically national ministries, agencies or regions) responsible for each major area of the Action Plan. National Co-ordinators should ensure coherence between the different players within each national administration. In order to maintain the high level of involvement of all the stakeholders in the region, an annual forum have been organised (first in Tallinn in 2010) to bring together stakeholders concerned with different aspects of the strategy, including those from interested third countries, to review and discuss the progress of the strategy and to make recommendations on implementation.

#### 4. Specificity of the BSR programming

As described above programming development in the BSR has a longstanding and very rich tradition. The development has been programmed through usually loosely co-ordinated efforts of numerous BSR stakeholders both from public and non-governmental sphere. The BSR can be seen as an example of intensive, decentralised programming, based on voluntary efforts, enthusiasm of the leaders, openness to new ideas and concepts but limited resources and lack of (or insufficient) legal regime. The most typical instruments used were: different types of visions, strategic documents, action plans, matchmaking efforts, meeting, debates, information exchange and joint lobbying towards EU bodies. Some of those efforts were pretty successful *e.g.* establishment of the transnational Baltic Sea Region Programme funded by EU. The strong feature of such a programming effort is creation of a dense network of institutions, intergovernmental agreements and co-operation structures, fostering enthusiasm towards the BSR co-operation, capacity building and creation of a genuine BSR human capital. Such programming also diminish the intensity of conflicts, although it does not prevent the projects negatively assessed by important BSR stakeholders and decision-makers (*e.g.* Nord Stream). However the main weakness of such type of programming is in lack of critical mass for intervention. Small progress is achieved everywhere but the real break-through and addressing key problems may suffer out of that. Some interventions may contradict each other, some others might lack synergy. Such programming results in very limited number of tangible outcomes in terms of deepening of the Baltic Sea integration and formation of the Baltic Sea functional region. For instance after ten years of meetings and debates some flag projects of the Baltic Sea integration remained still in its initial or preparatory phase to mention only here the Baltic Rail, or the Baltic ring of energy transmission network even not speak-

ing about integration of the Kaliningrad exclave. As pointed out by Lindholm [2009, p. 104] “actors in the Region have found it hard to progress as much as expected in their work together, to take advantage of the new opportunities (e.g. single market) and adequately address the challenges”. Also Ketels [2009, p. 113] argues that in the Baltic Sea Region “beyond individual efforts, there is no organized overall prioritization and co-ordination among them. This leads to concerns about a lack of focus on the most critical issues and the danger of some efforts working at cross-purposes”.

The EUSBSR, seen as a remedy to those problems, has paved the way for a macro-regional programming within EU. As pointed out by Held [2011] the added value of macroregional approach is in:

- territorial starting point – an EU policy development process,
- stakeholder process and the multi-level governance ambitions,
- commitment from national and regional level,
- co-ordinated use of EU funding and structured co-operation with EIB *etc.*,
- transnational methods of work in *i.e.* innovation and clustering, infrastructure, land and maritime spatial planning.

However, this new and improved programming pattern seems to suffer from very similar problems as its predecessors. The main weakness of the Strategy is lack of focus. The reason was that Commission limited its efforts to technical drafting of the document being prompted by wishes of stakeholders and national governments. As the result the Strategy did not bring any new focus to the stagnant Baltic Sea Region co-operation [for details see Schymik, Krumej 2009, p. 16]. It is too complex to become fully implementable. In fact the EUSBSR is an inventory of all possible efforts benefiting Baltic Sea Region. Antola [2009, p. 36] names such a strategy a Christmas Tree Strategy. It contains numerous hardly related project and actions many of which would be implemented without the EUSBSR anyway. The EUSBSR has failed to identify key priorities or the most promising developmental engines for the Baltic Sea Region.

The second important drawback is that the EUSBSR does not propose any new solutions. Ketels [2009, p. 112] properly has pointed out that “the projects suggested, are, to an overwhelming degree, the logical continuation of efforts that have already been under way. So if there is a hope that the EU Baltic Sea Region Strategy will lead to a significant change in the Region, it will not be”.

The third shortcoming is that the Strategy puts insufficient attention to the policy integration. This is a specific task of public authorities. Such task will require sound concept instead of money allocation and hard investments. But those type of efforts have been mainly channelled towards nature protection with only few cases under socio-economic development. An example of such an opportunity is an idea (tackled in the Strategy) of turning the Baltic Sea Region into real single market area with true and unrestricted freedom to provide cross border services.

The fourth weakness is in the structure of the Action Plan itself. Despite ambitions to integrate different processes in the Baltic Sea Region the EUSBSR remained

a rather sectoral oriented document creating insufficient mechanisms for cross sectoral integration. The attention paid to cross-cutting tools and instruments such as spatial planning, education, innovations is low.

The fifth shortcoming is related to the governance field. Implementation of the Strategy is dependent on ambitions, commitment, good will and resources of different public authorities. Reading first report from implementation of the Strategy [CEC 2011] one might gain an impressions that the focus is in reporting inputs and outputs (projects launched or started) instead of genuine results. Only recently the work on Strategy targets has been started (due to influence of the Polish presidency of the EU Council) while they are among key preconditions in terms of application of the Open Method of Co-ordination for the Strategy implementation. Ketels [2009, p. 13] argues that weak implementation is the result of “the Commission’s limited mandate that was charged not to create new institutional structures, and was not in a position to define a comprehensive topdown strategy that others in the Region would be obliged to take as their orientation”. He points out negative consequences of the lack of “mechanism to evaluate all potential projects and activities according to one central benchmark in order to decide what to do and what not to... and lack of structure to align activities by the EU, the member states, and regional/local authorities, or to identify the different roles that these levels of government should play”. Also Bengtsson [2012] underlines that the Commission has “been unwilling to take on a strategic leadership role in the sense of making decisive priorities among issues and actors, instead promoting an all-encompassing approach to allow the strategy to grow organically from within the region”. Broad regional ownership of the Strategy means lack of responsibility and motivation to act.

Finally Held [2011, pp. 23-24] notes that relations between the actors are quite complicated and communication channels are not that transparent, mostly due to the three layers of co-ordinators and international co-operation required at each co-operation level. The result of all those weaknesses is disappointment of the stakeholders. For instance the first Annual Forum of the EU Strategy for the Baltic Sea Region in Tallinn in October 2010 was attended by more than 500 engaged people but the private sector was not present. This can indicate lack of believe that the Strategy can influence processes of the real sphere. Limited involvement of the private sector phase out the Strategy from the modern thinking on regional development of which public private partnership is a key feature [cf. Szlachta 2009, p. 165]. As noted by Held [2011, p. 24] most of the involvement so far “comes from Ministries involved in Structural Funds implementation. Not much is coming from those, which could also contribute with their national competences and resources”. Bengtsson [2012] is even more pessimistic by concluding that “two and a half years after the decision to launch the EU strategy for the Baltic Sea Region the strategy has largely moved out of the political limelight as a new model for sub-regional co-operation, instead taking on a technical posture about implementation of concrete projects”. He points out toward lack of sufficient political commitment for the Strategy implementation.

## 5. Possible ways out

Evolutionary economics combines findings of institutional economics, behavioural economics, and the economics of public choice. The evolutionary theories of growth emphasize importance of institutions, learning process and self-reinforcing and spatially differentiated regional processes as key vehicles for growth and increase of regional prosperity [Seravalli 2009]. Economic performance is seen in terms of the rate and nature of progress [Nelson 2007, p. 3] rather than reaching an equilibrium level. Those theories underscore the importance of stakeholders and relations between them. Under neo-classical paradigm actors face given and predictable set of choices whereas evolutionary economists assume that participants of the „development” game have no chance to understand fully the context in which they are operating, so they have to decide under high level of uncertainty [Nelson 2007, p. 2]. In such a case development is conditioned by the past experience of co-operation between actors, their ability to learn, level of trust and right mechanisms for correcting past errors. Quality of institutions is a key factor for development. Institutions are understood broadly as both the rules of the game or regimes in human interaction [North 2005] and organisations [Scott 2001].

The BSR is an ideal testing ground for evolutionary theories since development of the region is more institutional and less resource driven. The lesson from the evolutionary theories for the BSR development is that the quality of the interaction matters, ability to learn and adjust is of a key importance and that there is a need of lowering transaction costs, as well as counteracting “free riding” and “rent seeking” behaviours.

One of the most interesting models developed recently by the evolutionary economics that explains development mechanisms under high level of complexity and uncertainty is the place-based concept of Barca [2009]. Barca [2011] assumes that development requires not only active institutions (as we have in the BSR) but also proper interactions between them based around public investments tailored to the context through the interaction of agents endogenous and exogenous to the given place. The key novelty of this approach is a mechanism that helps to avoid “rent seeking behaviour” of local or regional elites, which confronts local “good” with the national, European and the Baltic ones. The programming process in the BSR has already demonstrated many important elements of the “place based approach” *e.g.*:

- the presence of the process for producing knowledge necessary to tailor institutions and investments to the context,
  - integrated way of designing institutions and investments,
- but the EUSBSR lacks vertical mechanism of strategic debate.

This syndrome has been already described as an “Christmas tree” or “drop-down-menu” programming. The reason is lack of authority responsible for the BSR development as a such and prevalence of national or sometimes local but hardly Baltic perspectives in day to day decisions about allocation of developmental resources. The result is that Baltic positive externalities cannot be internalised directly by the prin-

cial agents responsible for policy making. In fact there is no any arbitration process between local, national and Baltic benefits and costs. But this situation cannot be easily changed by creation of new institutions and bodies or strengthening mandate of the existing one. Macro-regional level of programming, seems have to remain decentralised and based on voluntary efforts. Therefore programming of the macro-regions requires different instruments than programming of the national subregions or the EU as a whole. Key prerequisite for success of programming of macro-regional development is proper installation of the vertical and horizontal co-ordination process among policies, projects programmes and stakeholders.

Those analysis points out towards the need of adjustment the existing bottom-up programming of the BSR development. Postulated by Barca dialogue between exogenous and endogenous forces is a key prerequisite for successful programming of macro-regional development. Establishment of targets is a right move towards this direction. Such targets can foster a dialogue on synergies and tradeoffs between local, national and Baltic objectives and preferences. Targets can limit too broad menu of priorities and will offer possibility of staging the developmental actions. One can easily imagine that top priority can be only given to two or three issues requiring genuine BSR co-operation and important for all countries such as innovation divide, ecosystem services of the Baltic Sea and/or implementation of all freedoms related to the single market (*e.g.* implementation of the service directive or creation of joint labour market). In all those cases the BSR can be an EU forerunner and model macro-region. However, targets can offer only limited progress. Their introduction would enable the application of an open method of co-ordination which, as we know, is commonly considered as of limited effectiveness. Therefore the future programming should also make much broader use of the instruments of: *ex-ante* conditionality, policy territorialisation and contractual agreements. In practice this means the following:

- The EU Commission should introduce the EUSBSR to the Development and Investment Partnership Contracts to be concluded with the BSR member states. By that one can ensure missing political commitment, clear division of labour between countries and use of national funding for implementation of the priorities of the Strategy.
- The implementation of the Strategy should have more integrative character. As pointed out by Held [2011, p. 24] the “implementation of common activities should be based on an integrated approach, *i.e.* co-ordinated and complementary actions on the economic and social spheres, taking into consideration all EU and national community policies”. For the sake of integration of the dispersed and sector oriented actions of the Strategy an instrument of territorial impact assessment using *e.g.* territorial keys proposed by Bohme *et al.* [2011] should be considered. Alternatively a separate Baltic assessments should be developed for evaluation of EU policies, national strategies and operational programmes and their contribution to the EUSBSR progress. This would enable at least monitoring the extent to which the projects and

actions undertaken in different countries contradict or reinforce each other. Integration can be also enhanced by agreement on relevant cross-sectoral joint targets that should be used for evaluation and monitoring of the Strategy.

- Thirdly the tools of conditionality should be used. This means in practice that the condition of EU funding release in some cases should be existence of relevant pan-Baltic agreements and convention. *E.g.* EU and national public funds will support research on use of the BSR resources under the condition of the existence of proper maritime spatial planning regulations in each countries and relevant co-operation agreements between the BSR countries. Or the voluntarily agreement of the BSR governments on the creation of the BSR as phosphorus free region can be condition for unleashing funds on capacity building or awareness rising actions in this field. Such conditionality would create incentives for proper vertical and horizontal co-ordination.
- Fourthly all relevant stakeholders including also business should be bring into the strategy implementation. This can be done on the basis of long term agreements and contracts between the BSR government and the private sector representatives. Baltic Development Forum can be used for that purpose.

One should also note that a lot has been done in order to improve the BSR programming in the recent years. The work on targets and alignment of funds has been started recently. Also strengthening the role and position of Priority Area Co-ordinators and interservice co-operation between relevant DGs in European Commission has been considered. Innovative approaches to funding has been introduced and the efforts to make strategy more visible have been initiated. However, in a long run the EUSBSR needs a serious reformulation to shift its focus from sectoral priorities to challenges and problems. Sectoral actions should only contribute to alleviation of key problems or addressing key challenges and should not be treated as a secondary goals or priorities of the Strategy. Therefore the BSR programming has still a long way to come but as underlined by Ketels [2009] macro-regional approach does not solve all problems automatically rather it creates opportunities to that end.

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